

ROBERTA M. CORREA
MAYOR - COMMISSIONER

ANNIE H. DAVIS
COMMISSIONER

JUSTIN R. CAMPBELL, SR.
COMMISSIONER

WILL JONES
COMMISSIONER

RUFUS J. BOROM
COMMISSIONER

CYNTHIA W. CURRY
INTERIM CITY MANAGER

JANE WEST, ESQ.
CITY ATTORNEY

KAREN HAYES, MMC, FCPC
CITY CLERK

JASON L. SHAW, SR
CHIEF, POLICE DEPT

CHRIS TAYLOR
CHIEF, FIRE DEPT

CHANTEL PIERRE, CPA
FINANCE DIRECTOR



AGENDA
CITY COMMISSION MEETING
June 29, 2026 at 5:00 PM

1. CALL TO ORDER

- a. Invocation
- b. Pledge of Allegiance
- c. Roll Call

2. PUBLIC COMMENTS

- a. **Public Comments** - (Speakers limited to three minutes - no action taken on items)
- b. **Commission and Staff Response**

3. REGULAR BUSINESS

- a. Annual Financial Report for the year ended Sept. 30, 2025
- b. PowerPoint for the Annual Financial Report for the year ended Sept. 30, 2025

4. COMMISSIONER COMMENTS

5. ADJOURN

Upcoming Events	Board Vacancies Board of Zoning Appeals - 3 vacancies
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STAFF REPORT

DATE: June 29, 2026
TO: City of Palatka City Commission
FROM: City Staff

APPLICATION REQUEST

BACKGROUND

The City's independent auditor, HCT Certified Public Accountants and Consultants, LLC, has completed the audit of the City of Palatka's financial statements for the fiscal year ended September 30, 2025, including the primary government and its component units (the Community Redevelopment Agency and the Palatka Gas Authority). The audit resulted in an unmodified ("clean") opinion. The Annual Financial Report, the Independent Auditor's Reports, and the Management Letter are presented for the Commission's acceptance.

PROJECT ANALYSIS

N/A

Staff Recommendation

Accept the City's FY2025 Annual Financial Report, the Independent Auditor's Reports, and the Management Letter for the fiscal year ended September 30, 2025, as presented by the City's independent auditor.

ATTACHMENTS

1.	CITY OF PALATKA FLORIDA -FY2025 Annual Financial Report
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CITY OF PALATKA, FLORIDA

**Annual Financial Report
For the Year Ended September 30, 2025**

DRAFT-FINAL

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List of Elected and Appointed Officials

Roberta M. Correa, Mayor - Commissioner

Anne Henderson Davis, Commissioner

Justin R. Campbell, SR, Commissioner

Will Jones, Commissioner

Rufus J. Borom, Commissioner

Chief Jason L. Shaw, SR
Acting City Manager

Karen Hayes, MMC, FCPC
City Clerk

Chantel Pierre, CPA
Finance Director

Greta M. Hall
Public Information Officer

David Bumgarner
Project Manager

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Commission of
City of Palatka, Florida

Report on the Audit of the Financial Statements***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information of the City of Palatka, Florida (the "City") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information of the City of Palatka, Florida, as of September 30, 2025, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("Government Auditing Standards"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

West Palm Beach
Phone (561) 655-2664

Miami
Phone (305) 331-8768

Hollywood
Phone (954) 966-4435

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 5–17 and 18–28 be presented to supplement the basic financial statements. Such information is the

responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida

June 29, 2026

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City of Palatka, Florida
Management's Discussion and Analysis
September 30, 2025

As management of the City of Palatka, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025.

Financial Highlights

- The net position of the City at the close of the fiscal year was \$91,116,856. The total unrestricted net position of the City ended the fiscal year at a positive \$6,776,710.
- The City's total net position decreased by \$592,344. Governmental net position increased by \$1,303,980 or 4.00% and the Enterprise funds net position decreased by \$1,896,318 or 3.22%.
- The total net position of each Enterprise fund was: Water \$33,842,808, Sanitation \$3,394,497, Golf Course \$1,151,542, and Airport \$19,127,344.
- As of September 30, 2025, the City's governmental funds reported combined ending fund balances of \$8,586,170, a decrease of \$2,082,939 or 19.52%.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$4,339,458 or 24.36% of total General Fund expenditures. Downtown Redevelopment Agency fund balance was \$3,121,420. Better Place Plan fund balance was \$159,366. Special Revenues fund balance was a deficit of (\$4,881).
- Net positions of the General, Police Officers', and Firefighters' Pension Trust Funds changed are \$24,964,218, \$15,025,403, and \$12,443,033 respectively.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City of Palatka's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. The City has deferred outflows or deferred inflows that are pension related in the government-wide statements. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

City of Palatka, Florida
Management's Discussion and Analysis (Continued)
September 30, 2025

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes and earned but unused vacation leave).

The *Government-wide Financial Statements* distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets and drainage, economic development and culture and recreation. The business type activities of the City include the utility (water and wastewater), the airport, the golf course, sanitation, and the component unit, the gas authority.

The government-wide financial statements include not only the City of Palatka, but also the Palatka Gas Authority, an independent component unit of the City. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 18 and 19 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Palatka can be divided into three categories: governmental funds, proprietary fund, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

City of Palatka, Florida
Management's Discussion and Analysis (Continued)
September 30, 2025

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, the Downtown Redevelopment Agency fund, the Better Place Plan fund, and the Special Revenues fund, which are considered major funds.

The City adopts an annual appropriated budget for each governmental fund. Budgetary comparison schedules have been provided for the General fund, the Downtown Redevelopment Agency and the Special Revenue fund in the required supplementary information section and for the Better Place Plan fund in the supplementary information section.

The basic governmental fund financial statements can be found on pages 20-23 of this report.

Proprietary Funds

The City maintains several enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Golf Course, Airport, and Sanitation operations, as does the independent Component Unit Gas Authority.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the funds listed above, all of which are considered to be major funds of the City.

The proprietary fund financial statements can be found on pages 24–26 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-65 of this report.

City of Palatka, Florida
Management's Discussion and Analysis (Continued)
September 30, 2025

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning budgetary comparisons and the City's net liabilities, contributions and investment returns relating to its pension plans and the City's total liability for other postemployment benefits (OPEB) to its employees. Required supplementary information can be found on pages 73-82 of this report.

Supplementary information can be found beginning on page 84 of this report.

Government-wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$91,116,856 at the close of the most recent fiscal year. There were deferred outflows of resources of \$2,889,381 and deferred inflows of resources of \$3,193,007.

The majority of the City's net position rests in its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire these assets that is still outstanding. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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City of Palatka, Florida
Management's Discussion and Analysis (Continued)
September 30, 2025

City of Palatka
Summary of Net Position
September 30, 2025 and 2024

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets:						
Current and other assets	\$ 10,967,511	\$ 12,983,723	\$ 12,577,649	\$ 14,192,516	23,545,160	27,176,239
Capital assets	33,621,540	27,760,611	71,510,879	68,204,935	105,132,419	95,965,546
Total assets	44,589,051	40,744,334	84,088,528	82,397,451	128,677,579	123,141,785
Deferred outflows of resources:						
Pension related items	591,395	2,048,215	397,908	655,101	989,303	2,703,316
OPEB related items	-	34,196	-	18,592	-	52,788
Debt Retirement	1,900,078	1,900,079	-	-	1,900,078	1,900,079
Total deferred outflows of resources	2,491,473	3,982,490	397,908	673,693	2,889,381	4,656,183
Total assets and deferred outflows of resources	\$ 47,080,524	\$ 44,726,824	\$ 84,486,436	\$ 83,071,144	\$ 131,566,961	\$ 127,797,968
Liabilities:						
Current and other liabilities	2,287,342	2,314,615	1,708,187	1,694,433	3,995,529	4,009,048
Long-term liabilities outstanding	8,935,753	9,296,229	24,325,815	22,342,370	33,261,568	31,638,599
Total liabilities	11,223,095	11,610,844	26,034,002	24,036,803	37,257,097	35,647,647
Deferred inflows of resources:						
Pension related items	1,564,235	194,543	1,043,097	62,222	2,607,332	256,765
OPEB related items	178,452	110,675	87,783	60,175	266,235	170,850
Other items	-	-	319,440	13,506	319,440	13,506
Total deferred inflows of resources	1,742,687	305,218	1,450,320	135,903	3,193,007	441,121
Net position:						
Invested in capital assets	29,217,787	25,054,992	51,508,306	47,862,365	80,726,093	72,917,357
Restricted items	3,605,957	4,059,441	8,095	8,095	3,614,052	4,067,536
Unrestricted	1,290,998	3,696,329	5,485,713	11,027,978	6,776,711	14,724,307
Total net position	34,114,742	32,810,762	57,002,114	58,898,438	91,116,856	91,709,200
Total liabilities and deferred inflows of resources and net position	47,080,524	44,726,824	84,486,436	83,071,144	131,566,961	127,797,968

An additional portion of the City's net position \$3,614,053 or 3.97% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a positive amount of \$6,776,710.

Change in Net Position

The City's total net position decreased by \$592,344 over the previous year as a result of an increase of \$1,303,980 from governmental activities and a decrease of \$1,896,318 from business-type activities.

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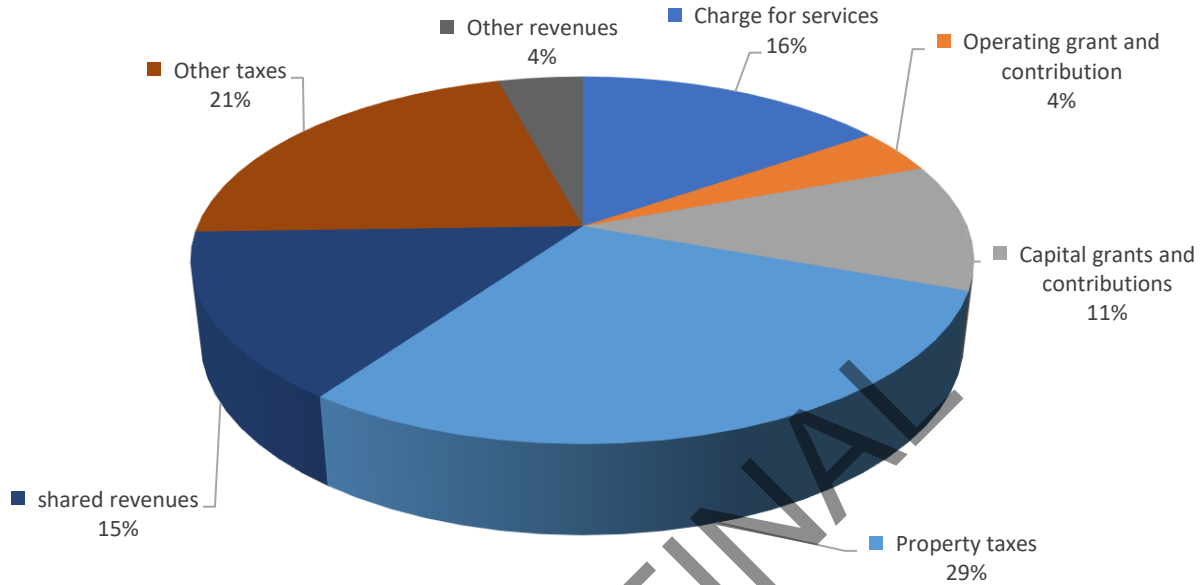
City of Palatka, Florida
Management's Discussion and Analysis (Continued)
September 30, 2025

City of Palatka
Changes in Net Position
For the Years Ended September 30, 2025 and 2024

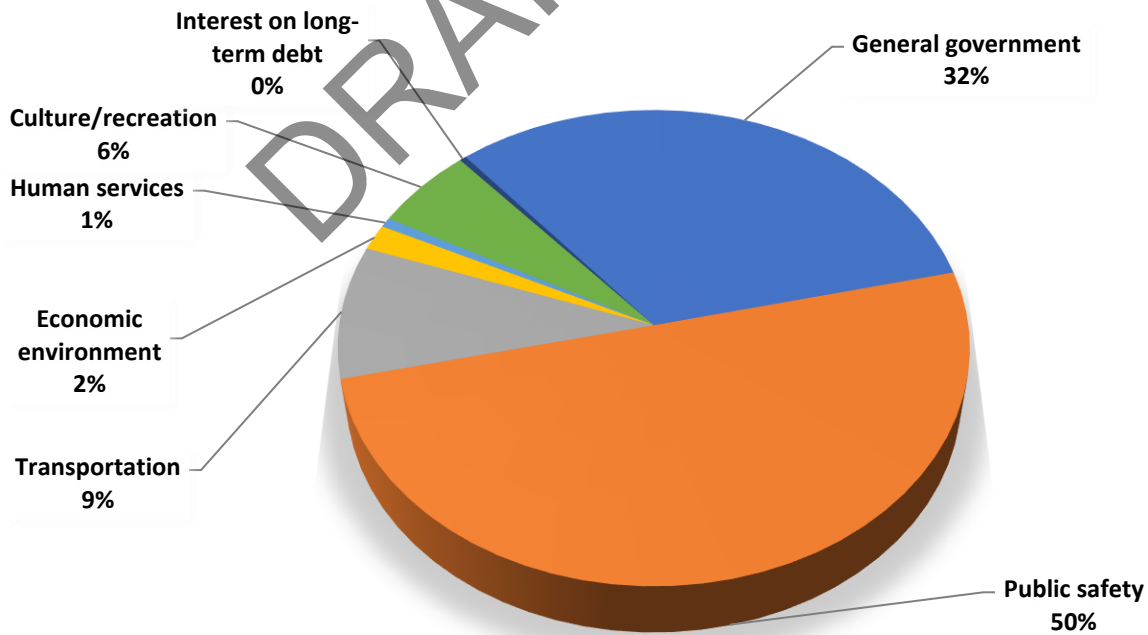
	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charge for services	\$ 2,757,514	\$ 2,914,330	\$ 13,987,800	\$ 13,375,495	\$ 16,745,314	\$ 16,289,825
Operating grant and contribution	715,218	309,758	-	-	715,218	309,758
Capital grants and contributions	2,008,805	1,248,831	3,682,295	6,833,757	5,691,100	8,082,588
General revenues:						
Property taxes	5,248,717	4,697,289	-	-	5,248,717	4,697,289
Sales taxes and other unrestricted shared revenues	2,636,527	2,488,654	-	-	2,636,527	2,488,654
Other taxes	3,819,406	3,847,952	-	-	3,819,406	3,847,952
Other revenues	752,016	1,535,329	4,923	504,870	756,939	2,040,199
Total revenues	17,938,203	17,042,143	17,675,018	20,714,122	35,613,221	37,756,265
Program expenses:						
General government	6,484,360	5,448,899	-	-	6,484,360	5,448,899
Public safety	10,012,500	8,439,505	-	-	10,012,500	8,439,505
Physical environment	-	-	-	-	-	-
Transportation	1,806,064	1,706,442	-	-	1,806,064	1,706,442
Economic environment	348,471	175,517	-	-	348,471	175,517
Human services	128,712	88,888	-	-	128,712	88,888
Culture/recreation	1,135,938	1,040,210	-	-	1,135,938	1,040,210
Interest on long-term debt	74,391	45,521	-	-	74,391	45,521
Water	-	-	8,541,999	6,419,554	8,541,999	6,419,554
Sanitation	-	-	3,363,058	2,704,834	3,363,058	2,704,834
Golf course	-	-	176,283	244,558	176,283	244,558
Airport	-	-	2,279,985	1,983,167	2,279,985	1,983,167
Total expenses	19,990,436	16,944,982	14,361,325	11,352,113	34,351,761	28,297,095
Increase (decrease) in net assets before transfer in (out)	(2,052,233)	97,161	3,313,693	9,362,009	1,261,460	9,459,170
Miscellaneous	-	-	-	214,557	-	-
Transfer in/(out)	2,952,206	1,871,088	(2,952,204)	(1,871,088)	2	-
Increase (decrease) in net position	899,973	1,968,249	361,489	7,705,478	1,261,462	9,459,170
Net position at beginning of year	32,810,762	30,842,513	58,898,432	51,870,906	91,709,194	82,713,419
Prior Period Adjustment	-	-	-	(677,952)	-	(677,952)
Net position at beginning of year, restated	33,214,769	30,842,513	56,640,625	51,192,954	89,855,394	82,035,467
Net position at end of year	\$ 34,114,742	\$ 32,810,762	\$ 57,002,114	\$ 58,898,432	\$ 91,116,856	\$ 91,494,637

City of Palatka, Florida
Management's Discussion and Analysis (Continued)
September 30, 2025

**Revenues by Source - Governmental Activities
For the Year Ended September 30, 2025**



**Expenses by Function - Governmental Activities
For the Year Ended September 30, 2025**



City of Palatka, Florida
Management's Discussion and Analysis (Continued)
September 30, 2025

Business-type Activities

Business-type activities decreased the City's net position by (\$1,896,318), resulting in a total business-type activities net position of \$57,002,114 at year-end. Key elements of this decrease were as follows:

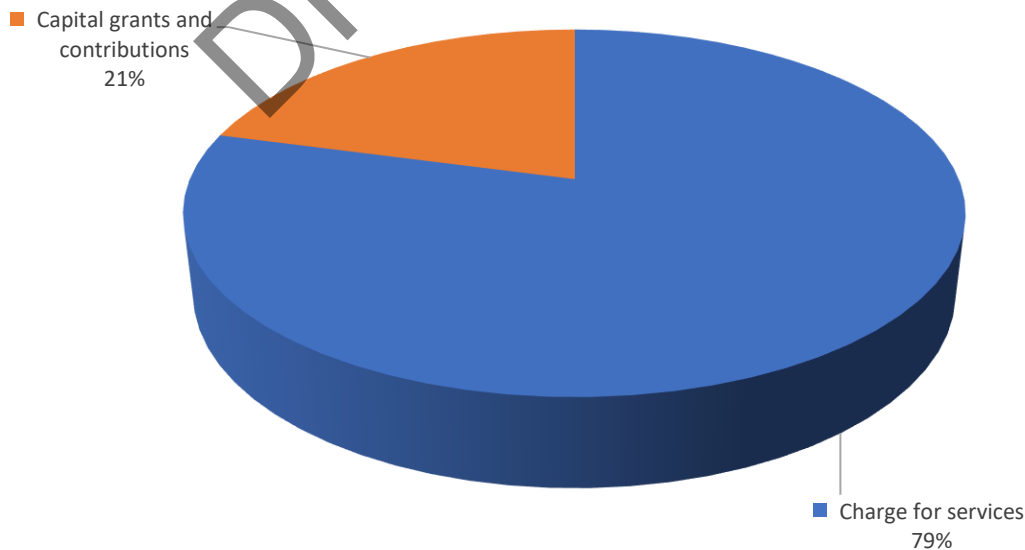
The Water fund had an operating income of \$806,139 in addition to net nonoperating expenses of (\$222,252) resulting in gain of \$583,887 before capital contributions and transfers. After capital contributions and transfers, the net position increased by \$682,827. The net position at the end of the fiscal year in the Water fund totaled \$33,842,808.

The Sanitation Fund reported operating income of \$286,807, but the fund's net position decreased by (\$190,947) due to non-operating activity and other changes from the prior year. The ending net position was \$3,394,497.

The Golf Course fund net position increased by \$8,604. The net position at the end of the fiscal year in the Golf Course fund was \$1,151,542.

The Airport fund received capital contributions of \$3,682,295 for various capital projects throughout the fiscal year. These funds were used for projects that included pavement, marking, and lighting rehabilitation of taxiways, taxi lanes, and runways. The operating loss for the Airport was \$1,181,642, which includes depreciation totaling \$903,427. That was further impacted by a decrease of total non-operating revenue, bringing the change in net position of the fund to (\$138,995). The net position at the end of the fiscal year in the Airport fund totaled \$19,127,342.

**Revenues by Source - Business-type Activities
For the Year Ended September 30, 2025**



City of Palatka, Florida
Management's Discussion and Analysis (Continued)
September 30, 2025

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending net position of \$34,114,742, an increase of \$899,973 for the current year. This total includes net invested in capital asset, net of related debt of \$29,217,787, restricted net assets of \$3,605,958, and unrestricted of \$1,290,997 which is available for spending at the government's discretion.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year General fund balance was \$5,310,265, a decrease of \$1,660,227, from the prior year.

Local tax revenues are the primary sources of the City's tax revenue and are a combination of property tax, franchise, utility, sales tax and local option gas taxes. Total taxes increased by \$670,755 from the prior year.

Ad valorem taxes, which were accounted for in the general and special revenue funds was 6.4000 mills, and generated \$4,050,673 which was an increase of \$172,807 from the prior year. The City is in its ninth year of implementing a special assessment for fire protection services that generated \$2,106,973 in revenues.

Total revenues for the General Fund increased by \$43,071 from the prior year. The General Fund had an increase of \$2,565,799 in expenditures. Unassigned fund balance for the General Fund totaled \$4,339,458, a decrease of (\$1,721,219) or 28.40% from the prior year.

Special Revenue Funds

The Downtown Redevelopment fund balance was \$3,121,420, an increase of \$622,112 from the prior year. This increase was the result of a taxes revenues of \$1,198,043.

The Better Place Plan fund ended the fiscal year with a balance of \$159,366, a decrease of (\$1,044,842), from the prior year.

The Grants fund ended the fiscal year with a balance of (\$4,881).

City of Palatka, Florida
Management's Discussion and Analysis (Continued)
September 30, 2025

Proprietary Funds

Proprietary funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis is financed through user charges. The City operates four proprietary enterprise funds: the Water, Golf Course Fund, Sanitation Fund, and Airport Fund. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. As of September 30, 2025, total proprietary fund net position amounted to \$57,002,114.

Water Fund

The Water Fund accounts for operations of the City's water and sewer systems. Operating revenue increased by \$290,407 or 3.29% from the prior year. Operating expenses, increased by a total of \$2,116,221 or 34.14%. Unrestricted net position at the end of the fiscal year for the water fund amounted to \$4,323,281.

Sanitation Fund

There was a decrease in operating revenue of (\$30,310) or (0.85%) from the prior year. Expenses increased by \$607,854. Unrestricted net position for the sanitation fund equaled \$2,557,359.

Golf Course Fund

The City entered into a franchise agreement in February 2017 for operation of golf course. Operating revenues booked increased by \$62,755 from the prior year. Operating expenses decreased by \$68,490 or 28.01%, leading to operating income of \$9,010. Unrestricted net position for the golf course fund equaled negative (\$187,390).

Airport Fund

Operating revenue increased by \$228,833 and operating expenses increased by \$296,917 over the prior year. This resulted in a continued negative unrestricted net position balance of (\$693,460) at fiscal year-end.

Other factors concerning the finances of these four funds have already been addressed in the discussion of the City's business-type activities above.

General Fund Budgetary Highlights

A comparison of actual revenues versus the final budget reflects that actual revenues, excluding transfers, were (\$651,837) less than budgeted, primarily composed of unbudgeted refunds from prior year health insurance claims paid and sale of surplus equipment. There were significant variances in actual versus final budget revenue and expenditures. The City had several unanticipated general fund revenues and general fund expenditures for the fiscal year.

City of Palatka, Florida
Management's Discussion and Analysis (Continued)
September 30, 2025

Capital Asset and Debt Administration

City of Palatka Capital Assets (Net of Depreciation)
September 30, 2025 and 2024

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land and Improvements	\$ 7,570,788	\$ 5,761,789	\$ 8,087,696	\$ 8,101,871	\$ 15,658,484	\$ 13,863,660
Buildings and Improvements	3,837,364	2,257,126	12,145,158	12,820,748	15,982,522	15,077,874
Infrastructure	14,076,398	14,570,286	-	-	14,076,398	14,570,286
Furniture and Equipment	2,810,294	2,315,021	3,793,517	3,838,400	6,603,811	6,153,421
Intangibles	(1,701)	-	-	-	(1,701)	-
Water/Sewer Distribution System	-	-	17,489,176	17,582,132	17,489,176	17,582,132
Plant Assets and Equipment	-	-	17,022,121	17,571,925	17,022,121	17,571,925
Construction in Progress	5,328,397	2,856,389	12,944,861	8,289,860	18,273,258	11,146,249
Total	<u>\$ 33,621,540</u>	<u>\$ 27,760,611</u>	<u>\$ 71,482,529</u>	<u>\$ 68,204,935</u>	<u>\$105,104,069</u>	<u>\$ 95,965,547</u>

Capital Assets

The capital assets of the governmental funds are those assets used in the performance of general governmental functions and exclude the assets of the Enterprise Funds. As of September 30, 2025, the governmental capital assets of the City amounted to \$33,621,540, net of depreciation. This was an increase of \$5,860,929 over the prior year. Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets, which are recorded at estimated acquisition value at the date of contribution.

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2025, (net of accumulated depreciation) amounts to \$105,104,069. This investment in capital assets includes land, buildings, infrastructure, improvements, furniture, equipment, water and sewer distribution system and construction in progress. The total increase in the City's net investment in capital assets was \$9,138,522.

Major capital asset events during the fiscal year occurred in multiple funds. The city received various grants and private contributions that paid for project costs at the airport and the City's riverfront and historic districts. The capital asset expenditures were for the following:

- Construction of South District Stormwater Improvements
- Hank Bryan and Booker Park Improvements
- Taxiway A Edge Lighting at Airport
- Airport Security Fencing
- Phase V North Side Potable Line Replacement
- Palatka Heights Potable Line Replacement
- State Road 20 Road Improvements
- Beneficial Reclaimed Water Project

Additional information on the City's capital assets is found in Note 5 in the notes to the financial statements.

City of Palatka, Florida
Management's Discussion and Analysis (Continued)
September 30, 2025

Long-term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$22,910,279.

City of Palatka Long-term Debt Obligations						
For the Years Ended September 30, 2025 and 2024						
	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenue Bonds	\$ -	\$ -	\$ 4,735,643	\$ 4,968,756	\$ 4,735,643	\$ 4,968,756
Notes Payable	1,907,754	2,096,863	15,052,943	15,031,642	16,960,697	17,128,505
Capital Lease Obligations	398,521	608,756	452,987	204,262	851,508	813,018
Water/Sewer Agreements	-	-	-	-	-	-
Total	<u>\$ 2,306,275</u>	<u>\$ 2,705,619</u>	<u>\$ 20,241,573</u>	<u>\$ 20,204,660</u>	<u>\$ 22,547,848</u>	<u>\$ 22,910,279</u>

The City's total long-term debt decreased (\$362,431), from the prior year. The decrease is attributed to the following:

- Governmental activities:
 - Payments of notes of \$189,109.
 - New capital leases of \$57,225.
- Business-type activities:
 - Total payments made of bonds, notes, and leases of \$3,211,632.
 - New Drinking water state revolving fund loan of \$2,106,399.

Other long-term liability activity included:

- Governmental activities:
 - Governmental obligations for compensated absences decreased by (4.02%) or (\$24,395).
 - Total OPEB obligations decreased by (\$134,293) or (47.25%) to arrive at a total obligation of \$284,248.
 - Net pension liability increased by \$197,556, or 3.44% to arrive at a total obligation of \$5,738,563.
- Business-type activities:
 - Compensated absences decreased by (25.32%) or (\$49,489).
 - Total OPEB obligations decreased by (\$87,741) or (62.75%) to arrive at a total obligation of \$139,825.
 - Net pension liability increased by \$1,991,105 or 52.91% to arrive at a total obligation of \$3,763,339.

Additional information on the City's long-term liabilities can be found in Note 6 in the notes to the financial statements.

City of Palatka, Florida
Management's Discussion and Analysis (Continued)
September 30, 2025

Economic Factors and Next Year's Budgets and Rates

The budget serves as the annual financial plan for the City. It articulates public priorities, helps management make informed choices about the allocation of resources, promotes effective communications, establishes broad goals and management strategies to guide decision making and develops approaches to achieve those goals.

For the FY 2024-2025 budget, City staff proposed a balanced General Fund budget with the use of reserves to balance the budget. The City Commission kept the City's millage rate the same as FY 2023-2024, 6.4000 mills. The inclusion of the annual special assessment for fire protection services allows for the millage rate to avoid an increase.

Water and sewer base meter rates were increased to accommodate for inflation resulting in the Utility Fund budget being balanced with some funds anticipated to be put into reserves. Solid waste rates were increased also to ensure the long-term sustainability of the fund. These increases are necessary in order to maintain capital replacements.

The City continues to assess various cost cutting and revenue enhancing activities at the Palatka Municipal Airport in order to move this community asset toward financial solvency. Rehabilitation of markings, lighting, and pavement on runways, taxiways, and taxi-lanes with 100% grant funding.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, 201 N. 2nd Street, Palatka, Florida 32177.

City of Palatka, Florida
Statement of Net Position
September 30, 2025

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		Palatka Gas Authority
Assets:				
Cash and cash equivalents	\$ 8,131,049	\$ 7,470,724	\$ 15,601,773	\$ 4,313,847
Investments	-	-	-	-
Accounts receivable, net	110,607	1,015,331	1,125,938	1,194,426
Internal balances	359,475	(359,475)	-	-
Due from other governments	1,250,217	1,426,472	2,676,689	-
Inventory	-	193,774	193,774	141,479
Prepaid expenses	-	-	-	-
Restricted cash and cash equivalents	1,116,163	2,830,823	3,946,986	-
Restricted investments	-	-	-	1,104,243
Capital assets:				
Nondepreciable	12,899,185	21,060,907	33,960,092	211,543
Depreciable, net	20,722,355	50,449,972	71,172,327	4,965,216
Total assets	44,589,051	84,088,528	128,677,579	11,930,754
Deferred outflows of resources:				
Pension related items	591,395	397,908	989,303	245,492
OPEB related items	-	-	-	-
Debt Retirement	1,900,078	-	1,900,078	-
Total deferred outflows of resources	2,491,473	397,908	2,889,381	245,492
Liabilities:				
Accounts payable and accrued liabilities	2,286,947	1,684,361	3,971,308	\$ 2,298,043
Deposits	395	23,826	24,221	1,541,469
Due to other governments	-	-	-	-
Non-current liabilities:				
Due within in one year	298,271	-	298,271	-
Due in more than one year	8,637,481	24,325,815	32,963,296	841,845
Total liabilities	11,223,095	26,034,002	37,257,097	4,681,357
Deferred inflows of resources:				
Pension related items	1,564,235	1,043,097	2,607,332	-
OPEB related items	178,452	87,783	266,235	19,887
Unearned revenues	-	319,440	319,440	-
Total deferred inflows of resources	1,742,687	1,450,320	3,193,007	19,887
Net position				
Net Invested in capital assets, net of related debt	29,217,787	51,508,306	80,726,093	5,176,759
Restricted for:				
Law enforcement	84,362	-	84,362	-
Fire safety education	43,266	-	43,266	-
Fire protection	8,350	-	8,350	-
Cemetery improvements	189,194	-	189,194	-
Capital project	159,365	-	159,365	-
Downtown redevelopment	3,121,420	8,095	3,129,515	-
Unrestricted	1,290,998	5,485,713	6,776,711	2,298,241
Total net position	\$ 34,114,742	\$ 57,002,114	\$ 91,116,856	\$ 7,475,000

The accompanying notes are an integral part of the financial statements

City of Palatka, Florida
Statements of Activities
Year Ended September 30, 2025

Functions/Programs	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government			Component Unit Palatka gas authority
					Governmental Activities	Business-Type Activities	Total	
Primary government								
Governmental activities:								
General government	\$ 6,484,360	\$ 205,567	\$ 377,333	\$ 87,320	\$ (5,814,140)	\$ -	\$ (5,814,140)	\$ -
Public safety	10,012,500	2,450,342	222,885	-	(7,339,273)	-	(7,339,273)	-
Physical environment	-	-	-	298,791	298,791	-	298,791	-
Transportation	1,806,064	62,564	-	-	(1,743,500)	-	(1,743,500)	-
Economic environment	348,471	-	115,000	409,688	176,217	-	176,217	-
Human services	128,712	-	-	-	(128,712)	-	(128,712)	-
Culture and recreation	1,135,938	39,041	-	1,213,006	116,109	-	116,109	-
Interest on long-term debt	74,391	-	-	-	(74,391)	-	(74,391)	-
Total governmental activities	19,990,436	2,757,514	715,218	2,008,805	(14,508,899)	-	(14,508,899)	-
Business-type activities:								
Water	8,541,999	9,120,963	-	2,562,330	-	3,141,294	3,141,294	-
Sanitation	3,363,058	3,583,466	-	-	-	220,408	220,408	-
Golf Course	176,283	185,078	-	-	-	8,795	8,795	-
Airport	2,279,985	1,098,293	-	1,119,965	-	(61,727)	(61,727)	-
Total business-type activities	14,361,325	13,987,800	-	3,682,295	-	3,308,770	3,308,770	-
Total primary government	34,351,761	16,745,314	715,218	5,691,100	(14,508,899)	3,308,770	(11,200,129)	-
Component unit								
Palatka Gas Authority	\$ 2,709,462	\$ 2,780,594	\$ -	\$ 5,700	-	-	-	76,832
General revenues and transfers								
General revenues:								
Property taxes					5,248,717	-	5,248,717	-
Sales tax and intergovernmental unrestricted shared revenues					2,636,527	-	2,636,527	-
Franchise taxes					1,214,520	-	1,214,520	-
Utility taxes					2,214,248	-	2,214,248	-
Communications service tax					390,638	-	390,638	-
Investment earnings					625,285	4,923	630,208	42,734
Contribution from component unit					50,677	-	50,677	-
Proceeds from debt issuance					-	-	-	-
Miscellaneous					76,054	-	76,054	478,158
Transfers					2,952,206	(2,952,204)	2	-
Total general revenues and transfers					15,408,872	(2,947,281)	12,461,591	520,892
Change in net position					899,973	361,489	1,261,462	597,724
Net position - beginning of year					33,214,769	56,640,625	89,855,394	6,877,276
Net position - end of year					\$ 34,114,742	\$ 57,002,114	\$ 91,116,856	\$ 7,475,000

The accompanying notes are an integral part of the financial statements

City of Palatka, Florida
Balance Sheet
Governmental Funds
September 30, 2025

	General Fund	Downtown Redevelopment Agency Fund	Better Place Plan Fund	Special Revenues Fund	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 5,380,104	\$ 3,156,004	\$ (405,059)	\$ -	\$ 8,131,049
Restricted cash and cash equivalents	-	-	-	1,116,163	1,116,163
Accounts receivable, net	110,607	-	-	-	110,607
Due from other funds	218,315	-	-	-	218,315
Due from other government	105,905	-	1,144,312	-	1,250,217
Prepaid expenses	-	-	-	-	-
Long-term advances to other funds	141,160	-	-	-	141,160
Total assets	<u>\$ 5,956,091</u>	<u>\$ 3,156,004</u>	<u>\$ 739,253</u>	<u>\$ 1,116,163</u>	<u>\$ 10,967,511</u>
Liabilities and fund balances:					
Liabilities:					
Accounts payable	\$ 445,526	\$ 34,584	\$ 358,427	\$ -	\$ 838,537
Due to other funds	94,000	-	-	-	94,000
Unearned revenue	105,905	-	221,461	1,121,044	1,448,410
Deposits	395	-	-	-	395
Total liabilities	<u>645,826</u>	<u>34,584</u>	<u>579,888</u>	<u>1,121,044</u>	<u>2,381,342</u>
Deferred inflows of resources					
Unavailable revenue	-	-	-	-	-
Fund balances:					
Non-spendable	141,160	-	-	-	141,160
Restricted	616,592	3,121,420	159,365	-	3,897,377
Committed	213,055	-	-	-	213,055
Unassigned	4,339,458	-	-	(4,881)	4,334,577
Total fund balances	<u>5,310,265</u>	<u>3,121,420</u>	<u>159,365</u>	<u>(4,881)</u>	<u>8,586,169</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,956,091</u>	<u>\$ 3,156,004</u>	<u>\$ 739,253</u>	<u>\$ 1,116,163</u>	<u>\$ 10,967,511</u>

The accompanying notes are an integral part of the financial statements

City of Palatka, Florida
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
September 30, 2025

Fund balance – total governmental funds	\$ 8,586,169
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not reported in the governmental funds.	
Capital assets, net	33,621,540
Long-term liabilities are not reported in the governmental funds	
Bonds and notes payable	(1,907,754)
Deferred Outflow for Debt Retirement	1,900,077
Capital leases	(398,521)
Compensated absences	(606,666)
Total OPEB liability	(284,248)
Net pension liability	(5,738,563)
Deferred outflows and inflows associated with pensions and OPEB are not reported in the governmental funds.	
Deferred outflows-pension	591,395
Deferred inflows-pension	(1,470,235)
Deferred outflows-OPEB	-
Deferred inflows-OPEB	(178,452)
Change in net position of governmental activities	<u>\$ 34,114,742</u>

The accompanying notes are an integral part of the financial statements

City of Palatka, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2025

	General Fund	Downtown Redevelopment Agency Fund	Better Place Plan Fund	Special Revenues Fund	Total Governmental Funds
Revenues					
Taxes	\$ 6,474,597	\$ 1,198,043	\$ 1,443,616	\$ -	\$ 9,116,256
Permits, fees, and special assessments	3,583,135	-	-	-	3,583,135
Intergovernmental	1,816,822	-	1,599,118	409,688	3,825,628
Charges for services	265,560	-	-	-	265,560
Fines and forfeitures	220,995	-	-	-	220,995
Miscellaneous	926,630	-	-	-	926,630
Total revenues	<u>13,287,739</u>	<u>1,198,043</u>	<u>3,042,734</u>	<u>409,688</u>	<u>17,938,204</u>
Expenditures:					
Current:					
General government	3,980,840	-	1,853,845	359,827	6,194,512
Public safety	9,648,702	-	-	-	9,648,702
Physical environment	-	-	-	-	-
Transportation	1,436,670	-	-	-	1,436,670
Economic environment	-	348,471	-	-	348,471
Human services	124,851	-	-	-	124,851
Culture and recreation	925,642	-	-	-	925,642
Capital Outlay	1,305,534	-	2,480,295	49,861	3,835,690
Debt service:	-	-	-	-	-
Principal retirement	327,263	-	72,080	-	399,343
Interest and fiscal charges	63,185	-	11,206	-	74,391
Total expenditures	<u>17,812,687</u>	<u>348,471</u>	<u>4,417,426</u>	<u>409,688</u>	<u>22,988,272</u>
Excess of revenues over (under) expenditures	<u>(4,524,948)</u>	<u>849,572</u>	<u>(1,374,692)</u>	<u>-</u>	<u>(5,050,068)</u>
Other financing sources (uses)					
Transfers in	3,053,319	-	363,406	-	3,416,725
Transfers out	(203,520)	(227,459)	(33,540)	-	(464,519)
Issuance of debt	-	-	-	-	-
Capital lease issuance	-	-	-	-	-
Sale of surplus property	-	-	-	-	-
Capital contributions	-	-	-	-	-
Total other financing sources (uses)	<u>2,849,799</u>	<u>(227,459)</u>	<u>329,866</u>	<u>-</u>	<u>2,952,206</u>
Net change in fund balance	(1,675,149)	622,113	(1,044,826)	-	(2,097,862)
Fund balances - beginning of year	<u>6,985,414</u>	<u>2,499,307</u>	<u>1,204,191</u>	<u>(4,881)</u>	<u>10,684,031</u>
Fund balances - end of year	<u>\$ 5,310,265</u>	<u>\$ 3,121,420</u>	<u>\$ 159,365</u>	<u>\$ (4,881)</u>	<u>\$ 8,586,169</u>

The accompanying notes are an integral part of the financial statements

City of Palatka, Florida
Reconciliation Statement of Revenues, Expenditures, and Changes in Fund Balances to the
Statement of Activities
Governmental Funds
Year Ended September 30, 2025

Net change in fund balance – total governmental funds		\$ (2,097,862)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental fund report capital outlay as expenditures. However, in the statement of activities the cost of those assets is depreciated over their estimated useful lives.		
Acquisitions of capital assets	4,175,858	
Loss on disposal of capital assets	(218,469)	
Current year depreciation expense	<u>(1,237,197)</u>	2,720,192
Repayment of debt principal is an expenditure in the governmental funds, but the repayment does not effect net position of governmental activities.		
Principal retirement		399,343
Deferred Outflow of Debt Retirement		
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences		(131,416)
Net changes in net pension liability and total OPEB liability and related deferred outflows and inflows are reported in the statement of activities but not in the governmental funds.		
Net pension liability	197,556	
Deferred outflows-pension	(1,456,820)	
Deferred inflows-pension	1,369,692	
Total OPEB liability	(134,293)	
Deferred outflows-OPEB	(34,196)	
Deferred inflows-OPEB	<u>67,777</u>	9,716
Change in net position of governmental activities		<u>\$ 899,973</u>

The accompanying notes are an integral part of the financial statements

City of Palatka, Florida
Statement of Net Position
Proprietary Funds
September 30, 2025

	Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Current assets					
Cash and cash equivalents	\$ 3,892,856	\$ 3,590,270	\$ (12,702)	\$ 300	\$ 7,470,724
Restricted cash and cash equivalents	2,336,064	317,664	-	169,000	2,822,728
Accounts receivable, net	666,986	240,373	107,972	-	1,015,331
Due from other funds	-	-	-	94,000	94,000
Due from other government	1,101,717	-	-	324,755	1,426,472
Inventory	151,798	-	-	41,976	193,774
Total current assets	8,149,421	4,148,307	95,270	630,031	13,023,029
Noncurrent assets					
Restricted cash and cash equivalents	8,095	-	-	-	8,095
Capital assets, net	48,294,383	1,998,339	1,791,920	19,846,315	71,930,957
Total noncurrent assets	48,302,478	1,998,339	1,791,920	19,846,315	71,939,052
Total Assets	\$ 56,451,899	\$ 6,146,646	\$ 1,887,190	\$ 20,476,346	\$ 84,962,081
Deferred outflows of resources					
Pension related	224,100	132,671	-	41,137	397,908
Total deferred outflows of resources	224,100	132,671	-	41,137	397,908
Current liabilities:					
Accounts payable and accrued liabilities	941,307	58,636	143,968	540,450	\$ 1,684,361
Due to other funds	-	-	138,692	79,623	218,315
Deposits	-	-	-	23,826	23,826
Total current liabilities	941,307	58,636	282,660	643,899	1,926,502
Noncurrent liabilities:					
Total OPEB liability	87,977	38,334	-	13,513	139,824
Net pension liability	2,148,459	1,254,789	-	360,092	3,763,340
Advances from other funds	-	-	-	141,160	141,160
Other long-term liabilities	18,782,951	1,161,201	452,988	25,511	20,422,651
Total noncurrent liabilities	21,019,387	2,454,324	452,988	540,276	24,466,975
Total liabilities	21,960,694	2,512,960	735,648	1,184,175	26,393,477
Deferred inflows of resources					
Pension related	590,244	347,792	-	105,061	1,043,097
OPEB related	55,232	24,067	-	8,484	87,783
Deferred revenues	227,022	-	-	92,418	319,440
Total deferred inflows of resources	872,498	371,859	-	205,963	1,450,320
Net position					
Net investment in capital assets	29,511,432	837,138	1,338,932	19,820,804	51,508,306
Restricted for capital projects	8,095	-	-	-	8,095
Unrestricted	4,323,280	2,557,360	(187,390)	(693,459)	5,999,791
Total net position	\$ 33,842,807	\$ 3,394,498	\$ 1,151,542	\$ 19,127,345	\$ 57,516,192

The accompanying notes are an integral part of the financial statements

City of Palatka, Florida
Statement of Revenues, Expenditures, and Changes in Fund Net Position
Proprietary Funds
Year Ended September 30, 2025

	Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Operating revenues					
User fees	\$ 9,090,094	\$ 3,515,043	\$ -	\$ 1,086,767	\$ 13,691,904
Other operating revenues	30,869	68,423	185,078	11,526	295,896
Total operating revenues	<u>9,120,963</u>	<u>3,583,466</u>	<u>185,078</u>	<u>1,098,293</u>	<u>13,987,800</u>
Operating expenses					
Personal services	3,584,385	1,873,008	-	587,242	6,044,635
Physical environment	926,509	-	-	-	926,509
Operating expenses	2,259,094	1,009,504	111,661	789,266	4,169,525
Depreciation	1,544,836	414,147	64,407	903,427	2,926,817
Total expenditures	<u>8,314,824</u>	<u>3,296,659</u>	<u>176,068</u>	<u>2,279,935</u>	<u>14,067,486</u>
Operating income (loss)	<u>806,139</u>	<u>286,807</u>	<u>9,010</u>	<u>(1,181,642)</u>	<u>(79,686)</u>
Nonoperating revenues (expenses)					
Investment earnings	4,923	-	-	-	4,923
Interest expense	(227,175)	(66,399)	(215)	(50)	(293,839)
Total nonoperating revenues (expenses)	<u>(222,252)</u>	<u>(66,399)</u>	<u>(215)</u>	<u>(50)</u>	<u>(288,916)</u>
Income (loss) before capital contributions and transfers	583,887	220,408	8,795	(1,181,692)	(368,602)
Capital contributions and transfers					
Capital contributions	2,562,330	-	-	1,119,965	3,682,295
Transfers in	-	111,229	-	100,000	211,229
Transfers out	(2,463,390)	(522,584)	(191)	(177,268)	(3,163,433)
Total other financing sources (uses)	<u>98,940</u>	<u>(411,355)</u>	<u>(191)</u>	<u>1,042,697</u>	<u>730,091</u>
Net change in fund balance	682,827	(190,947)	8,604	(138,995)	361,489
Fund balances - beginning of year	<u>33,159,980</u>	<u>3,585,445</u>	<u>1,142,938</u>	<u>19,266,340</u>	<u>57,154,703</u>
Fund balances - end of year	<u>\$ 33,842,807</u>	<u>\$ 3,394,498</u>	<u>\$ 1,151,542</u>	<u>\$ 19,127,345</u>	<u>\$ 57,516,192</u>

The accompanying notes are an integral part of the financial statements

City of Palatka, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2025

	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	Total Enterprise Fund
Cash flows from operating activities:					
Receipts from customers	\$ 8,777,841	\$ 3,584,224	\$ 169,681	\$ 1,093,789	\$ 13,625,535
Payments to suppliers	(2,970,792)	(772,398)	62,137	(1,008,309)	(4,689,362)
Payments to employees	(3,419,161)	(1,817,373)	-	(131,858)	(5,368,392)
Net cash provided by (used in) operating activities	<u>2,387,888</u>	<u>994,453</u>	<u>231,818</u>	<u>(46,377)</u>	<u>3,567,781</u>
Cash flows from non-capital financing activities:					
Transfers in	-	111,229	-	100,000	211,229
Transfers out	(2,463,390)	(522,584)	(191)	(177,268)	(3,163,433)
Net cash provided by non-capital financing activities	<u>(2,463,390)</u>	<u>(411,355)</u>	<u>(191)</u>	<u>(77,268)</u>	<u>(2,952,204)</u>
Cash flows from capital and related financing activities:					
Capital contributions	2,562,330	-	-	1,119,965	3,682,295
Acquisition and construct of capital assets	(4,556,507)	(215,771)	(426,754)	(996,269)	(6,195,301)
Debt issuance	2,797,496	-	-	-	2,797,496
Principal paid on debt	(3,009,308)	-	-	-	(3,009,308)
Interest paid on debt	(227,175)	(66,399)	(215)	(50)	(293,839)
Net cash provided by (used in) capital and related financing activities	<u>(2,433,164)</u>	<u>(282,170)</u>	<u>(426,969)</u>	<u>123,646</u>	<u>(3,018,657)</u>
Cash flows from investing activities:					
Interest received	4,923	-	-	-	4,923
Net cash provided by investing activities	<u>4,923</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,923</u>
Net increase (decrease) in cash and cash equivalents	(2,503,743)	300,928	(195,342)	1	(2,398,157)
Cash and cash equivalents at beginning of year	8,740,758	3,607,006	182,640	169,300	12,699,705
Cash and cash equivalents at end of year	<u>\$ 6,237,015</u>	<u>\$ 3,907,934</u>	<u>\$ (12,702)</u>	<u>\$ 169,301</u>	<u>\$ 10,301,548</u>
Cash flows from operating activities:					
Operating (loss)	\$ 806,139	\$ 286,807	\$ 9,010	\$ (1,181,642)	\$ (79,686)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	1,544,836	414,147	64,407	903,427	2,926,817
Change in assets and liabilities:					
(Increase) decrease in receivables, net	63,531	(20,693)	(24,915)	-	17,923
(Increase) decrease in due from other governments	(406,653)	-	-	(324,755)	(731,408)
(Increase) decrease in inventory	22,305	-	-	(29,821)	(7,516)
(Increase) decrease in deferred outflows	163,656	-	-	9,970	173,626
Increase (decrease) in accounts payable and accrued liabilities	2,077,179	850	143,236	513,862	2,735,127
Increase (decrease) in due to other funds	-	-	9,419	(50,000)	(40,581)
Increase (decrease) in compensated absences	(37,227)	35,911	-	25,511	24,194
Increase (decrease) in total OPEB liability	226,321	(37,784)	-	(307)	188,230
Increase (decrease) in customer deposits	-	-	-	(6,379)	(6,379)
Increase (decrease) in net pension liability	3,166,536	-	-	189,079	3,355,615
Increase (decrease) in deferred inflows	958,440	351,731	-	202,309	1,512,480
Net cash provided by (used in) operating activities	<u>\$ 8,585,063</u>	<u>\$ 1,030,969</u>	<u>\$ 201,157</u>	<u>\$ 251,254</u>	<u>\$ 10,068,443</u>
Cash and cash equivalents:					
Unrestricted	\$ 3,892,856	\$ 3,590,270	\$ (12,702)	\$ 300	\$ 7,470,724
Restricted	2,344,159	317,664	-	169,000	2,830,823
Total cash and cash equivalents	<u>\$ 6,237,015</u>	<u>\$ 3,907,934</u>	<u>\$ (12,702)</u>	<u>\$ 169,300</u>	<u>\$ 10,301,547</u>

The accompanying notes are an integral part of the financial statements

City of Palatka, Florida
Statement of Fiduciary Net Position
Pension Trust Funds
September 30, 2025

	Total
Assets	
Investments:	
Money market and other cash equivalents	\$ 1,013,352
Fixed income	1,722,668
Equity	2,760,289
Mutual funds - fixed income	13,447,032
Mutual funds - equities	29,577,266
Pooled/Common/Commingled funds - equity	1,675,797
Pooled/Common/Commingled funds - real estate	<u>2,186,500</u>
Total investments	<u>52,382,904</u>
Accounts receivable	<u>269,887</u>
Total assets	<u><u>\$ 52,652,791</u></u>
Liabilities	\$ 220,137
Net position:	
Restricted for pension benefits	<u>52,432,654</u>
Total Liabilities and Net Position	<u><u>\$ 52,652,791</u></u>

The accompanying notes are an integral part of the financial statements

City of Palatka, Florida
Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended September 30, 2025

	Total
Additions	
Contributions	
Employer	\$ 2,878,025
Member	608,334
State on behalf, through general fund	<u>207,389</u>
Total contributions	<u>3,693,748</u>
Investment income	
Net appreciation (depreciation) in fair value of investments	3,918,800
Interest & dividends	1,487,275
Less investment fee	<u>(192,415)</u>
Net investment income	<u>5,213,660</u>
Total additions	<u>8,907,408</u>
Deductions	
Member benefits	3,514,744
Withdrawals	346,390
Refunds of member contributions	82,671
Administrative expense	<u>177,964</u>
Total deductions	<u>4,121,769</u>
Change in net position	4,785,639
Net position restricted for pension benefits, beginning of the year	<u>47,647,015</u>
Net position restricted for pension benefits, end of the year	<u><u>\$ 52,432,654</u></u>

The accompanying notes are an integral part of the financial statements

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Palatka, Florida (the “City”), which is located in northeast Florida, was incorporated January 8, 1853 under the Laws of the State of Florida, Chapter 492. The City operates under an elected Mayor-Commissioner and a Board of Commissioners (four members) and provides human services, community enrichment and development, law enforcement, fire protection, and rescue service.

As required by generally accepted accounting principles, the accompanying financial statements present the City as a primary government and its component units, entities for which the City is considered financially accountable, or entities that would be misleading to exclude. The component units are included in the reporting entity because of the significance of their operational relationship with the City. The City is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

Blended component units, although legally separate entities, are in substance part of the City’s operations and, accordingly, data from these units are combined with the data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

Blended Component Unit

The Palatka Downtown Redevelopment Agency (the “Agency”) is a legally separate entity created pursuant to Florida Statutes following the adoption of an approving Resolution (No. 4-12, dated November 10, 1983) by the City. The Agency is governed by a five-member board whose members are the same as the City Commission, and a financial benefit or burden relationship exists. The operations of the Agency are reported in a governmental fund.

Discretely Presented Component Unit

The Palatka Gas Authority (the “Gas Authority”) was created by an Act of the Florida Legislature (Ch. 59-1679, Act 1959) and ratified by election on November 10, 1959. The members of the Gas Authority’s governing board are appointed by the City Commission. Additionally, bond issues and operational and capital budgets must be approved by the City Commission. Annually, the Gas Authority provides a contribution to the City from its net income. The contribution is 5.9% of gross revenues on a monthly basis.

**City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discretely Presented Component Unit (Continued)

Complete financial statements of the Gas Authority can be obtained directly from:

The Palatka Gas Authority
518 Main Street
Palatka, Florida 32177

Related Organization

The Palatka Housing Authority (the “Housing Authority”) was established by the City in 1962 pursuant to Chapter 421, Florida Statutes. The purpose of the Housing Authority is to provide affordable housing to the Palatka community and surrounding areas. The Housing Authority is considered a related organization because its Board members are appointed by the Mayor of the City of Palatka. The City is not financially accountable for the Housing Authority, nor does it meet other criteria of a component unit and, accordingly, the Housing Authority is not included in the accompanying financial statements.

Joint Ventures

The City did not participate in any joint ventures during the 2024-2025 fiscal year.

Basis of Presentation

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are hereafter described.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used, if any, are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include: charges for services that are directly related to a given function; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. The governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The City reports the following major governmental funds:

General Fund – the primary operating fund, used to account for and report all financial resources not accounted for and reported in another fund.

Downtown Redevelopment Agency Fund – to account for the collection and use of tax increment funds of the City's Downtown Redevelopment Agency.

Better Place Plan Capital Project Fund – to account for revenues received from a discretionary surtax imposed to finance certain capital projects.

Special Revenue Fund – to account for revenues received from a grants sources.

The City reports the following major enterprise funds:

Water Fund – to account for the assets, operation and maintenance of the City-owned water and sewer system.

Sanitation Fund – to account for the assets, operation and maintenance of the City's solid waste department.

Golf Course Fund – to account for the assets, operation and maintenance of the City-owned golf course, which is operated by a third-party vendor.

Airport Fund – to account for the assets, operation and maintenance of the City-owned airport.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

The City has no nonmajor governmental funds.

Additionally, the City reports the following fiduciary funds:

Pension Trust Funds – to account for activities of the City’s pension plans.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Taxes and certain intergovernmental revenues constitute the most significant sources of revenue considered susceptible to accrual. In governmental funds, expenditures are generally recognized when the related liability is incurred. However, debt service expenditures, and expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Cash and Cash Equivalents

For purpose of the Statement of Cash Flows, the City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Receivables are stated at net realizable value, reduced by an allowance for uncollectable accounts, where appropriate. Accounts receivable of the Enterprise Funds are net of a \$15,879 allowance. Accounts receivable of the Gas Authority are net of \$15,590 allowance.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are reported at fair value based on quoted market prices when available, except for money market investments, which are reported at cost, which approximates fair value.

Inventories

Inventories are stated at cost, based on the first-in, first-out method. Expense is charged as items are consumed.

Long-term Receivables

Noncurrent portions of long-term receivables due to governmental funds are reported on the balance sheet, without regard to the fund's measurement focus. However, special reporting treatment is used to indicate that these receivables are not considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund revenues represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of long-term loans and advances receivable are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Capital Assets

Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets which are recorded at estimated acquisition value at the date of contribution. The City generally uses a capitalization threshold of \$5,000 for all classes of capital assets, other than intangible assets and infrastructure. Intangible assets, such as computer software, have a capitalization threshold of \$10,000. General infrastructure assets, such as dirt to pavement roads, mill and resurface road projects and all sidewalk projects, have a capitalization threshold of \$100,000.

The City began prospective reporting of general infrastructure assets at the effective date of GASB Statement No. 34. Effective October 1, 2006, the City began retroactive reporting of all major general governmental infrastructure assets. The estimated cost of the initial reporting of these assets was obtained through backtrending (i.e. estimating the current replacement cost of the infrastructure and using appropriate indices to deflate the cost to the estimated acquisition year). The reported values exclude basic road resurfacing, or other normal maintenance and repairs that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Depreciation and amortization of capital assets is provided using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u>Years</u>
Buildings and improvements	30
Furniture and equipment	3 - 10
Intangibles	10
Water and sewer distribution system	15 - 50
Plant assets and equipment	20 - 50
General infrastructure	35 - 50

For its business-type activities, interest earnings are offset against construction costs for qualified projects financed with tax-exempt debt. No interest costs were capitalized during 2025.

Claims and Judgments

For governmental funds, a fund liability is reported to account for the portion of the liability that will be liquidated with expendable available financial resources. The liability is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

Compensated Absences

The City's policy is to allow limited vesting of employee vacation pay and accumulated sick leave. A liability for accrued compensated absences of employees of the governmental funds has been accrued. Since this liability will not be liquidated with expendable available financial resources, the liability has not been reported in the governmental funds. A liability for compensated absences is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. In prior years, compensated absence liabilities associated with governmental funds were liquidated by the General Fund and Downtown Redevelopment Agency Fund, the funds that incurred the liabilities.

Property Taxes

The Putnam County Tax Collector bills and collects property taxes for the City. At September 30, 2025, property taxes receivable was not material.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Details of the City's tax calendar are presented below:

Lien date	January 1
Levy date	October 1
Discount period	November - February
No discount period	March
Delinquent date	April 1

Operating Revenues and Expenses

The enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the information about the fiduciary net position of the City's General, Police Officers', and Firefighters' Pension Plans (the "Plans") and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflow/ Inflows of Resources

A *deferred outflow of resources* is a consumption of net position that is applicable to a future reporting period.

A *deferred inflow of resources* is an acquisition of net position that is applicable to a future reporting period.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Net Position

In the accompanying government-wide and proprietary funds' statements of net position, *restricted net position* is subject to restrictions beyond the City's control. The restriction is either externally imposed (for instance, by creditors, grantors, contributors, or laws/regulations of other governments) or is imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The City has no net position restricted by enabling legislation.

Fund Balance

The City follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* to classify fund balances for governmental funds into specifically defined classifications. The classifications comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

The fund balance classifications specified in GASB Statement No. 54 are as follows:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the City's highest level of decision-making authority, which is by ordinance approved by the City Commission. Committed amounts cannot be used for any other purpose unless the City removes those constraints by taking the same type of action.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the City Commission or (b) a body or official to which the Commission has delegated the authority to assign amounts to be used for specific purposes. At this point in time, only the Commission has the authority to assign fund balances.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund.

The City's policy is to expend resources in the following order: restricted, committed, assigned, and unassigned.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments are classified in the accompanying financial statements as follows:

	Primary Government	Component Unit
Statement of net position:		
Cash and equivalents	\$ 15,601,773	\$ 4,313,847
Restricted cash and equivalents	3,946,986	-
Restricted investments	-	1,104,243
Statement of fiduciary net position:		
Money market and other cash equivalents	1,013,352	-
Investments	51,369,552	-
Total deposits and investments	\$ 71,931,663	\$ 5,418,090

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City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

For purpose of risk disclosures, deposits and investments are comprised of the following:

	Primary Government	Component Unit
Deposits with financial institutions (including certificates of deposit)	\$ 20,562,111	\$ 4,313,847
Investments - other than pension	-	1,104,243
Investments - pension	51,369,552	-
Total deposits and investments	\$ 71,931,663	\$ 5,418,090

Deposits

All of the City's and the Gas Authority's demand deposits, certificates of deposit, and money market accounts are held in qualified public depositories pursuant to Chapter 280, Florida Statutes, and are entirely insured by Federal depository insurance or collateralized pursuant to the Florida Security for Public Deposits Act.

Investments

Section 218.415, Florida Statutes, authorizes the City to invest excess public funds in the following:

- Direct obligations of the U.S. Treasury;
- Savings accounts and interest bearing deposits in qualified public depositories;
- The Local Government Surplus Funds Trust Fund;
- Securities and Exchange Commission registered money market funds with the highest credit quality rating.

The City's investments at September 30, 2025 are summarized in the following table:

		Maturities			
		0-5 years	5-10 years	10+ years	n/a
Pension investments:					
Fixed income	\$ 1,722,668	\$ 1,722,668	\$ -	\$ -	\$ -
Equity	2,760,289	1,283,273	822,460	654,557	-
Mutual funds (fixed income)	13,447,032	-	-	-	13,447,032
Mutual funds (equities)	29,577,266	-	-	-	29,577,266
Pooled/Common/Commingled funds - equity	2,186,500	-	-	-	2,186,500
Total pension investments	\$ 49,693,755	\$ 3,005,941	\$ 822,460	\$ 654,558	\$ 45,210,798

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The City's investments in debt securities are rated as follows:

Corporate Bonds and Notes		Government Agencies	
Aaa	9%	Aaa	100%
A1	10%	0	-
A2	17%	0	-
A3	44%	0	-
BAA1	6%	0	-
BAA2	14%	0	-
Not rated	-	Not rated	-
100%		100%	

The City's investments in mutual funds and money markets are not rated for credit quality by a nationally recognized statistical rating organization.

The City is not exposed to foreign currency risk, but is exposed to the following investment risks:

Credit Risk – the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Interest Rate Risk – the risk that changes in interest rates will adversely affect the fair value of an investment.

Concentration of Credit Risk – the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The City does not have a formal investment policy relating to the aforementioned risks, other than Section 218.415, Florida Statutes, for investing public funds. That statute limits the City's exposure to credit risk and interest rate risk by limiting authorized investment options as previously described. However, the City's three pension plans have each adopted investment policies that address the risks described above and set other investing guidelines. Those policies require the investments to be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To the extent possible, an attempt must be made to match investment maturities with known cash needs and anticipated cash-flow requirements. Furthermore, the policies of the Police Officers' and Firefighter Plans require diversification to the extent practical to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuer, instrument, dealer or bank in which the financial instruments are bought and sold.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

The policies of the General Pension Plan place restrictions on investments, including limits as to quality ratings of at least Standard & Poor's A1 or Moody's P-1 for cash instruments; Standard and Poor's BBB or Moody's Baa for bonds or other evidences of indebtedness; corporations listed on one or more of the recognized national exchanges or on the National Market System of the NASDAQ stock market for equities; real estate investments (REITs) that trade on a major exchange; or obligations issued by the United States Government or guaranteed as to principal and interest by the United States Government or an agency of the United States Government.

NOTE 3 – FAIR VALUE MEASUREMENT

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of September 30, 2025:

- Government bonds and notes – U.S. Treasury bonds and notes are valued using quoted market prices.
- Government agencies - U.S. Agencies are valued using a matrix pricing model.
- Corporate bonds and notes – Valued using quoted market prices.
- Mutual funds – Valued at the daily closing price as reported by the fund.

The following table summarizes the City's assets for which fair values are determined on a recurring basis:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Fixed income	\$ 1,722,668	\$ 1,722,668	\$ -	\$ -
Equity	2,760,289	2,349,691	410,598	-
Mutual funds (fixed income)	29,577,266	13,447,032	-	-
Mutual funds (equities)	13,447,032	11,446,762	2,000,270	-
Pooled/Common/Commingled funds - equity	2,186,500	1,861,254	325,246	-
Total pension investments	49,693,755	30,827,407	2,736,114	-

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 4 – INTERFUND BALANCES AND TRANSFERS

At September 30, 2025, interfund balances consist of:

- A long-term advance from the General Fund to the Airport Fund of \$141,160.
- Temporary loans from the General Fund to Airport Fund and Golf Course Fund of \$79,623 and \$138,692, respectively, expected to be repaid within the next fiscal year.

Interfund transfers for the year ended September 30, 2025 consisted of the following:

Transfers from:	General fund	Downtown redev. fund	Better place plan fund	Special revenues fund	Water fund	Sanitation fund	Golf course fund	Airport fund	Total
Transfers to:									
General fund	-	\$ 110,604	\$ 33,540	\$ -	\$ 2,209,132	\$ 191	\$ 522,584	\$ 177,268	\$ 3,053,319
Downtown redev. fund	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Better place plan fund	-	\$ -	\$ 363,406	\$ -	\$ -	\$ -	\$ -	\$ -	363,406
Special revenues fund	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Water fund	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Sanitation fund	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Golf course fund	56,971	\$ -	\$ -	\$ -	\$ 54,258	\$ -	\$ -	\$ -	111,229
Airport	100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	100,000
Total	\$ 156,971	\$ 110,604	\$ 396,946	\$ -	\$ 2,263,390	\$ 191	\$ 522,584	\$ 177,268	\$ 3,627,954

The interfund transfers were made in the normal course of operations and are consistent with the activities of the fund making the transfer.

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City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 5 – CAPITAL ASSETS ACTIVITY

During the year ended September 30, 2025, the following changes in capital assets occurred:

Primary Government	Balance October 1, 2024	Additions	Deletions	Transfers	Balance September 30, 2025
Governmental activities:					
Capital assets not being depreciated:					
Land and improvements	\$ 5,761,789	\$1,808,999	\$ -	\$ -	\$ 7,570,788
Construction in progress	2,856,389	2,472,008	-	-	5,328,397
Total not being depreciated	8,618,178	4,281,007	-	-	12,899,185
Capital assets being depreciated:					
Buildings and improvements	8,349,055	1,823,100	-	-	10,172,155
Infrastructure	25,031,752	-	-	-	25,031,752
Furniture and equipment	6,312,127	994,019	(218,469)	-	7,087,677
Intangibles	247,544	-	-	-	247,544
Total being depreciated	39,940,478	2,817,119	(218,469)	-	42,539,128
Less accumulated depreciation for:					
Buildings and improvements	6,091,929	242,862	-	-	6,334,791
Infrastructure	10,461,466	493,888	-	-	10,955,354
Furniture and equipment	3,997,106	498,746	(218,469)	-	4,277,383
Intangibles	247,544	1,701	-	-	249,245
Total accumulated depreciation	20,798,045	1,237,197	(218,469)	-	21,816,773
Total being depreciated, net	19,142,433	1,579,922	-	-	20,722,355
Governmental activities capital assets, net	\$ 27,760,611	\$ 5,860,929	\$ -	\$ -	\$ 33,621,540

Depreciation expense was charged to the functions of the primary government as follows:

Governmental activities:	
General government	\$289,848
Public safety	363,798
Transportation	369,394
Human services	3,861
Culture and recreation	210,296
Total depreciation expense governmental activities	<u>\$ 1,237,197</u>

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City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 5 – CAPITAL ASSETS ACTIVITY (CONTINUED)

	Balance October 1, 2024	Additions	Deletions	Transfers	Balance September 30, 2025
Business-type activities:					
Capital assets not being depreciated:					
Land and improvements	\$ 8,101,871	\$ -	\$ (14,175)	\$ -	\$ 8,087,696
Construction in progress	8,289,860	4,655,001	-	-	12,944,861
Total not being depreciated	16,391,731	4,655,001	(14,175)	-	21,060,907
Capital assets being depreciated:					
Buildings and improvements	28,045,158	196,013	-	-	28,241,171
Furniture and equipment	8,281,643	611,463	-	-	8,893,106
Water and sewer distribution system	24,668,074	504,415	-	-	25,172,489
Plant assets and equipment	37,793,502	242,584	-	-	38,036,086
Total being depreciated	98,788,377	1,554,475	-	-	100,342,852
Less accumulated depreciation for:					
Buildings and improvements	15,224,411	871,602	-	-	16,096,013
Furniture and equipment	4,443,243	656,346	-	-	5,099,589
Water and sewer distribution system	7,085,942	597,371	-	-	7,683,313
Plant assets and equipment	20,221,577	792,388	-	-	21,013,965
Total accumulated depreciation	46,975,173	2,917,707	-	-	49,892,880
Total being depreciated, net	51,813,204	(1,363,232)	-	-	50,449,972
Business-types activities capital assets, net	\$ 68,204,935	\$ 3,291,769	\$ (14,175)	\$ -	\$ 71,510,879

Depreciation expense was charged to the functions of the primary government as follows:

Business-type activities:	
Water	\$ 1,544,836
Sanitation	\$ 64,407
Golf Course	\$ 414,147
Airport	\$ 903,427
Total depreciation expense business-type activities	<u><u>\$ 2,926,817</u></u>

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City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 5 – CAPITAL ASSETS ACTIVITY (CONTINUED)

	Balance October 1, 2023	Additions	Deletions	Transfers	Balance September 30, 2024
Gas Authority capital assets					
Capital assets not being depreciated:					
Land	\$ 211,543	\$ -	\$ -	\$ -	\$ 211,543
Total not being depreciated	211,543	-	-	-	211,543
Capital assets being depreciated:					
Buildings and improvements	1,467,709	10,540	-	-	1,478,249
Furniture and equipment	1,887,148	39,696	(137,322)	-	1,789,522
Plant assets and equipment	7,951,891	172,482	(613,014)	-	7,511,359
Total being depreciated	11,306,748	222,718	(750,336)	-	10,779,130
Less accumulated depreciation for:					
Buildings and improvements	617,857	37,403	-	-	655,260
Furniture and equipment	1,082,432	143,715	(576,872)	-	649,275
Plant assets and equipment	3,685,473	138,400	-	-	3,823,873
Total accumulated depreciation	5,385,762	319,518	(576,872)	-	5,128,408
Total being depreciated, net	5,920,986	(96,800)	(173,464)	-	5,997,650
Gas Authority capital assets, net	<u>\$ 6,132,529</u>	<u>\$ (96,800)</u>	<u>\$ (173,464)</u>	<u>\$ -</u>	<u>\$ 6,209,193</u>

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City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 6 – LONG-TERM OBLIGATIONS

Revenue Bonds and Notes:

Governmental Activities

\$1,251,000 Public Improvement Revenue Note, Series 2024, payable in semiannual installments ranging from \$20,000 to \$50,000 through October 2043, plus interest at 5.08% per annum, also payable semiannually, secured by non-ad valorem revenues. During the current year, no payments were due or made. \$ 1,251,000

\$300,000 North CRA road project loan, payable in annual installments ranging from \$10,706 to \$20,376 through February 2039, plus interest at 3.64%, payable semiannually, revenue source - non-ad valorem revenues. \$ 184,433

	Total	\$ 1,435,433
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Business-type Activities

\$5,620,357 Florida Municipal Loan Council Refunding Revenue Note, Series 2020; payable in varying installments through October 1, 2040, bearing a fixed interest rate of 2.73%, secured by a pledge of Half-Cent Sales Tax Revenues, Public Service Tax Revenues, and Communications Service Tax Revenues. Interest payments are due every April 1 beginning on April 1, 2021. Principal and interest payments are due every October 1, beginning October 1, 2021. 4,735,643

\$4,268,622 Drinking Water State Revolving Fund Loan, plus capitalized interest of \$15,953, payable in semiannual installments of \$142,476, including interest at 2.61%, through January 2029, from net revenues of the water and sewer system. The proceeds were used to repay the portion of interim loan for construction of the drinking water treatment/distribution project, that was not covered by a DEP grant. The approximate amount of the pledge is equal to the remaining principal and interest of \$1,432,271. During the current year, the City recognized net revenues of \$2,379,096, and paid principal and interest payments in the amount of \$272,474. 3,181,486

\$10,922,306, Water Reuse System State Revolving Loan; interest rate of 3.20% - 3.64%. Repayment will begin in October 2025 in 34 semiannual payments. Secured by a pledge of the net revenues of the water system after satisfaction of senior obligations. 9,399,971

\$714,914 Water Reuse System State Revolving Loan; interest rate of 1.34%. Repayment began in September 2005 in 30 semiannual payments. Secured by a pledge of the net revenues of the water and sewer system after satisfaction of senior obligations. During the current year, the City recognized net revenues of \$2,379,096, and made \$26,821 principal and interest payments. 359,196

\$1,749,000 Public Improvement Revenue Note, Series 2024, payable in semiannual installments ranging from \$13,000 to \$40,000 through October 2043, plus interest at 5.08% per annum, also payable semiannually, secured by non-ad valorem revenues. During the current year, no payments were due or made. 1,749,000

	Total	\$ 19,425,296
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City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

In addition to other requirements to disclose information related to debt in notes to financial statements, The City is disclosing in the notes to financial statements summarized information about the following items:

- a. There are no unused lines of credit
- b. There are no assets pledged as collateral for debt
- c. There are no terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance related consequences, and (3) subjective acceleration clauses.

Aggregate maturities of revenue bonds and notes payable are as follows:

Year Ending September 30, 2025	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	Principal	Interest	Principal	Interest
2026	53,251	68,986	754,937	237,789
2027	56,219	66,425	1,290,205	221,351
2028	59,204	63,730	1,306,689	204,395
2029	61,372	60,890	1,329,504	186,914
2030-2034	354,229	257,147	5,384,706	740,149
2035-2039	404,968	158,183	5,357,071	424,237
2040-2044	404,073	52,990	3,366,745	93,483
2045-2049	-	-	-	-
Totals	\$ 1,393,316	\$ 728,351	\$ 18,789,857	\$ 2,108,318

Governmental Activities – Changes in Long-term Liabilities

	Balance October 1, 2024	Additions	Deletions	Balance September 30, 2025	Due Within One Year
Revenue bonds and notes	\$ 2,096,863	\$ -	\$189,109	\$ 1,907,754	\$138,755
Capital leases	608,756	57,225	267,460	398,521	159,517
Compensated absences	631,061	5,161	29,556	606,666	-
Total OPEB liability	418,541	-	134,293	284,248	-
Net pension liability	5,541,007	197,556	-	5,738,563	-
Totals	\$ 9,296,228	\$ 259,942	\$ 620,418	\$ 8,935,752	\$ 298,272

In prior years, net pension liabilities and OPEB obligations associated with governmental funds were liquidated by the General Fund.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Business-type Activities – Changes in Long-term Liabilities

	Balance October 1, 2024	Additions	Deletions	Balance September 30, 2025	Due Within One Year
Florida Municipal Loan Council refunded revenue bonds series 2020	\$ 4,968,756	\$ -	\$233,113	\$ 4,735,643	\$ 240,669
Drinking water state revolving fund loan	1,334,230	2,106,399	259,143	3,181,486	432,944
State revolving fund loan	10,922,306	691,097	2,213,432	9,399,971	-
Emergency water fund loan	383,969	-	24,773	359,196	24,772
Vehicles Loan	642,137	-	278,847	363,290	96,961
Public works facility improvement note	1,749,000	-	-	1,749,000	-
Total revenue bonds and notes	20,000,398	2,797,496	3,009,308	19,788,586	795,346
Capital leases	204,262	451,049	202,324	452,987	131,783
County water/sewer agreement	-	-	-	-	-
Compensated absences	244,944	5,476	54,965	195,455	-
Total OPEB liability	227,566	-	87,741	139,825	-
Net pension liability	1,772,234	1,991,105	-	3,763,339	-
Totals	\$ 22,449,404	\$ 5,245,126	\$ 3,354,338	\$ 24,340,192	\$ 927,129

Capital Leases

Governmental Activities

The City continued to pay a \$680,000, 3.38% 2018 capital lease for fire engine due in quarterly installments of approximately \$77,000 to \$85,000, \$420,000 capital lease for police vehicles at 1.14% with the final payment of \$85,000 due 10/01/25. These leases are payable from the General Fund and reported in governmental activities in furniture and equipment.

Business-type Activities

Additionally, the City has a \$289,257, 2.04% capital lease for a sanitation truck in semi-annual payments of approximately \$23,000 and a 419,000, 1.80% capital lease for two sanitation trucks in semi-annual payments of approximately \$30,000. During the year, the City entered into a capital lease for a new sanitation vehicle. All three leases are payable from the Sanitation Fund and are reported in business-type activities in furniture and equipment. During the fiscal year 2024, the City entered into a \$274,223 capital lease for a sanitation rear loader and vehicles for the airport at 3.28% with annual payments of \$2,513 which is payable from the Sanitation and Airport Funds.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Future lease payments, together with the present value of the minimum lease payments, are summarized in the following tabulation:

	Governmental Activities	Business-type Activities
2025	285,504	96,926
2026	210,040	102,327
2027	220,033	108,010
2028	155,458	56,232
2029-2033	-	225,192
Less: amount representing interest	(117,430)	(65,532)
Present value of net minimum lease payments	\$ 753,605	\$ 523,155

NOTE 7 – RESTRICTED NET POSITION – BUSINESS-TYPE ACTIVITIES

The following schedule displays restricted assets, liabilities payable from those assets, and restricted net position of the City's business-type activities:

	Business-type Activities
Restricted assets:	
Cash and equivalent	\$ 2,830,823
Total	2,830,823
Liabilities payable from restricted assets:	
Current portion of debt service:	
Principal	754,937
Interest	237,789
Payable from current portion of debt service	992,726
Long-term debt service payable from restricted assets	\$ 1,838,097

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 8 – FUND BALANCE CLASSIFICATIONS

	General fund	Redevelopment Agency Fund	Better Place Plan Fund	Special Revenues Fund	Total Governmental Funds
Nonspendable:					
Advances	\$ 141,160	\$ -	\$ -	\$ -	\$ 141,160
Restricted for:					
Law enforcement	76,016	-	-	-	76,016
Fire safety education	43,266	-	-	-	43,266
Fire protection	8,350	-	-	-	8,350
Programming and recreation	29,022	-	-	-	29,022
Transportation	248,744	-	-	-	248,744
Cemetery improvements	189,194	-	-	-	189,194
Capital projects	22,000	-	159,365	-	181,365
Downtown redevelopment	-	3,121,420	-	-	3,121,420
Total restricted	616,592	3,121,420	159,365	-	3,897,377
Committed for:					
Law enforcement	8,346	-	-	-	8,346
Tree mitigation	3,579	-	-	-	3,579
Demolition and lot cleanup	201,130	-	-	-	201,130
Total committed	213,055	-	-	-	213,055
Unassigned	4,339,458	-	-	(4,881)	4,334,577
Total fund balance	\$ 5,310,265	\$ 3,121,420	\$ 159,365	\$ (4,881)	\$ 8,586,169

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City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 9 – PENSION PLANS

Defined Benefit Plan

Plan Description. The City sponsors a single-employer public employee retirement system (the “System”) administered by the City of Palatka, Pension Boards of Trustees. The General Pension Board consists of five members, including the City Manager, two City Commission appointees, one member elected by a majority of the other covered General employees, and one citizen having financial experience appointed by the City Commission. The Police Officer Pension Board and Firefighters Pension Board each consist of two City Commission appointees, two members of the Plan elected by a majority of the other covered members and a fifth member elected by the other four board trustees and appointed by the City Commission. The System administers the City Employees Retirement Plan (the “Plan”) which provides three employee contributory defined benefit pension plans. Members of the Plan include employees of the City and the Palatka Gas Authority. Nonemployer contributions are made by the State of Florida on behalf of Police Officers and Firefighters who participate in the System. For the year ended September 30, 2025, the City recognized \$119,914 and \$87,475 in the General Fund for State contributions to the Police Officers’ and Firefighters’ Retirement Funds, respectively. The City accounts for the Plan in three Pension Trust Funds, corresponding to three benefit groups as follows:

General – all members not included in Police Officers and Firefighters
Police Officers – all state-certified police officers
Firefighters – all state-certified firefighters

The Plan provides for vesting of benefits after 7 years of creditable service. General plan members are eligible for retirement at the earlier of: 1) age 55 and 7 years of credited service, or 2) 30 years of credited service, regardless of age. Police officer members are eligible at the earlier of: 1) age 50 and 7 years of credited service, 2) age 55 and 10 years of credited service, 3) age 52 and 25 years of credited service, or 4) 30 years of credited service, regardless of age. Firefighter members are eligible at the earlier of: 1) age 50 and 7 years of credited service for those hired before January 1, 2016, or age 50 and 10 years of credited service for those hired on or after January 1, 2016, 2) age 55 and 10 years of credited service, or 3) 25 years of credited service, regardless of age. The Plan also provides for disability, retirement, termination and death benefits with eligibility and benefit provisions as described in the authorizing ordinance. For general, police officer, and firefighter members, annual benefits for plan years beginning October 1, 2014, are equal to total years of service times 2.5% of final average compensation (highest 3 consecutive years of the last 5). In addition, police officer and firefighter members also will receive a supplement funded with Chapter 185 or 175, F.S., as applicable, Premium Tax monies equal to 0.63% and 0.79%, respectively, of final average compensation times credited service. No other changes in benefit provisions have been made for the plan year beginning October 1, 2017. The minimum benefit for duty disability is 45% of final average compensation for general, police officer and firefighter members. The minimum benefit for non-duty disability for all members is 25% of final average compensation. A member who terminates with less than 7 years’ service may withdraw his or her member contributions.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 9 – PENSION PLANS (CONTINUED)

The Boards of Trustees establish and may amend provisions of the plan related to participant eligibility, contribution requirements, vesting, and benefit provisions. However, these plan provisions are subject to minimum requirements established in Chapters 112, 175, and 185, Florida Statutes. The Plan does not issue a stand-alone financial report.

Current membership in the Plan as of September 30, 2025 is as follows:

	General	Police Officers	Fire Fighters	Total
Inactive plan members or beneficiaries				
currently receiving benefits	118	35	15	168
Inactive plan members entitled to but		18		
not yet receiving benefits	53	30	14	97
Active plan members	107	26	25	158
Total	278	109	54	423

Contributions. Contributions consist of the remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes. Employees are required to contribute 6.00% of their annual salary.

Concentrations. As of September 30, 2025, the Plans did not hold investments in any one organization that represents 5% or more of the Plans' fiduciary net position.

Rate of Return. For the year ended September 30, 2025, the annual money-weighted rate of return on General, Police Officers, and Firefighters Pension Plans investments, net of pension plan investment expense was (10.86)%, (11.34)%, and (11)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense adjusted for the changing amounts actually invested.

Deferred Retirement Option Program (DROP). Eligibility is met with satisfaction of normal retirement requirements. Participation is not to exceed five years, or for police officers and firefighters, beyond attaining 35 or 34 years, respectively, of credited service, if earlier. General and Police DROP participants may choose actual net rate of return as reported by the Fund's monitor each September 30 or a fixed 6.5% per annum compounded monthly. Effective beginning with the year ending September 30, 2008 the rate of return was limited to 0% for general members in DROP. Rate for Firefighter DROP participants is the greater of: 1) net rate of investment return or 2) 5.0%. The DROP balance as of September 30, 2025 was \$311,469, \$124,931, and \$0, respectively, for general, police officer and firefighters.

Net Pension Liability. The City's net pension liability was measured as of September 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated October 1, 2024 and rolled forward to that date.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 9 – PENSION PLANS (CONTINUED)

The components of the net pension liability for the plans at September 30, 2025 were as follows:

	City of Palatka - General	Palatka Gas Authority	Total General Retirement Fund
Total pension liability	\$ 26,344,390	\$ 4,249,642	\$ 30,594,032
Plan fiduciary net position	(21,496,582)	(3,467,636)	(24,964,218)
Net pension liability	\$ 4,847,809	\$ 782,005	\$ 5,629,814

Pension fiduciary net position as a percentage of the total pension liability	81.60%	81.60%	81.60%
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	Police Officers'	Firefighters'
Total pension liability	\$ 17,804,920	\$ 14,317,586
Plan fiduciary net position	(15,025,403)	(12,443,033)
Net pension liability	\$ 2,779,517	\$ 1,874,553

Pension fiduciary net position as a percentage of the total pension liability	84.39%	86.91%
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Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2024, rolled forward to September 30, 2025, using the following actuarial assumptions, applied to all periods included in the measurement:

	General	Police Officers	Fire Fighters
Investment rate of return	7.40%	7.50%	7.40%
Projected salary increases*	Service based	Service based	Service based
* Includes inflation at	2.50%	2.50%	2.50%
Discount rate	7.40%	7.50%	7.40%

The most recent actuarial experience study for which significant assumptions are based upon was dated September 17, 2021 for the General Plan, and June 14, 2022 for Police Officers' and Firefighters' Plans.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 9 – PENSION PLANS (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in all three pension plans' target asset allocations as of September, 30 2025 are summarized in the following table:

Asset class:	Target Allocation			Long-term Expected Real Rate of Return All Plans
	General	Police Officers'	Firefighters'	
Domestic equity	52.0%	52.0%	52.0%	7.80%
Internation equity	8.0%	8.0%	8.0%	3.80%
Bonds	20.0%	20.0%	20.0%	1.80%
High yields bonds	4.0%	4.0%	4.0%	4.20%
Convertibles	5.0%	5.0%	5.0%	6.30%
Private real estate	5.0%	5.0%	5.0%	5.40%
Infrastructure	5.0%	5.0%	5.0%	6.40%
Cash	1.0%	1.0%	1.0%	-0.10%
Total	100.0%	100.0%	100.0%	

Discount Rate. The discount rate used to measure the total pension liability was 7.40% for the General and Firefighter's Plan and 7.50% for the Police Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 9 – PENSION PLANS (CONTINUED)

Changes in the Net Pension Liability (General)

	Total Plan		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance - beginning of year	\$ 29,205,826	\$ 22,693,463	\$ 6,512,363
Changes for the year:			
Service cost	673,175	-	673,175
Interest	2,125,397	-	2,125,397
Changes in benefit terms	-	-	-
Difference between expected and actual experience	552,256	-	552,256
Changes of assumptions	352,219	-	352,219
Contributions-employer	-	1,844,312	(1,844,312)
Contributions-employees	-	360,573	(360,573)
Net investment income	-	2,448,335	(2,448,335)
Benefit payments, including refunds of employee contributions	(2,314,841)	(2,314,841)	-
Administrative expense	-	(67,624)	67,624
Net changes	1,388,206	2,270,755	(882,549)
Balance - end of year	\$ 30,594,032	\$ 24,964,218	\$ 5,629,814

	City of Palatka		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance - beginning of year	\$ 25,149,137	\$ 19,541,341	\$ 5,607,796
Changes for the year:			
Service cost	579,671	-	579,671
Interest	1,830,179	-	1,830,179
Changes in benefit terms	-	-	-
Difference between expected and actual experience	475,548	-	475,548
Changes of assumptions	303,296	-	303,296
Contributions-employer	-	1,588,137	(1,588,137)
Contributions-employees	-	310,489	(310,489)
Net investment income	-	2,108,261	(2,108,261)
Benefit payments, including refunds of employee contributions	(1,993,310)	(1,993,310)	-
Administrative expense	-	(58,231)	58,231
Net changes	1,195,384	1,955,347	(759,963)
Balance - end of year	\$ 26,344,521	\$ 21,496,688	\$ 4,847,833

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 9 – PENSION PLANS (CONTINUED)

	Palatka Gas Authority		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance - beginning of year	\$ 4,056,689	\$ 3,152,122	\$ 904,567
Changes for the year:			
Service cost	93,504	-	93,504
Interest	295,218	-	295,218
Changes in benefit terms	-	-	-
Difference between expected and actual experience	76,708	-	76,708
Changes of assumptions	48,923	-	48,923
Contributions-employer	-	256,175	(256,175)
Contributions-employees	-	50,084	(50,084)
Net investment income	-	340,074	(340,074)
Benefit payments, including refunds of employee contributions	(321,531)	(321,531)	-
Administrative expense	-	(9,393)	9,393
Net changes	192,822	315,408	(122,586)
Balance - end of year	\$ 4,249,511	\$ 3,467,530	\$ 781,981

Changes in the Net Pension Liability (Police Officers')

	Police Officers'		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance - beginning of year	\$ 15,874,776	\$ 13,853,538	\$ 2,021,238
Changes for the year:			
Service cost	287,243	-	287,243
Interest	1,174,268	-	1,174,268
Changes of benefit terms	1,096,674	-	1,096,674
Difference between expected and actual experience	132,108	-	132,108
Changes of assumptions	250,061	-	250,061
Contributions-Employer	-	434,207	(434,207)
Contributions-State	-	119,914	(119,914)
Contributions-Employees	-	136,057	(136,057)
Net investment income	-	1,548,905	(1,548,905)
Benefit payments, including refunds of employee contributions	(1,010,210)	(1,010,210)	-
Administrative expense	-	(57,008)	57,008
Net changes	1,930,144	1,171,865	758,279
Balance - end of year	\$ 17,804,920	\$ 15,025,403	\$ 2,779,517

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 9 – PENSION PLANS (CONTINUED)

Changes in the Net Pension Liability (Firefighters')

	Firefighters'		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance - beginning of year	\$ 13,106,017	\$ 11,100,014	\$ 2,006,003
Changes for the year:			
Service cost	324,531	-	324,531
Interest	970,966	-	970,966
Change in benefit terms	226,279	-	226,279
Difference between expected and actual experience	98,261	-	98,261
Changes of assumptions	210,286	-	210,286
Contributions-Employer	-	599,506	(599,506)
Contributions-State	-	87,475	(87,475)
Contributions-Employees	-	111,704	(111,704)
Net investment income	-	1,216,420	(1,216,420)
Benefit payments, including refunds of employee contributions	(618,754)	(618,754)	-
Administrative expense	-	(53,332)	53,332
Net changes	1,211,569	1,343,019	(131,450)
Balance - end of year	\$ 14,317,586	\$ 12,443,033	\$ 1,874,553

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City and the firefighters', calculated using the discount rate of 7.40%, as well as what the City's and firefighters' net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

The charts present the net pension liability of the Police officers', calculated using the discount rate of 7.50%, as well as what the Police officers' net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 9 – PENSION PLANS (CONTINUED)

Net Pension Liability	1% Decrease 6.40%	Discount Rate 7.40%	1% Increase 8.40%
General	\$ 8,627,609	\$ 5,629,814	\$ 3,083,497

Current			
Net Pension Liability	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
Police officers'	4,907,199	2,779,517	1,034,124

Current			
Net Pension Liability	1% Decrease 6.40%	Discount Rate 7.40%	1% Increase 8.40%
Firefighters'	3,719,721	1,874,553	353,519

Pension expense and deferred outflows of resources and deferred inflows of resources. For the year end September 30, 2025, the City recognized pension expense of \$1,495,502 (including \$207,725 for Palatka Gas Authority), \$1,684,830, and \$680,559 relating to the General, Police Officers', and Firefighters' plans respectively. At September 30, 2025, the City reported deferred outflows and inflows of resources relating to the General, Police Officers', and Firefighters' pensions from the following sources:

	Deferred Outflows of Resources - City	Deferred Outflows of Resources - PGA	Deferred Outflows of Resources - Total	Deferred Inflows of Resources - City	Deferred Inflows of Resources - PGA	Deferred Inflows of Resources - Total
Differences between expected and actual experience	\$ 237,773	\$ 38,355	\$ 276,128	\$ -	\$ -	\$ -
Changes of assumptions	151,648	24,462	176,110	-	-	-
Difference between projected and actual earnings on pension plan investments (net)	-	-	-	796,726	182,682	1,315,163
Total	\$ 389,420	\$ 62,818	\$ 452,238	\$ 796,726	\$ 182,682	\$ 1,315,163

	Police Officers'		Firefighters'	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 66,054	\$ -	\$ 251,080	\$ -
Changes of assumptions	125,031	-	157,716	-
Difference between projected and actual earnings on pension plan investments (net)	-	833,617	-	641,228
Total	\$ 191,085	\$ 833,617	\$ 408,796	\$ 641,228

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 9 – PENSION PLANS (CONTINUED)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,	General - City	General - PGA	General - Total	Police Officers'	Firefighters'
2026	\$ 689,407	\$ 111,209	\$ 800,616	\$ 373,375	\$ 302,649
2027	(650,017)	(104,855)	(754,872)	(463,322)	(187,585)
2028	(648,880)	(104,671)	(753,551)	(447,779)	(269,429)
2029	(133,571)	(21,547)	(155,118)	(104,806)	(78,067)
2030	-	-	-	-	-
Thereafter	-	-	-	-	-
Total	\$ (743,061)	\$ (119,864)	\$ (862,925)	\$ (642,532)	\$ (232,432)

Pension Plan Financial Statements

Combining Statement of Fiduciary Net Position – September 30, 2025

	General Retirement Fund	Police Officers' Retirement Fund	Firefighters' Retirement Fund	Total
Assets				
Investments:				
Money market and other cash equivalents	\$ (74,945)	\$ 511,525	\$ 576,772	\$ 1,013,352
Government bonds and notes	-	-	-	-
Government agencies	-	-	-	-
Corporate bonds and notes	-	-	-	-
Fixed income	-	989,165	733,503	1,722,668
Equity	-	1,514,537	1,245,752	2,760,289
Mutual funds - fixed income	7,121,703	3,296,104	3,029,225	13,447,032
Mutual funds - equities	15,071,437	8,179,447	6,326,382	29,577,266
Pooled/Common/Commingled funds - equity	1,675,797	-	-	1,675,797
Pooled/Common/Commingled funds - real estate	1,045,171	654,362	486,967	2,186,500
Total investments	24,839,163	15,145,140	12,398,601	52,382,904
Accounts receivable	155,977	49,240	64,670	269,887
Total assets	24,995,140	15,194,380	12,463,271	52,652,791
Liabilities	30,922	168,977	20,238	220,137
Net position:				
Restricted for pension benefits	\$ 24,964,218	\$ 15,025,403	\$ 12,443,033	\$ 52,432,654

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 9 – PENSION PLANS (CONTINUED)

Combining Statement of Changes in Fiduciary Net Position – Year Ended September 30, 2025

	General Retirement Fund	Police Officers' Retirement Fund	Firefighters' Retirement Fund	Total
Additions				
Contributions				
Employer	\$ 1,844,312	\$ 434,207	\$ 599,506	\$ 2,878,025
Member	360,573	136,057	111,704	608,334
State on behalf, through general fund	-	119,914	87,475	207,389
Total contributions	2,204,885	690,178	798,685	3,693,748
Investment income				
Net appreciation (depreciation) in fair value of investments	1,438,602	1,381,089	1,099,109	3,918,800
Interest & dividends	1,075,409	237,972	173,894	1,487,275
Less investment fee	(65,676)	(70,156)	(56,583)	(192,415)
Net investment income (loss)	2,448,335	1,548,905	1,216,420	5,213,660
Total additions (deductions)	4,653,220	2,239,083	2,015,105	8,907,408
Deductions				
Member benefits	2,046,028	849,962	618,754	3,514,744
Withdrawals	197,651	148,739	-	346,390
Refunds of member contributions	71,162	11,509	-	82,671
Administrative expense	67,624	57,008	53,332	177,964
Total deductions	2,382,465	1,067,218	672,086	4,121,769
Change in net position	2,270,755	1,171,865	1,343,019	4,785,639
Net position restricted for pension benefits, beginning of the year	22,693,463	13,853,538	11,100,014	47,647,015
Net position restricted for pension benefits, end of the year	\$ 24,964,218	\$ 15,025,403	\$ 12,443,033	\$ 52,432,654

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The City has complied with the requirements of subsection (g) of IRC Section 457 and, accordingly, all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. Consequently, the plan is not reported in the City's financial statements.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City sponsors and administers a single-employer defined benefit plan for postemployment benefits other than pension benefits (OPEB Plan).

The City's health care plan includes certain health care benefits for retired employees of the City, including its component unit, the Palatka Gas Authority. Substantially all employees may become eligible for those benefits if they reach normal retirement age while working for the City or Palatka Gas Authority. The premiums for the retirees are deducted from their pension account, and are entirely paid by those participants. The City pays no portion of the premiums attributable to the retirees, but does contribute any remaining amount necessary for payment of claims. In future years, contributions are assumed to increase at the same rate as premiums.

For purposes of applying Paragraph 4 under Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the Plan does not meet the requirements for an OPEB plan administered through a trust, and the City has not established a qualifying trust for the OPEB plan. The OPEB Plan does not issue a stand-alone financial report.

The City Commission can amend the benefit provisions provided by the OPEB Plan.

Benefits Provided

The OPEB Plan provides an implicit health insurance subsidy for retirees of the City and Palatka Gas Authority. The plan allows employees who retire and meet retirement eligibility under one of the City's retirement plans (and their spouses and eligible dependents) to continue medical insurance coverage as a participant in the City's health insurance plan. The retiree pays 100% of the blended group rate premium.

Contributions

The contribution requirements of plan members and the participating employers are established and may be amended by the City. The City's required contribution, actuarially determined, is based on a combination of projected pay-as-you-go financing, with an additional amount to prefund benefits when earned. Contributions are not based on a measure of pay. The contractually required contribution for the year ended September 30, 2025 was \$28,234. Actual contributions to the OPEB Plan were \$28,234 for the year ended September 30, 2025. Retiree plan members receiving benefits contributed to pay-as-you-go financing through their required contributions for health insurance premiums.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability

The measurement date is September 30, 2025, based on an actuarial valuation dated October 1, 2023 and rolled forward to September 30, 2025. The reporting period is October 1, 2024 through September 30, 2025.

The Sponsor's total OPEB liability of \$469,210 (comprised of \$424,072 for City and \$45,138 for Palatka Gas Authority) was measured as of September 30, 2025.

Actuarial Assumptions and Other Inputs

Table

Inflation rate	2.50%
Salary increase rate(s)	Varies by service
Discount rate	4.50%
Initial trad rate	8.50%
Ultimate trend rate	4.00%
Years to ultimate	51
All mortality rates were based on the Pub-2010 mortality tables.	

Discount Rate

All future benefit payments were discounted using a high-quality municipal bond rate of 4.50%. The rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. This index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

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City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Change in Total OPEB Liability

Changes for the year:	
Service cost	\$ 36,840
Interest	19,606
Difference between expected and actual experience	-
Changes of assumptions and actual experience	(20,845)
Benefit payments	(24,634)
Net changes	<u>10,967</u>
Total OPEB liability - beginning of reporting period	458,243
Total OPEB liability - end of reporting period	<u>\$ 469,210</u>

Changes in assumptions reflect a change in the discount rate from 4.87% for the reporting period ended September 30, 2024, to 4.50% for the reporting period ended September 30, 2025.

Sensitivity of the Total OPEB Liability to changes in the Discount Rate

The following presents the total OPEB liability of the Sponsor, as well as what the Sponsor's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease 3.50%	Current Discount Rate 4.50%	1% Increase 5.50%
Total OPEB liability - City	\$ 468,637	\$ 403,066	\$ 385,314
Total OPEB liability - PGA	49,881	66,144	41,013
Total OPEB liability	<u>\$ 518,518</u>	<u>\$ 469,210</u>	<u>\$ 426,327</u>

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City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Sponsor, as well as what the Sponsor's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease 3.00% - 7.50%	Trend Rates 4.00% - 8.50%	1% Increase 5.00% - 9.50%
Total OPEB liability - City	\$ 372,360	\$ 403,066	\$ 485,594
Total OPEB liability - PGA	39,634	66,144	51,686
Total OPEB liability	\$ 411,994	\$ 469,210	\$ 537,280

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2025, the Sponsor recognized OPEB expense of \$24,942, including \$2,399 for the Palatka Gas Authority.

On September 30, 2025, the Sponsor reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	City	PGA	Total	City	PGA	Total
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ 142,546	\$ 15,173	\$ 157,719
Changes of assumptions	-	-	-	123,688	13,165	136,853
Total	\$ -	\$ -	\$ -	\$ 266,234	\$ 28,338	\$ 294,572

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending September 30,	City	PGA	Total
2026	\$ (84,841)	\$ (9,030)	\$ (93,871)
2027	(81,034)	(8,625)	(89,659)
2028	(49,169)	(5,233)	(54,402)
2029	(3,141)	(334)	(3,475)
2030	-	-	-
Thereafter	-	-	-
Total	\$ (218,185)	\$ (23,222)	\$ (241,407)

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

NOTE 11 – RISK MANAGEMENT

The City is exposed to various risks of loss related to general liability, workers' compensation, public liability, law enforcement liability, health benefits, property damage, and errors and omissions. To manage its risks, the City participates in the Florida League of Cities Self Insurance Fund (the "Fund") a public entity risk pool currently operating as a common risk management and insurance program for member cities. The City pays an annual premium to the Fund for its coverage. The premiums are designed to fund the liability risks assumed by the Fund and are based on certain actual exposures of each member. The City's settled claims have not exceeded coverage in any of the past three fiscal years.

NOTE 12 - CONTINGENCIES

The City is evaluating potential financial exposure related to a grant-funded project change order that exceeded allowable reimbursement limits and has initiated cost-recovery efforts.

The City is sometimes a party to lawsuits and claims arising out of the normal conduct of its activities. While the results of lawsuits or other proceedings against the City cannot be predicted with certainty, management does not expect that these matters will have a material adverse effect on the financial condition of the City as of September 30, 2025.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events to determine if events or transactions occurring through June 29, 2026, the date the financial statements available to be issued, require potential adjustment to or disclosure in the financial statements.

On May 28, 2026, the City Commission formally prohibited future land-swap transactions, limiting all future real property transactions to fee-simple sales. Additionally, the City initiated cost-recovery efforts related to a grant-funded project change order identified during the audit. Management is also evaluating alternative financing options associated with the Drinking Water State Revolving Fund loan executed during the fiscal year.

NOTE 14 – NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued several pronouncements that are effective for these financial statements. These are:

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures. This Statement will provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2025

Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

This Statement is effective for the fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

In April 2024, the GASB issued Statement No. 103, Financial Reporting Model Improvements. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement is effective for the fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

In September 2024, the GASB issued Statement No. 104, Disclosure of Certain Capital Assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

Required Supplementary Information

City of Palatka, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual – General Fund
Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 6,968,496	\$ 6,968,496	\$ 6,474,597	\$ (493,899)
Permits, fees and special assessments	4,106,677	4,106,677	3,583,135	(523,542)
Intergovernmental	1,853,922	1,853,922	1,816,822	(37,100)
Charges for services	240,480	240,480	265,560	25,080
Fines and forfeitures	133,880	133,880	220,995	87,115
Miscellaneous	636,121	636,121	926,630	290,509
Total revenues	<u>13,939,576</u>	<u>13,939,576</u>	<u>13,287,739</u>	<u>(651,837)</u>
Expenditures:				
Current:				
General government	4,325,191	4,325,191	3,980,826	344,365
Public safety	8,750,368	8,750,368	9,648,702	(898,334)
Physical environment	-	-	-	-
Transportation	1,500,722	1,500,722	1,436,670	64,052
Economic environment	-	-	-	-
Human services	135,327	135,327	124,851	10,476
Culture and recreation	1,154,035	1,154,035	925,642	228,393
Capital outlay	2,574,533	2,574,533	1,305,534	1,268,999
Debt service				
Principal retirement	381,705	381,705	327,263	54,442
Interest and fiscal charges	114,552	114,552	63,185	51,367
Total expenditures	<u>18,936,433</u>	<u>18,936,433</u>	<u>17,812,673</u>	<u>1,123,760</u>
Excess of revenues over expenditures	<u>(4,996,857)</u>	<u>(4,996,857)</u>	<u>(4,524,934)</u>	<u>471,923</u>
Other financing sources (uses):				
Operating transfer in	2,803,939	2,803,939	3,053,319	249,380
Operating transfer out	(566,159)	(566,159)	(203,520)	362,639
Issuance of debt	-	-	-	-
Capital lease issuance	-	-	-	-
Sale of surplus property	-	-	-	-
Capital contributions	-	-	-	-
Reserves	-	-	-	-
Total other financing sources (uses):	<u>2,237,780</u>	<u>2,237,780</u>	<u>2,849,799</u>	<u>612,019</u>
Net change in fund balance	<u>\$ (2,759,077)</u>	<u>\$ (2,759,077)</u>	<u>(1,675,135)</u>	<u>\$ 1,083,942</u>
Fund balances - beginning of year			6,985,414	
Fund balance, end of year			<u>\$ 5,310,265</u>	

See the accompanying notes.

City of Palatka, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual – Downtown Redevelopment Agency Fund
Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 964,820	\$ 964,820	\$ 1,198,043	\$ 233,223
Miscellaneous	-	-	-	-
Total revenues	<u>964,820</u>	<u>964,820</u>	<u>1,198,043</u>	<u>233,223</u>
Expenditures:				
Economic environment	-	-	348,471	(348,471)
Total expenditures	<u>-</u>	<u>-</u>	<u>348,471</u>	<u>(348,471)</u>
Excess of revenues over expenditures	<u>964,820</u>	<u>964,820</u>	<u>849,572</u>	<u>(115,248)</u>
Other financing sources (uses):				
Operating transfer in	1,224,008	1,224,008	-	(1,224,008)
Operating transfer out	-	-	(227,459)	(227,459)
Issuance of debt	-	-	-	-
Capital lease issuance	-	-	-	-
Sale of surplus property	-	-	-	-
Total other financing sources (uses):	<u>1,224,008</u>	<u>1,224,008</u>	<u>(227,459)</u>	<u>(1,451,467)</u>
Net change in fund balance	<u>\$ 2,188,828</u>	<u>\$ 2,188,828</u>	<u>622,113</u>	<u>\$ (1,566,715)</u>
Fund balances - beginning of year			<u>2,499,307</u>	
Fund balance, end of year			<u>\$ 3,121,420</u>	

See the accompanying notes.

City of Palatka, Florida
Notes to Budgetary Comparison Schedules
September 30, 2025

Budgets are prepared and adopted on the modified accrual basis of accounting.

On or before the first day in August of each year, the City Manager submits to the City Commission a budget for the ensuing fiscal year, along with an accompanying budget message. The general summary of the budget and notice of public hearing is published in the local newspaper. Prior to the last day of September, the budget is legally enacted. All appropriations lapse at the end of the fiscal year.

Florida Statutes provide that it is unlawful to make expenditures that exceed the total amount budgeted for each fund. The City Manager can approve budget transfers within and between operating departments and divisions of the same fund. All interfund transfers require prior approval of the City Commission. Therefore, the fund level is the legal level of control for budget considerations.

Annual budgets are adopted for all governmental funds.

DRAFT-FINAL

City of Palatka, Florida
Schedule of Changes in Net Pension Liability and Related Ratios
General Pension Plan
Year Ended September 30, 2025
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service cost	\$ 673,175	\$ 591,230	\$ 483,533	\$ 407,022	\$ 462,352	\$ 469,426	\$ 393,661	\$ 423,870	\$ 386,138	\$ 340,525
Interest	2,125,397	2,008,685	1,976,615	1,985,787	1,952,058	1,943,145	1,894,079	1,872,580	1,807,530	1,707,988
Changes in benefit terms	-	845,441	-	-	-	-	-	-	-	-
Difference between expected and actual experience	552,256	531,657	193,303	(651,079)	246,792	173,030	404,844	23,255	408,495	(74,220)
Changes of assumptions	352,219	-	-	-	89,552	(145,479)	249,474	238,967	257,491	1,236,245
Benefit payments, including refunds of employee contributions	(2,314,841)	(2,648,701)	(2,006,842)	(1,877,528)	(1,898,267)	(2,048,357)	(2,048,737)	(1,826,224)	(1,713,924)	(1,737,850)
Net changes in total pension liability	1,388,206	1,328,312	646,609	(135,798)	852,487	391,765	893,321	732,448	1,145,730	1,472,688
Total pension liability-beginning	29,205,826	27,877,514	27,230,905	27,366,703	26,514,216	26,122,451	25,229,130	24,496,682	23,350,953	21,878,265
Total pension liability-ending (a)	30,594,032	29,205,826	27,877,514	27,230,905	27,366,703	26,514,216	26,122,451	25,229,130	24,496,682	23,350,953
Total fiduciary net position										
Contributions										
Employer	1,844,312	1,686,668	1,508,293	1,420,542	1,259,075	1,354,046	1,062,017	866,294	739,093	679,864
Employee	360,573	328,572	276,296	235,222	212,266	221,385	209,178	188,324	192,427	175,818
Net investment income	2,448,335	4,373,617	1,325,651	(3,889,387)	3,437,739	1,389,220	771,522	994,227	1,528,570	1,554,168
Benefit payments, including refunds of employee contributions	(2,314,841)	(2,648,701)	(2,006,842)	(1,877,528)	(1,898,267)	(2,048,357)	(2,048,737)	(1,826,224)	(1,713,924)	(1,737,850)
Administrative expense	(67,624)	(63,438)	(45,458)	(51,134)	(36,749)	(51,912)	(34,739)	(33,995)	(29,451)	(34,904)
Net changes in plan fiduciary net position	2,270,755	3,676,718	1,057,940	(4,162,285)	2,974,064	864,382	(40,759)	188,626	716,715	637,096
Plan fiduciary net position-beginning	22,693,463	19,016,745	17,958,805	22,121,090	19,147,026	18,282,644	18,323,403	18,134,777	17,418,063	16,780,967
Plan fiduciary net position-ending	24,964,218	22,693,463	19,016,745	17,958,805	22,121,090	19,147,026	18,282,644	18,323,403	18,134,777	17,418,063
Net pension liability-ending (a)-(b)	\$ 5,629,814	\$ 6,512,363	\$ 8,860,769	\$ 9,272,100	\$ 5,245,613	\$ 7,367,190	\$ 7,839,807	\$ 6,905,727	\$ 6,361,905	\$ 5,932,890
Plan fiduciary net position as a percentage of the total pension liability	81.60%	77.70%	68.22%	65.95%	80.83%	72.21%	69.99%	72.63%	74.03%	74.59%
Covered payroll	\$ 6,009,556	\$ 5,476,200	\$ 3,920,363	\$ 3,689,497	\$ 3,689,497	\$ 3,689,497	\$ 3,486,295	\$ 3,148,480	\$ 3,197,367	\$ 2,930,299
Net pension liability as a percentage of covered payroll	93.68%	118.92%	226.02%	251.31%	142.18%	199.68%	224.88%	219.34%	198.97%	202.47%

Notes to the Schedule

For measurement date 09/30/2021, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.50% to 7.40%
For measurement date 09/30/2020, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.60% to 7.50%
For measurement date 09/30/2019, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.70% to 7.60%
For measurement date 09/30/2018, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.80% to 7.70%
For measurement date 09/30/2017, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.90% to 7.80%

In addition, the assumed rates of mortality were changed from those in the July 1, 2015 FRS valuation report to those used in the July 1, 2016 FRS valuation report (FRS herein is the Florida Retirement System).

For measurement date 09/30/2016, amounts reported as changes of assumptions resulted from an experience study dated Sept. 20, 2016:

- The assumed rate of individual salary increases was changed from a 5.50% each year to a service-based table.
- The assumed interest rate was lowered from 8.0% to 7.9%.
- The assumed rates of mortality were changed to match what is used by FRS for non-special risk participants.
- The assumed rates for Normal Retirement increased for all ages.
- The assumed rates of disability decreased by changing from Table 1207 to Table 1201.
- The inflation assumption rate was lowered from 3.00% to 2.70%, matching the long-term inflation assumption used by the Plan's investment consultant.

City of Palatka, Florida
Schedule of Changes in Net Pension Liability and Related Ratios
Police Officers' Pension Plan
Year Ended September 30, 2025
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability											
Service cost	\$ 287,243	\$ 238,300	\$ 189,421	\$ 230,485	\$ 230,013	\$ 248,069	\$ 239,064	\$ 235,276	\$ 213,253	\$ 213,832	\$ 278,204
Interest	1,174,268	1,090,368	1,080,335	1,069,778	998,166	981,113	1,009,282	953,900	868,015	851,901	812,851
Changes of benefit terms	1,096,674	415,743	(506,377)	228,369	-	-	-	-	-	(41,662)	(108,171)
Difference between expected and actual experience	132,108	273,392	225,283	(190,279)	345,990	149,301	(676,400)	271,647	609,467	(454,959)	50,553
Changes of assumptions	250,061	-	-	(27,379)	-	(43,230)	145,942	145,765	165,502	321,310	-
Benefit payments, including refunds of employee contributions	(1,010,210)	(885,914)	(921,652)	(879,901)	(816,466)	(1,018,918)	(831,237)	(633,367)	(618,511)	(561,601)	(528,946)
Net changes in total pension liability	1,930,144	1,131,889	67,010	431,073	757,703	316,335	(113,349)	973,221	1,237,726	328,821	504,491
Total pension liability-beginning	15,874,776	14,742,887	14,675,877	14,244,804	13,487,101	13,170,766	13,284,115	12,310,894	11,073,168	10,744,347	10,239,856
Total pension liability-ending (a)	\$ 17,804,920	\$ 15,874,776	\$ 14,742,887	\$ 14,675,877	\$ 14,244,804	\$ 13,487,101	\$ 13,170,766	\$ 13,284,115	\$ 12,310,894	\$ 11,073,168	\$ 10,744,347
Total fiduciary net position											
Contributions											
Employer	434,207	391,979	382,666	343,472	248,264	284,472	287,923	154,829	186,569	151,756	196,130
State	119,914	113,280	99,811	85,728	86,172	76,357	77,299	72,068	67,554	65,893	64,825
Employee	136,057	115,713	96,243	92,687	86,959	89,045	92,521	83,808	86,168	81,274	85,064
Net investment income	1,548,905	2,572,853	894,968	(2,215,065)	2,271,232	980,170	401,546	788,650	1,137,327	904,015	(394,718)
Benefit payments, including refunds of employee contributions	(1,010,210)	(885,914)	(921,652)	(879,901)	(816,466)	(1,018,918)	(831,237)	(633,367)	(618,511)	(561,601)	(528,946)
Administrative expense	(57,008)	(53,420)	(42,387)	(46,252)	(29,361)	(43,550)	(26,058)	(28,518)	(24,245)	(34,770)	(26,755)
Net changes in plan fiduciary net position	1,171,865	2,254,491	509,649	(2,619,331)	1,846,800	367,576	1,994	437,470	834,862	606,567	(604,400)
Plan fiduciary net position-beginning	13,853,538	11,599,047	11,089,398	13,708,729	11,861,929	11,494,353	11,492,359	11,054,889	10,220,027	9,613,460	10,217,860
Plan fiduciary net position-ending	\$ 15,025,403	\$ 13,853,538	\$ 11,599,047	\$ 11,089,398	\$ 13,708,729	\$ 11,861,929	\$ 11,494,353	\$ 11,492,359	\$ 11,054,889	\$ 10,220,027	\$ 9,613,460
Net pension liability-ending (a)-(b)	\$ 2,779,517	\$ 2,021,238	\$ 3,143,840	\$ 3,586,479	\$ 536,075	\$ 1,625,172	\$ 1,676,413	\$ 1,791,756	\$ 1,256,005	\$ 853,141	\$ 1,130,887
Plan fiduciary net position as a percentage of the total pension liability	84.39%	87.27%	78.68%	75.56%	96.24%	87.95%	87.27%	86.51%	89.80%	92.30%	89.47%
Covered payroll	\$ 2,267,622	\$ 1,928,555	\$ 1,604,052	\$ 1,544,776	\$ 1,449,328	\$ 1,484,076	\$ 1,542,023	\$ 1,396,791	\$ 1,436,141	\$ 1,354,573	\$ 1,433,319
Net pension liability as a percentage of covered payroll	122.57%	104.81%	195.99%	232.17%	36.99%	109.51%	108.72%	128.28%	87.46%	62.98%	78.90%

Notes to the Schedule

For measurement date 09/30/2021, amounts reported as changes of assumptions resulted in no change

For measurement date 09/30/2020, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.60% to 7.50%

For measurement date 09/30/2019, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.70% to 7.60%

For measurement date 09/30/2018, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.80% to 7.70%

For measurement date 09/30/2017, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.90% to 7.80%

In addition, the assumed rates of mortality were changed from those in the July 1, 2015 FRS valuation report to those used in the July 1, 2016 FRS valuation report (FRS herein is the Florida Retirement System).

For measurement date 09/30/2016, amounts reported as changes of assumptions resulted from an experience study dated Sept. 20, 2016:

- The assumed rate of individual salary increases was changed from a 5.50% each year to a service-based table.
- The assumed interest rate was lowered from 8.00% to 7.9%.
- The assumed rates of mortality were changed to match what is used by FRS for non-special risk participants.
- The assumed rates for Normal Retirement increased for all ages.
- The assumed rates of disability decreased by changing from Table 1207 to Table 1201.
- The inflation assumption rate was lowered from 3.00% to 2.070%, matching the long-term inflation assumption used by the Plan's investment consultant.

City of Palatka, Florida
Schedule of Changes in Net Pension Liability and Related Ratios
Firefighters' Pension Plan
Year Ended September 30, 2025
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability											
Service cost	\$ 324,531	\$ 281,574	\$ 280,676	\$ 269,114	\$ 254,615	\$ 257,388	\$ 232,935	\$ 210,260	\$ 185,742	\$ 172,607	\$ 177,733
Interest	970,966	881,946	897,175	872,561	845,464	822,576	778,034	747,092	726,035	718,377	707,171
Changes of benefit terms	226,279	284,545	(763,184)	208,680	-	-	(815)	-	-	-	(33,092)
Difference between expected and actual experience	98,261	342,964	23,611	(86,780)	(322,737)	41,158	193,080	147,701	109,800	(112,062)	73,309
Changes of assumptions	210,286	-	-	62,797	-	(28,396)	125,856	115,984	134,956	381,136	-
Benefit payments, including refunds of employee contributions	(618,754)	(643,252)	(646,696)	(632,142)	(646,305)	(634,619)	(636,040)	(796,891)	(789,645)	(1,102,639)	(490,496)
Net changes in total pension liability	1,211,569	1,147,777	(208,418)	694,230	131,037	458,107	693,050	424,146	366,888	57,419	434,625
Total pension liability-beginning	13,106,017	11,958,240	12,166,658	11,472,428	11,341,391	10,883,284	10,190,234	9,766,088	9,399,200	9,341,781	8,907,156
Total pension liability-ending (a)	\$ 14,317,586	\$ 13,106,017	\$ 11,958,240	\$ 12,166,658	\$ 11,472,428	\$ 11,341,391	\$ 10,883,284	\$ 10,190,234	\$ 9,766,088	\$ 9,399,200	\$ 9,341,781
Total fiduciary net position											
Contributions											
Employer	599,506	494,522	663,059	592,239	500,542	521,538	444,977	414,702	395,413	296,485	250,259
State	87,475	68,408	71,357	61,250	49,571	62,951	66,498	73,764	60,543	50,698	95,653
Employee	111,704	97,889	95,765	84,498	72,184	75,612	68,282	64,184	61,203	52,815	47,712
Net investment income	1,216,420	2,015,971	641,479	(1,673,415)	1,583,992	679,012	279,441	507,754	749,063	619,284	(285,606)
Benefit payments, including refunds of employee contributions	(618,754)	(643,252)	(646,696)	(632,142)	(646,305)	(634,619)	(636,040)	(796,891)	(789,645)	(1,102,639)	(490,496)
Administrative expense	(53,332)	(51,506)	(41,117)	(43,825)	(27,112)	(37,960)	(26,740)	(24,681)	(22,815)	(31,660)	(22,760)
Net changes in plan fiduciary net position	1,343,019	1,982,032	783,847	(1,611,395)	1,532,872	666,534	196,418	238,832	453,762	(115,017)	(405,238)
Plan fiduciary net position-beginning	11,100,014	9,117,982	8,334,135	9,945,530	8,412,658	7,746,124	7,549,706	7,310,874	6,857,112	6,972,129	7,377,367
Plan fiduciary net position-ending	\$ 12,443,033	\$ 11,100,014	\$ 9,117,982	\$ 8,334,135	\$ 9,945,530	\$ 8,412,658	\$ 7,746,124	\$ 7,549,706	\$ 7,310,874	\$ 6,857,112	\$ 6,972,129
Net pension liability-ending (a)-(b)	\$ 1,874,553	\$ 2,006,003	\$ 2,840,258	\$ 3,832,523	\$ 1,526,898	\$ 2,928,733	\$ 3,137,160	\$ 2,640,528	\$ 2,455,214	\$ 2,542,088	\$ 2,369,652
Plan fiduciary net position as a percentage of the total pension liability	86.91%	84.69%	76.25%	68.50%	86.69%	74.18%	71.17%	74.09%	74.86%	72.95%	74.63%
Covered payroll	\$ 1,861,737	\$ 1,631,486	\$ 1,596,087	\$ 1,408,294	\$ 1,203,064	\$ 1,260,206	\$ 1,138,039	\$ 1,069,725	\$ 1,020,044	\$ 880,247	\$ 934,724
Net pension liability as a percentage of covered payroll	100.69%	122.96%	177.95%	272.14%	126.92%	232.40%	275.66%	246.84%	240.70%	288.79%	253.51%

Notes to the Schedule

For measurement date 09/30/2021, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.50% to 7.40%
For measurement date 09/30/2020, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.60% to 7.50%
For measurement date 09/30/2019, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.70% to 7.60%
For measurement date 09/30/2018, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.80% to 7.70%
For measurement date 09/30/2017, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.90% to 7.80%

In addition, the assumed rates of mortality were changed from those in the July 1, 2015 FRS valuation report to those used in the July 1, 2016 FRS valuation report (FRS herein is the Florida Retirement System).

For measurement date 09/30/2016, amounts reported as changes of assumptions resulted from an experience study dated Sept. 20, 2016:

- The assumed rate of individual salary increases was changed from a 5.50% each year to a service-based table.
- The assumed interest rate was lowered from 8.00% to 7.9%.
- The assumed rates of mortality were changed to match what is used by FRS for non-special risk participants.
- The assumed rates for Normal Retirement increased for all ages.
- The assumed rates of disability decreased by changing from Table 1207 to Table 1201.
- The inflation assumption rate was lowered from 3.00% to 2.70%, matching the long-term inflation assumption used by the Plan's investment consultant.

City of Palatka, Florida
Schedule of Employer Contributions
General Pension Plan
Year Ended September 30, 2025
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 1,844,934	\$ 1,686,669	\$ 1,547,256	\$ 1,395,649	\$ 1,238,303	\$ 1,354,046	\$ 1,063,320	\$ 864,991	\$ 716,210	\$ 679,829
Contribution in relation to the actuarially determined contributions	1,844,312	1,686,668	1,508,293	1,420,542	1,259,075	1,354,046	1,062,017	1,077,055	931,520	679,825
Contribution deficiency (excess)	\$ 622	\$ 1	\$ 38,963	\$ (24,893)	\$ (20,772)	\$ -	\$ 1,303	\$ (212,064)	\$ (215,310)	\$ 4
Covered payroll	\$ 6,009,556	\$ 5,476,200	\$ 4,604,929	\$ 3,920,363	\$ 3,538,009	\$ 3,689,497	\$ 3,689,497	\$ 3,486,295	\$ 3,148,480	\$ 3,197,367
Contributions as a percentage of covered payroll	30.69%	30.80%	32.75%	36.23%	35.59%	36.70%	28.78%	30.89%	29.59%	21.26%

Notes to the Schedule

* The schedule will present ten years comparative data when ten years become available.

Actuarially determined contribution rates are calculated as of October 1, two years prior to end of the fiscal year in which the contributions are reported.

Valuation Date for FY 2025 contribution 10/1/2023

Methods and assumption used to determine contribution rates:

Mortality rates: Healthy Active Female: PubG.H-2010 Employees
Healthy Active Male: PubG.H-2010 Employees, set back one year
Healthy Retiree/Beneficiary Female: PubG.H-2010 Healthy Retirees
Healthy Retiree/Beneficiary Male: PubG.H-2010 Healthy Retirees, set back one year
Disabled: PubG.H-2010 Disabled Retirees, set forward four years
Generational projection using Scale MP-2021

Interest rate: 7.40% per year compounded annually, net of investment related expenses.

Retirement age:

Age	Rate
50-54	15.0%
55-59	20.0%
60-69	30.0%
70+	100.0%

Salary increases:

Services	Rate
0-1	10%
4-Feb	5.5%
5+	4.8%

Payroll growth: None, for purpose of amortizing the unfunded actuarial liability

Marital status: 80% of active members are assumed to be married at the time of retirement. Females are assumed to be three years younger than males

Funding method: Entry Age Normal Cost

All assets are valued at market value with an adjustment to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.

Actuarial asset method:

Disability and termination rates: See following table. It is assumed that 25% of disablements and active members deaths are service related.

Service	Percent Terminating		Percent becoming	
	during the year	Age	disabled during the year	
0	20.00%	20	0.03%	
1-10	14.00%	30	0.04%	
11-15	10.00%	40	0.07%	
16-20	7.50%	50	0.18%	
21+	0.00%	60	0.90%	

City of Palatka, Florida
Schedule of Employer Contributions
Police Officers' Pension Plan
Year Ended September 30, 2025
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 564,638	\$ 493,710	\$ 466,779	\$ 441,806	\$ 352,187	\$ 348,758	\$ 356,207	\$ 282,152	\$ 189,571	\$ 222,150
Contribution in relation to the actuarially determined contributions	554,121	505,259	482,477	429,200	334,436	360,829	365,222	226,897	254,123	222,154
Contribution deficiency (excess)	\$ 10,517	\$ (11,549)	\$ (15,698)	\$ 12,606	\$ 17,751	\$ (12,071)	\$ (9,015)	\$ 55,255	\$ (64,552)	\$ (4)
Covered payroll	\$ 2,267,622	\$ 2,267,622	\$ 1,928,555	\$ 1,604,052	\$ 1,544,776	\$ 1,449,328	\$ 1,484,076	\$ 1,542,023	\$ 1,396,791	\$ 1,436,141
Contributions as a percentage of covered payroll	24.44%	22.28%	25.02%	26.76%	21.65%	24.90%	24.61%	14.71%	18.19%	15.47%

Notes to the Schedule

Actuarially determined contribution rates are calculated as of October 1, two years prior to end of the fiscal year in which the contributions are reported.

Valuation Date for FY 2025 contribution 10/1/2023

Methods and assumption used to determine contribution rates:

Mortality rates:

Healthy Active Female: PubS-2010 Employees
Healthy Active Male: PubS-2010 Employees, set forward one year
Healthy Retiree Female: PubS-2010 Healthy Retirees
Healthy Retiree Male: PubS-2010 Healthy Retirees, set forward one year
Beneficiary: PubG.H-2010 Healthy Retirees (Male set back one year)
Disabled: PubG.H-2010 Disabled Retirees (Female set forward one year)
Generational projection using Scale MP-2021

Interest rate:

7.50% per year compounded annually, net of investment related expenses.

Retirement age:

Service 7-24 Years		Service 25-29 Years	
Years Following Retirement	Rate	Age	Rate
First Eligibility			
0	30.0%	50-51	50.0%
1-2	20.0%	52+	100.0%
3	50.0%		
4	75.0%	Service 30+ Years	
5+	100.0%	All Ages	100.0%

Salary increases:

Based on years of service. 12% at 0; 5.25% for 1-4; 5% for 5-9; 4.75% for 10+

Payroll growth:

None, for purpose of amortizing the unfunded actuarial liability

Funding method:

Entry Age Normal Cost

All assets are valued at market value with an adjustment to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.

Actuarial asset method:

See following table. It is assumed that 75% of disablements are service related.

Disability and termination rates:

Years of Service	Termination Rate	Age	Percent becoming disabled during the year
0-1	22.50%	20	0.07%
2	20.00%	25	0.09%
3-4	15.00%	30	0.11%
5-7	7.50%	35	0.14%
8-13	12.00%	40	0.19%
14-24	7.00%	45	0.30%
25+	0.00%	50	0.51%
		55	0.96%
		60	1.66%
		65	2.39%

City of Palatka, Florida
Schedule of Employer Contributions
Firefighters' Pension Plan
Year Ended September 30, 2025
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 686,981	\$ 575,915	\$ 721,431	\$ 657,673	\$ 549,800	\$ 585,996	\$ 512,117	\$ 482,446	\$ 455,959	\$ 380,267
Contribution in relation to the actuarially determined contributions	686,981	562,930	734,416	653,489	550,113	584,489	511,475	488,466	455,965	380,264
Contribution deficiency (excess)	\$ -	\$ 12,985	\$ (12,985)	\$ 4,184	\$ (313)	\$ 1,507	\$ 642	\$ (6,020)	\$ (6)	\$ 3
Covered payroll	\$ 1,861,737	\$ 1,861,737	\$ 1,596,087	\$ 1,408,294	\$ 1,203,064	\$ 1,260,206	\$ 1,260,206	\$ 1,138,039	\$ 1,069,725	\$ 1,020,044
Contributions as a percentage of covered payroll	36.90%	30.24%	46.01%	46.40%	45.73%	46.38%	40.59%	42.92%	42.62%	37.28%

Notes to the Schedule

Actuarially determined contribution rates are calculated as of October 1, two years prior to end of the fiscal year in which the contributions are reported.

Valuation Date for FY 2025 contribution 10/1/2023

Methods and assumption used to determine contribution rates:

Mortality rates:

Healthy Active Female: PubS-2010 Employees
Healthy Active Male: PubS-2010 Employees, set forward one year
Healthy Retiree Female: PubS-2010 Healthy Retirees
Healthy Retiree Male: PubS-2010 Healthy Retirees, set forward one year
Beneficiary Female: PubG.H-2010 Healthy Retirees
Beneficiary Male: PubG.H-2010 Healthy Retirees, set back one year
Disabled: PubG.H-2010 Disabled Retirees; Female set forward one year
Generational projection using Scale MP-2021
90% of active deaths are assumed to be service-incurred

Interest rate:

7.4% per year compounded annually, net of investment related expenses.

Retirement age:

Years Following First Eligibility	Retirement Rate
0	50.0%
1	50.0%
2+	100.0%

Salary increases:

Based on years of service, 12.5% at 0; 5.5% for 1; 5% for 2-15 and 4.5% for 16+

Payroll growth:

None, for purpose of amortizing the unfunded actuarial liability

Marital status:

75% of active members are assumed to be married at the time of retirement. Females are assumed to be three years younger than males.

Funding method:

Entry Age Normal Cost

All assets are valued at market value with an adjustment to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.

Actuarial asset method:

Disability and termination rates:

See following table. It is assumed that 90% of disablements are service related.

Years of Service	Termination Rate	Percent becoming disabled during the year
0-1	15.00%	0.07%
2-5	10.00%	0.11%
6-8	6.00%	0.19%
9	0.00%	0.51%
10-19	5.00%	1.66%
20+	0.00%	

City of Palatka, Florida
Schedule of Investment Returns
Pension Plan
Year Ended September 30, 2025
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	General Plan		2018	2017	2016
Annual money-weighted rate of return, net of investment expenses	10.86%	23.33%	7.45%	-17.75%	18.21%	7.73%	4.35%	5.61%	8.99%	9.55%
	2025	2024	2023	2022	2021	Police Officers' Plan		2018	2017	2016
Annual money-weighted rate of return, net of investment expenses	11.34%	22.65%	8.27%	-16.46%	19.55%	8.78%	3.58%	7.27%	11.32%	9.54%
	2025	2024	2023	2022	2021	Firefighters' Plan		2018	2017	2016
Annual money-weighted rate of return, net of investment expenses	11.00%	22.40%	7.73%	-16.95%	19.05%	8.88%	3.77%	7.18%	11.32%	9.21%

City of Palatka, Florida
Schedule of Change in City's Other Postemployment Benefit Plan
Liability and Related Ratios
Year Ended September 30, 2025
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019
Service cost	\$ 36,840	\$ 43,373	\$ 50,452	\$ 68,198	\$ 71,027	\$ -	\$ 43,970
Interest	19,606	28,588	33,832	17,713	18,379	-	25,549
Difference between expected and actual experience	-	(156,784)	-	(159,593)	106,153	-	-
Changes of assumptions	(20,845)	(141,372)	(7,400)	(51,971)	(25,250)	-	67,368
Benefit payments	(24,634)	(31,628)	(38,796)	(33,252)	(29,997)	-	(14,973)
Net changes in total OPEB liability	10,967	-	38,088	(158,905)	140,312	-	121,914
Total OPEB liability-beginning	458,243	716,066	677,978	836,883	696,571	696,571	574,657
Total OPEB liability-ending	469,210	716,066	716,066	677,978	836,883	696,571	696,571
Covered payroll	\$ 7,290,887	\$ 6,907,519	\$ 6,564,605	\$ 6,232,190	\$ 6,232,190	\$ 6,232,190	\$ 6,243,122
Net pension liability as a percentage of covered payroll	6.44%	6.63%	10.91%	10.88%	13.43%	11.18%	11.16%

Notes to the Schedule

* The schedule will present ten years comparative data when ten years become available.

2018 changes in assumptions and other inputs reflect a change in the discount rate from 3.64% in 2017 to 4.18% in 2018.

2019 changes in assumptions and other inputs reflect a change in the discount rate from 4.18% in 2018 to 3.58% in 2019.

2020 changes in assumptions and other inputs reflect a change in the discount rate from 3.58% in 2019 to 2.14% in 2020.

Covered employee payroll was projected on year forward from the valuation date for the reporting period ending September 30, 2020.

See Note 10 to the financial statements for detailed information on the City's OPEB Plan.

Supplementary Information

DRAFT-FINAL

City of Palatka, Florida
Major Governmental Capital Project Fund
September 30, 2025

Capital Project Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures. The City maintains the following Capital Project Fund:

Better Place Plan Fund is used to account for revenues received from a discretionary surtax imposed to finance certain capital projects.

DRAFT-FINAL

City of Palatka, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual – Better Place Plan Fund
Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 1,315,996	\$ 1,315,996	\$ 1,443,616	\$ 127,620
Intergovernmental	9,763,603	9,763,603	1,599,118	(8,164,485)
Total revenues	<u>11,079,599</u>	<u>11,079,599</u>	<u>3,042,734</u>	<u>(8,036,865)</u>
Expenditures:				
Current:				
General government	9,168,569	9,168,569	1,853,845	7,314,724
Capital outlay	5,549,531	5,549,531	2,480,295	3,069,236
Debt service				
Principal retirement	79,833	79,833	72,080	7,753
Interest and fiscal charges	14,167	14,167	11,206	2,961
Total expenditures	<u>14,812,100</u>	<u>14,812,100</u>	<u>4,417,426</u>	<u>10,394,674</u>
Excess of revenues over expenditures	<u>(3,732,501)</u>	<u>(3,732,501)</u>	<u>(1,374,692)</u>	<u>2,357,809</u>
Other financing sources (uses):				
Operating transfer in	1,011,206	1,011,206	363,406	(647,800)
Operating transfer out	-	-	(33,540)	(33,540)
Capital lease issuance	1,398,941	1,398,941	-	(1,398,941)
Reserves	1,456,514	1,456,514		
Total other financing sources (uses):	<u>3,866,661</u>	<u>3,866,661</u>	<u>329,866</u>	<u>(3,536,795)</u>
Net change in fund balance	<u>\$ 134,160</u>	<u>\$ 134,160</u>	<u>(1,044,826)</u>	<u>\$ (1,178,986)</u>
Fund balances - beginning of year			1,204,191	
Fund balance, end of year			<u>\$ 159,365</u>	

City of Palatka, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual – Special Revenue Fund
Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$1,546,460	\$ 1,546,460	\$ 409,688	\$ (1,136,772)
Total revenues	<u>1,546,460</u>	<u>1,546,460</u>	<u>409,688</u>	<u>(1,136,772)</u>
Expenditures:				
General government	-	-	359,827	(359,827)
Capital outlay	1,546,460	1,546,460	49,861	1,496,599
Total expenditures	<u>1,546,460</u>	<u>1,546,460</u>	<u>409,688</u>	<u>1,136,772</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):				
Operating transfer in	-	-	-	-
Operating transfer out	-	-	-	-
Issuance of debt	-	-	-	-
Capital lease	-	-	-	-
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ (4,881)</u>	

Statistical Section (unaudited)

City of Palatka, Florida
Statistical Section
September 30, 2025

This part of the City of Palatka annual financial report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

	<u>Page Number</u>
Financial Trends	85
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	
Revenue Capacity	87
These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.	
Debt Capacity	92
These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	
Demographic and Economic Information	98
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.	
Operating Indicators	100
These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year.

Table 1
City of Palatka, Florida
Net Position by Component – Last Ten Fiscal Years
September 30,

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Government Activities										
Net Investment in Capital Assets	\$ 12,532,966	\$ 13,804,049	\$ 15,939,443	\$ 15,588,396	\$ 16,548,465	\$ 17,546,712	\$ 20,209,112	\$ 26,147,986	\$ 25,054,992	\$ 29,217,787
Restricted	1,264,580	1,312,154	1,021,993	1,333,192	1,826,138	1,455,862	2,649,215	3,286,133	4,059,441	3,605,957
Unrestricted	(3,030,254)	(2,490,897)	(3,636,491)	(3,620,052)	(2,460,517)	3,024,062	4,174,169	1,408,394	3,696,329	1,290,998
Total Governmental Activities Net Position	\$ 10,767,292	\$ 12,625,306	\$ 13,324,945	\$ 13,301,536	\$ 15,914,086	\$ 22,026,636	\$ 27,032,496	\$ 30,842,513	\$ 32,810,762	\$ 34,114,742
Business-Type Activities										
Net Investment in Capital Assets	\$ 37,456,909	\$ 36,415,452	\$ 36,963,783	\$ 37,042,784	\$ 38,662,341	\$ 40,434,532	\$ 42,015,142	\$ 47,836,865	\$ 47,862,365	\$ 51,508,306
Restricted	334,285	334,196	8,095	8,095	8,095	8,095	8,095	8,095	8,095	8,095
Unrestricted	(875,644)	(403,255)	(814,056)	(241,367)	1,729,503	2,523,288	4,127,449	4,025,946	11,027,978	5,485,713
Total Business-Type Net Position	\$ 36,915,550	\$ 36,346,393	\$ 36,157,822	\$ 36,809,512	\$ 40,399,939	\$ 42,965,915	\$ 46,150,686	\$ 51,870,906	\$ 58,898,438	\$ 57,002,114
Primary Government										
Net Investment in Capital Assets	\$ 49,989,875	\$ 50,219,501	\$ 52,903,226	\$ 52,631,180	\$ 55,210,806	\$ 57,981,244	\$ 62,224,254	\$ 73,984,851	\$ 72,917,357	\$ 80,726,093
Restricted	1,598,865	1,646,350	1,030,088	1,341,287	1,834,233	1,463,957	2,657,310	3,294,228	4,067,536	3,614,052
Unrestricted	(3,905,898)	(2,894,152)	(4,450,547)	(3,861,419)	(731,014)	5,547,350	8,301,618	5,434,340	14,724,307	6,776,711
Total Primary Government Net Position	\$ 47,682,842	\$ 48,971,699	\$ 49,482,767	\$ 50,111,048	\$ 56,314,025	\$ 64,992,551	\$ 73,183,182	\$ 82,713,419	\$ 91,709,200	\$ 91,116,856

Table 2
City of Palatka, Florida
Changes in Net Position – Last Ten Fiscal Years
Fiscal Years Ending September 30,

Expenses	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Government Activities:										
General Government	\$ 2,008,770	\$ 1,828,406	\$ 2,727,715	\$ 2,551,615	\$ 2,428,291	\$ 3,682,728	\$ 10,427,156	\$ 7,458,215	\$ 5,498,899	\$ 6,534,360
Public Safety	7,380,867	7,015,197	6,269,939	6,560,527	6,240,590	4,330,489	6,825,346	6,259,573	8,439,505	10,012,500
Physical Environment	91,593	233,000	626,037	7,379	-	-	-	-	-	-
Transportation	505,409	861,820	381,563	1,120,143	950,513	835,937	1,099,756	1,148,726	1,706,442	1,806,064
Economic Environment	92,509	121,398	78,587	222,250	97,331	129,677	378,395	78,619	175,517	348,471
Human Services	78,523	37,322	69,468	34,219	39,416	70,671	99,220	80,922	88,888	128,712
Culture and Recreation	479,185	348,255	1,529,633	767,710	745,791	667,579	785,510	965,895	1,040,210	1,135,938
Interest on Long-Term Debt	56,534	46,948	35,048	26,173	143,738	47,482	42,764	35,049	45,521	74,391
Total Government Activities Expenses	\$ 10,693,390	\$ 10,492,346	\$ 11,717,990	\$ 11,290,016	\$ 10,645,670	\$ 9,764,563	\$ 19,658,147	\$ 16,026,999	\$ 16,994,982	\$ 20,040,436
Business-Type Activities:										
Airport	\$ 1,433,879	\$ 1,563,492	\$ 1,658,643	\$ 1,692,235	\$ 1,575,106	\$ 1,821,295	\$ 2,618,225	\$ 2,156,530	\$ 1,983,167	\$ 2,279,985
Water	4,820,628	5,064,916	5,126,552	6,377,706	4,582,273	4,813,693	7,833,032	7,079,640	6,419,554	8,541,999
Golf Course	990,203	434,136	184,179	313,114	268,326	272,266	870,392	443,201	244,558	176,283
Sanitation	1,687,785	1,812,266	1,965,515	1,925,934	1,997,853	1,868,155	1,796,345	2,466,360	2,704,834	3,363,058
Total Business-type Activities Expenses	\$ 8,932,495	\$ 8,874,810	\$ 8,934,889	\$ 10,308,989	\$ 8,423,558	\$ 8,775,409	\$ 12,617,994	\$ 12,145,731	\$ 11,352,113	\$ 14,361,325
Total Primary Government Expenses	\$ 19,625,885	\$ 19,367,156	\$ 20,652,879	\$ 21,599,005	\$ 19,069,228	\$ 18,539,972	\$ 32,276,141	\$ 28,172,730	\$ 28,347,095	\$ 34,401,761
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 108,498	\$ 113,410	\$ 90,743	\$ 98,531	\$ 150,407	\$ 238,627	\$ 192,964	\$ 168,166	\$ 188,176	\$ 205,567
Public Safety	855,598	1,129,789	1,902,535	1,556,549	1,566,735	1,662,111	1,841,316	1,866,153	2,225,525	2,450,342
Other	153,721	149,957	143,004	140,832	189,160	194,537	133,582	67,564	500,629	101,605
Operating Grants and Contributions	886,922	884,023	1,033,856	2,041,573	535,522	3,055,592	2,868,124	452,845	309,758	715,218
Capital Grants and Contributions	1,041,768	1,820,801	2,758,409	167,338	1,539,450	373,962	184,362	5,688,804	1,248,831	2,008,805
Total Government Activities Program Revenues	\$ 3,046,507	\$ 4,097,980	\$ 5,928,547	\$ 4,004,823	\$ 3,981,274	\$ 5,524,829	\$ 5,220,348	\$ 8,243,532	\$ 4,472,919	\$ 5,481,537
Business-type Activities:										
Charges for Services:										
Airport	\$ 723,767	\$ 808,116	\$ 867,455	\$ 932,937	\$ 857,692	\$ 1,073,635	\$ 1,260,892	\$ 1,172,975	\$ 869,460	\$ 1,098,293
Water	4,843,922	5,006,669	5,950,043	6,007,511	6,482,818	7,153,131	8,965,660	7,932,537	8,830,556	9,120,963
Golf Course	665,847	178,198	65,168	94,760	93,756	106,506	124,956	123,872	122,323	185,078
Sanitation	1,652,675	1,719,726	1,860,875	2,169,518	2,372,742	2,542,335	3,673,720	3,229,006	3,553,156	3,583,466
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	361,721	820,508	454,178	2,360,920	3,004,460	1,598,364	3,108,625	5,739,371	6,833,757	3,682,295
Total Business-type Activities Program Revenues	\$ 8,247,932	\$ 8,533,217	\$ 9,197,719	\$ 11,565,646	\$ 12,811,468	\$ 12,473,971	\$ 17,133,853	\$ 18,197,761	\$ 20,209,252	\$ 17,670,095
Total Primary Government Revenues	\$ 11,294,439	\$ 12,631,197	\$ 15,126,266	\$ 15,570,469	\$ 16,792,742	\$ 17,998,800	\$ 22,354,201	\$ 26,441,293	\$ 24,682,171	\$ 23,151,632
Net (Expense)/Revenue										
Governmental Activities	\$ (7,646,883)	\$ (6,394,366)	\$ (5,788,443)	\$ (7,285,193)	\$ (6,664,396)	\$ (4,239,734)	\$ (14,437,799)	\$ (7,783,467)	\$ (12,522,063)	\$ (14,558,899)
Business-type Activities	(684,563)	(341,593)	262,830	1,256,657	4,387,910	3,698,562	4,515,859	6,052,030	8,857,139	3,308,770
Total Primary Government Net Expense	\$ (8,331,446)	\$ (6,735,959)	\$ (5,526,613)	\$ (6,028,536)	\$ (2,276,486)	\$ (541,172)	\$ (9,921,940)	\$ (1,731,437)	\$ (3,664,924)	\$ (11,250,129)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	\$ 2,751,117	\$ 2,873,515	\$ 2,817,740	\$ 2,993,993	\$ 3,191,578	\$ 3,348,931	\$ 3,572,990	\$ 3,917,898	\$ 4,697,289	\$ 5,248,717
Sales Tax and Other State Shared Revenue	836,379	875,598	919,960	944,007	2,540,796	2,874,246	2,586,742	2,662,531	2,488,654	2,636,527
Special Assessment-Fire Protection	948,803	1,653,302	-	-	-	-	-	-	-	-
Franchise Fees	813,569	799,700	797,257	744,975	760,305	835,903	1,170,290	1,161,627	1,142,870	1,214,520
Other Taxes	1,154,169	1,389,860	1,470,465	1,484,626	1,500,768	1,565,915	2,195,035	2,382,462	2,705,082	2,604,886
Investment Earnings	1,850	2,668	2,753	40,053	41,551	6,122	22,569	230,234	644,486	625,285
Contribution from component unit	250,000	159,210	186,626	176,382	181,203	189,379	45,766	41,528	46,287	50,677
Miscellaneous	120,432	90,106	147,351	254,830	251,481	403,716	951,067	311,272	658,833	76,054
Loss on sale of Land	-	-	-	-	-	-	-	-	-	-
Transfers	90,996	(68,790)	374,746	622,918	809,264	1,128,072	1,331,916	690,428	1,871,088	2,952,206
Total Government Activities	\$ 6,967,315	\$ 7,475,169	\$ 6,716,898	\$ 7,261,784	\$ 9,276,946	\$ 10,352,284	\$ 11,876,375	\$ 11,397,980	\$ 14,254,589	\$ 15,408,872
Business-type Activities:										
Investment Earnings	\$ 1,117	\$ 144	\$ 9,468	\$ 10,809	\$ 4,686	\$ 77	\$ 207	\$ 1,559	\$ 5,335	\$ 4,923
Miscellaneous	72,358	84,426	1,538	7,142	4,422	2,661	621	13,400	214,557	-
Transfers	(90,996)	68,790	(374,746)	(622,918)	(809,264)	(1,128,072)	(1,331,916)	(690,428)	(1,871,088)	(2,952,204)
Total Business-type Activities	\$ (17,521)	\$ 153,360	\$ (363,740)	\$ (604,967)	\$ (800,156)	\$ (1,125,334)	\$ (1,331,088)	\$ (675,469)	\$ (1,651,196)	\$ (2,947,281)
Total Primary Government	\$ 6,949,794	\$ 7,628,529	\$ 6,353,158	\$ 6,656,817	\$ 8,476,790	\$ 9,226,950	\$ 10,545,287	\$ 10,722,511	\$ 12,603,393	\$ 12,461,591
Changes in Net Position										
Governmental Activities	\$ (679,568)	\$ 1,080,803	\$ 927,455	\$ (23,409)	\$ 2,612,550	\$ 6,112,550	\$ (2,561,424)	\$ 3,578,513	\$ 1,732,526	\$ 849,973
Business-type Activities	(702,084)	(188,233)	(100,910)	651,690	3,587,754	2,573,228	3,184,771	5,376,561	7,205,943	361,489
Total Primary Government	\$ (1,381,652)	\$ 892,570	\$ 826,545	\$ 628,281	\$ 6,200,304	\$ 8,685,778	\$ 623,347	\$ 8,955,074	\$ 8,938,469	\$ 1,211,462

Table 3
City of Palatka, Florida
Fund Balance, Governmental Funds – Last Ten Fiscal Years
September 30,

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Fund										
Nonspendable	\$ 292,927	\$ 292,927	\$ 162,742	\$ 162,742	\$ 774,598	\$ 774,598	1834318	\$ 162,742	\$ 141,160	\$ 141,160
Restricted	207,315	213,309	231,084	258,058	293,712	293,712	312723	323,226	630,087	616,592
Committed	45,761	55,416	60,617	73,236	79,699	79,699	95592	113,758	138,568	213,055
Assigned	-	-	-	-	-	-	0	-	-	-
Unassigned	1,379,763	1,365,670	1,895,172	2,721,383	3,305,333	8,083,739	2762541	5,860,529	6,060,677	4,339,458
Total General Fund	\$ 1,925,766	\$ 1,927,322	\$ 2,349,615	\$ 3,215,419	\$ 4,453,342	\$ 9,231,748	5005174	\$ 6,460,255	6,970,492	\$ 5,310,265
All Other Government Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0	\$ -	\$ -	\$ -
Restricted	1,057,265	1,098,845	790,909	107,484	1,455,862	1,455,862	6842533	7,474,759	8,187,545	3,280,785
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	595,397	-	-	-	-
Total All Other Governmental Funds	\$ 1,057,265	\$ 1,098,845	\$ 790,909	\$ 107,484	\$ 1,455,862	\$ 2,051,259	\$ 6,842,533	\$ 7,474,759	8,187,545	\$ 3,280,785

Note: Beginning in fiscal year 2011, fund balance categories were reclassified as a result of implementing GASB Statement No. 54

Fund balance was not restated to the new categories for prior years.

*Note: This schedule is intended to show information for 10 years. Additional information will be presented as they become available.

Source: Audited financial statements

Table 4
City of Palatka, Florida
Changes in Fund Balance, Governmental Funds – Last Ten Fiscal Years
Fiscal Years Ending September 30,

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
Taxes	\$ 5,456,735	\$ 5,580,458	\$ 5,966,997	\$ 6,212,465	\$ 6,294,709	\$ 6,706,680	\$ 7,199,215	\$ 7,718,201	\$ 8,460,958	\$ 9,116,256
Permits, fees and special assessments	1,915,657	2,621,392	2,259,082	2,074,289	2,080,783	2,362,449	2,781,264	2,873,169	3,438,007	3,583,135
Intergovernmental	2,102,242	1,513,660	3,421,419	1,358,140	3,006,045	4,523,334	6,162,395	7,306,439	2,626,819	3,825,628
Charges for Services	212,004	180,804	207,554	277,697	320,129	302,854	362,433	242,920	438,433	265,560
Fines and Forfeitures	597,665	884,679	343,332	41,873	58,407	54,535	73,485	100,781	137,980	220,995
Miscellaneous	591,814	437,286	578,637	774,602	688,883	799,189	1,235,666	709,565	1,559,716	926,630
Total Revenues	\$ 10,876,117	\$ 11,218,279	\$ 12,777,021	\$ 10,739,066	\$ 12,448,956	\$ 14,749,041	\$ 17,814,458		\$ 16,661,913	\$ 17,938,204
Expenditures										
General Government	\$ 1,243,328	\$ 1,485,611	\$ 3,633,916	\$ 2,119,997	\$ 4,232,985	\$ 3,297,542	\$ 9,847,375	\$ 7,316,192	\$ 4,554,883	\$ 6,194,512
Public Safety	6,141,403	6,163,129	5,926,197	5,957,234	5,991,935	5,981,621	6,493,489	7,140,052	7,832,908	9,648,702
Physical Environment	85,925	233,000	356,376	467	-	-	50,000	-	-	-
Transportation	474,693	814,121	794,787	1,049,281	792,401	671,825	866,933	896,002	1,156,931	1,436,670
Economic Environment	92,509	121,398	78,587	298,292	97,331	129,677	323,124	78,619	175,517	348,471
Human Services	78,256	33,753	62,557	34,219	38,104	29,227	44,336	75,895	81,289	124,851
Culture and Recreation	553,865	1,672,744	2,150,486	695,485	563,282	485,070	534,287	777,168	724,506	925,642
Debt Service										
Principal Retirement	534,247	592,062	602,715	548,989	302,083	277,748	254,198	332,053	393,061	399,343
Interest and Fiscal Charges	56,534	46,948	35,048	26,173	143,738	47,482	42,764	35,049	45,521	74,391
Total Expenditures	\$ 9,260,760	\$ 11,162,766	\$ 13,640,669	\$ 10,730,137	\$ 12,156,859	\$ 10,920,192	\$ 18,456,506		\$ 14,964,616	\$ 19,152,582
Excess of Revenues Over (Under) Expenditures	\$ 1,615,357	\$ 55,513	\$ (863,648)	\$ 8,929	\$ 292,097	\$ 3,828,849	\$ (642,048)	\$ 2,300,045	\$ 1,697,297	\$ (1,214,378)
Other Financing Sources (Uses)										
Capital Lease Issuance	\$ -	\$ 56,413	\$ 680,000	\$ 253,966	\$ 514,940	\$ 416,882	\$ -	\$ -	\$ -	\$ -
Transfer In	782,517	1,344,802	1,695,017	1,172,741	1,188,850	1,365,562	7,063,194	1,586,592	2,299,063	3,416,725
Transfer Out	(691,521)	(1,413,592)	(1,320,271)	(549,823)	(379,586)	(237,490)	(5,731,278)	(896,164)	(427,975)	(464,519)
Payment to refunded bonds escrow agent	-	-	-	-	-	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	\$ 90,996	\$ (12,377)	\$ 1,054,746	\$ 876,884	\$ 1,324,204	\$ 1,544,954	\$ 1,331,916		\$ 1,871,088	\$ 2,952,206
Special items										
Proceeds from sale of land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balances	\$ 1,706,353	\$ 43,136	\$ 191,098	\$ 885,813	\$ 1,616,301	\$ 5,373,803	\$ 689,868	\$ 2,300,045	\$ 3,568,385	\$ 1,737,828
Acquisition of Capital Assets	\$ 467,291	\$ 1,627,247	\$ 3,215,979	\$ 673,226	\$ 2,110,597	\$ 1,612,955	\$ 3,523,243	\$ 3,523,243	\$ 3,523,243	\$ 3,523,243
Debt Service as a Percentage of Non-Capital Expenditures	6.72%	6.70%	6.12%	5.72%	4.28%	3.41%	1.44%	2.62%	3.70%	2.94%

Table 5
City of Palatka, Florida
Taxable and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	REAL PROPERTY		PERSONAL PROPERTY*		TOTALS		Total Direct Tax Rate	Ratio Total Taxable Value to Estimated Actual Value
	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value		
2012-13	309,467,179	631,505,080	54,838,730	86,657,926	364,305,909	718,163,006	9.1749	50.73%
2013-14	312,960,196	638,829,722	54,787,757	89,543,661	367,747,953	728,373,383	9.1749	50.49%
2014-15	318,343,135	645,989,098	54,579,756	97,774,215	372,922,891	743,763,313	9.1749	50.14%
2015-16	332,051,212	657,991,860	51,457,342	96,823,302	383,508,554	754,815,162	6.9967	50.81%
2016-17	351,896,928	689,357,447	58,333,154	100,594,145	410,230,082	789,951,592	6.4000	51.93%
2017-18	369,198,476	723,289,677	68,504,101	107,053,941	437,702,577	830,343,618	6.4000	52.71%
2018-19	392,589,294	771,432,092	68,468,396	105,539,291	461,057,690	876,971,383	6.4000	52.57%
2019-20	413,633,487	804,669,541	71,898,754	163,548,157	485,532,241	968,217,699	6.4000	50.15%
2020-21	441,336,737	847,856,699	73,012,701	197,501,443	514,349,438	1,045,358,142	6.4000	52.05%
2021-22	474,669,874	950,832,010	87,694,385	202,130,667	562,364,259	1,152,962,677	6.4000	48.78%

*Centrally assessed values are included under Personal Property in this table.

*Note: This schedule is intended to show information for 10 years. Additional information will be presented as they become available.

Source: Putnam County Property Appraiser

Table 6
City of Palatka, Florida
Property Taxable Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy	Delinquent Tax Collections	Total Tax Collections	% of Total Collections to Levy
2013	3,345,632	3,244,766	0.9699	12,660	3,257,426	0.9736
2014	3,323,508	3,262,179	0.9815	5,509	3,267,687	0.9832
2015	3,409,963	3,309,868	0.9706	8,707	3,318,575	0.9732
2016	2,757,997	2,545,988	0.9231	16,112	2,562,101	0.9290
2017	2,679,105	2,370,771	0.8849	16,305	2,387,076	0.8910
2018	2,768,368	2,540,806	0.9178	11,999	2,552,805	0.9221
2019	2,930,646	2,701,320	0.9217	11,180	2,712,500	0.9256
2020	3,090,935	2,858,102	0.9247	6,306	2,864,408	0.9267
2021	3,287,681	3,002,070	0.9131	7,767	3,009,837	0.9155
2022	\$ 3,745,967	\$ 3,189,082	0.8513	11,274	3,200,356	0.8543

*Note: This schedule is intended to show information for 10 years. Additional information will be presented as they become available.

Source: Putnam County Tax Collector

Table 7
City of Palatka, Florida
Property Tax Rates – Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City of Palatka			Putnam County			Schools			Other	Total
	Operating Millage	Debt Service	Total City Millage	Operating Millage	Debt Service	Total County Millage	Operating Millage	Debt Service	Total Schools		
2013	9.1749	0.0000	9.1749	8.5765	0.0000	8.5765	7.356	0.000	7.356	0.3313	25.439
2014	9.1749	0.0000	9.1749	8.9000	0.0000	8.9000	7.356	0.000	7.356	0.3283	25.759
2015	9.1749	0.0000	9.1749	8.9000	0.0000	8.9000	7.204	0.000	7.204	0.3164	25.595
2016	6.9967	0.0000	6.9967	9.0914	0.0000	9.0914	6.924	0.000	6.924	0.3023	23.314
2017	6.4000	0.0000	6.4000	9.8892	0.0000	9.8892	6.354	0.000	6.354	0.2724	22.916
2018	6.4000	0.0000	6.4000	9.5946	0.0000	9.5946	6.155	0.000	6.155	0.2562	22.406
2019	6.4000	0.0000	6.4000	9.5946	0.0000	9.5946	5.869	0.000	5.869	0.2562	22.120
2020	6.4000	0.0000	6.4000	9.5946	0.0000	9.5946	5.869	0.000	5.869	0.6254	22.489
2021	6.4000	0.0000	6.4000	9.5946	0.0000	9.5946	5.869	0.000	5.869	0.6254	22.489
2022	6.4000	0.0000	6.4000	9.3099	0.0000	9.3099	5.4630	0.000	5.463	0.5342	21.707

Source: Florida Department of Revenue (Millage and Taxes Levied Report), Putnam County School District, St. Johns River Water Management District

*Note: This schedule is intended to show information for 10 years. Additional information will be presented as they become available.

Table 8
City of Palatka, Florida
Principal Taxpayers
Current and Nine Years Ago

<u>Taxpayer</u>	Fiscal Year 2022			Fiscal Year 2013		
	Taxable Assessed Value	Rank	Percentage of Total City Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Assessed Value
Putnam Community Medical Center	\$ 21,068,350	1	4.10%	\$ 14,448,614	1	3.71%
Florida Power & Light	17,607,334	2	3.42%	6,657,610	4	1.71%
Wal-Mart Inc.	13,520,540	3	2.63%	11,869,249	2	3.05%
9520 Bonita Beach Rd LLC	11,863,300	4	2.31%	-		0.00%
Comcast	11,117,874	5	2.16%	-		0.00%
Revenue Properties Town & Country	10,873,419	6	2.11%	8,049,018	3	2.07%
Home Depot	7,848,774	7	1.53%	6,122,419	5	1.57%
Lowes	7,799,748	8	1.52%	5,841,381	7	0.00%
Comarco	5,887,970	9	1.14%	-		0.00%
Palatka Mall, LLC	5,426,670	10	1.06%	3,837,851	10	0.99%
Bellsouth Telecommunications	-		0.00%	6,076,759	6	1.56%
Southern Medical Associates, Inc.	-		0.00%	5,013,837	8	1.29%
Stag II Palatka LLC	-		0.00%	3,939,144	9	1.01%
Total	<u>\$ 113,013,979</u>		<u>21.97%</u>	<u>\$ 71,855,882</u>		<u>16.97%</u>

*Note: This schedule is intended to show information for 10 years. Additional information will be presented as they become avail
Source: Putnam County Property Appraiser

Wal-Mart Inc.

Table 9
City of Palatka, Florida
Ratio of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal year	Total	Net GBD to Personal Income	Net GBD Per Capita
2012	\$ -	0.00%	\$ -
2013	-	0.00%	-
2014	-	0.00%	-
2015	-	0.00%	-
2016	-	0.00%	-
2017	-	0.00%	-
2018	-	0.00%	-
2019	-	0.00%	-
2020	-	0.00%	-
2021	-	0.00%	-
2022	-	0.00%	-

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Table 10
City of Palatka, Florida
Computation of Legal Debt Margin
September 30, 2025

The Constitution of the State of Florida, Florida Statute 200.181 and the City of Palatka, set no legal debt margin.

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Table 11
City of Palatka, Florida
Computation of Direct and Overlapping
Governmental Activities Debt
September 30, 2025

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with sales surtax revenue			
Putnam County Board of County Commissioners			
SRF - Wastewater	\$ 770,861	15.69%	\$ 120,931
Series 2008B	3,697,000	15.69%	579,978
Series 2008A	1,793,000	15.69%	281,282
Debt repaid with 1/2 cent sales tax			
Putnam County Board of County Commissioners			
USDA - Jail	8,513,600	16.00%	1,362,337
USDA - Jail	8,480,800	16.00%	1,357,088
Subtotal, overlapping debt			3,701,616
City direct debt			1,555,466
Total direct and overlapping debt			<u>\$ 5,257,082</u>

Source: Putnam County Board of County Commissioners

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Palatka. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

For debt repaid with sales surtax revenues, the percentage of overlapping debt applicable is estimated using the total amount of local infrastructure surtax revenues received by the City divided by the total amount of local infrastructure surtax revenues received by Putnam County.

For debt repaid with 1/2 cent sales revenues, the percentage of overlapping debt applicable is estimated using the total amount of 1/2 cent sales tax revenues received by the City divided by the total amount of 1/2 cent sales tax revenues received by Putnam County.

Table 12
City of Palatka, Florida
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business Type Activities			Total Primary Government	Percentage of Personal Income (1)	Outstanding Debt Per Capital (1)
	Loans/Notes Payable	Revenue Bonds	Capital Leases	Loans/Notes Payable	Revenue Bonds	Capital Leases			
2013	2,424,226	-	315,228	6,734,477	7,074,630	177,382	16,725,943	6.19%	1,635
2014	1,957,098	-	768,164	6,257,284	7,105,000	397,875	16,485,421	5.79%	1,589
2015	1,636,778	-	988,584	5,760,423	6,950,000	624,217	15,960,002	5.30%	1,532
2016	1,307,202	-	783,913	5,258,825	6,790,000	527,933	14,667,873	4.63%	1,391
2017	696,221	-	586,245	4,750,125	6,620,000	802,487	13,455,078	3.10%	1,262
2018	623,854	-	1,008,897	4,231,390	6,445,000	630,775	12,939,916	2.78%	1,215
2019	560,628	-	1,073,659	4,613,953	6,265,000	801,800	13,285,040	2.78%	1,239
2020	336,331	-	1,480,813	4,274,557	5,620,357	873,376	12,585,434	2.54%	1,169
2021	252,974	-	1,176,875	5,698,736	5,620,357	650,843	13,399,785	2.70%	1,280
2022	241,878	-	979,871	7,000,842	5,419,077	458,822	14,100,490	3.35%	1,339

Note: (1) See the demographic statistics table 14 for population and annual personal income data.

The figures provided represent ratios of total primary government outstanding debt to annual personal income and population.

*Note: This schedule is intended to show information for 10 years. Additional information will be presented as they become available.

Table 13
City of Palatka, Florida
Pledged Revenue Coverage
Last Ten Fiscal Years

Airport Revenue Notes							Water Revenue Bonds and Notes					
Fiscal Year	Loans/Notes Payable	Less Operating Expenses	Net Available Revenue	Debt Service			Utility Gross Revenues	Less Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage				Principal	Interest	Coverage
2013	907,406	856,688	50,718	1,526,668	81,774	3.15%	4,133,555	3,126,815	1,006,740	382,662	429,950	123.89%
2014	800,752	763,727	37,025	143,000	39,490	20.29%	4,445,938	3,153,100	1,292,838	393,193	421,220	158.74%
2015	815,512	759,361	56,151	136,000	35,211	32.80%	4,389,299	3,366,342	1,022,957	398,861	412,073	126.15%
2016	731,026	694,973	36,053	129,000	31,166	22.51%	4,854,320	3,263,396	1,590,924	410,598	402,179	195.74%
2017	811,406	804,190	7,216	127,000	27,290	4.68%	5,033,528	3,949,525	1,084,003	424,700	389,195	133.19%
2018	867,455	836,973	30,482	124,000	23,490	20.67%	5,950,043	3,785,906	2,164,137	436,734	378,238	265.55%
2019	932,937	913,417	19,520	137,000	19,602	12.46%	6,007,511	5,093,878	913,633	447,991	362,285	112.76%
2020	857,692	750,368	107,324	142,000	15,649	68.08%	6,482,818	3,182,885	3,299,933	6,318,396	410,315	49.04%
2021	1,073,635	823,040	250,595	142,000	11,793	162.94%	7,153,131	3,596,431	3,556,700	462,433	147,838	582.81%
2022	1,260,892	1,784,865	(523,973)	133,000	7,085	-374.04%	8,965,660	6,521,181	2,444,479	458,681	231,989	353.93%

Golf Revenue Bonds							Infrastructure Surtax Revenue Note			
Fiscal Year	Golf Gross Revenues	Less Operating Expenses	Net Available Revenue	Debt Service			Sales Surtax	Debt Service		
				Principal	Interest	Coverage		Principal	Interest	Coverage
2013	702,153	829,833	(127,680)	1,400,989	96,895	-8.52%	699,302	2,133,334	133,651	30.85%
2014	724,954	846,859	(121,905)	96,000	56,372	-80.00%	733,349	411,000	43,096	161.50%
2015	717,547	856,783	(139,236)	117,000	51,999	-82.39%	773,912	262,000	33,217	262.15%
2016	680,937	880,507	(199,570)	122,000	46,984	-118.10%	833,084	269,000	27,013	281.43%
2017	223,655	329,668	(106,013)	127,000	41,756	-62.82%	866,313	275,000	20,157	293.51%
2018	65,168	85,195	(20,027)	162,810	36,274	-10.06%	936,623	345,367	25,701	252.41%
2019	94,760	116,009	(21,249)	158,804	30,482	-11.23%	957,089	347,192	17,272	262.60%
2020	93,756	134,886	(41,130)	167,136	24,510	-21.46%	993,580	184,912	72,974	385.28%
2021	106,506	144,764	(38,258)	194,022	18,571	-18.00%	1,160,849	126,400	23,248	775.72%
2022	124,956	251,019	(126,063)	157,000	11,985	-74.60%	1,336,666	-	-	0.00%

Source: Finance department, audited financial statements

*Note: This schedule is intended to show information for 10 years. Additional information will be presented as they become available.

Table 14
City of Palatka, Florida
Demographic Statistics
Last Ten Fiscal Years

Fiscal year	Population (1)	Personal Income (million of dollars) (2)	Per Capita Personal Income (3)	School Enrollment (4)	Unemployment Rate (5)
2013	10,230	297	26,411	4,888	9%
2014	10,377	285	27,439	4,959	8%
2015	10,418	301	28,919	5,096	7%
2016	10,548	316	30,005	5,043	6%
2017	10,662	434	40,723	5,460	5%
2018	10,649	465	43,685	5,449	5%
2019	10,723	479	44,643	5,499	4%
2020	10,770	495	45,982	5,432	5%
2021	10,468	496	47,362	5,114	6%
2022	10,532	421	40,068	5,173	4%

Note: This schedule is intended to show information for 10 years.

Additional information will be presented as they become available.

Sources:

- (1) University of Florida, Bureau of Economic and Business Research, Florida Estimate of Population (2007-2010, 2012-2016), 2010 Census (2011)
- (2) Personal Income figures are the results of multiplying Per Capita Personal Income by the population
- (3) U.S. Department of Commerce, Bureau of Economic Analysis
Figures from 2017 - 2019 are based on per capita personal income data.
Figures from 2020 are projected estimates based on trend analysis calculations.
- (4) Florida Department of Education ED Stats Tool
- (5) United States Department of Labor-Bureau of Labor Statistics

Table 15
City of Palatka, Florida
Principal Employers
Current and Nine Years Ago

<u>Employer</u>	Fiscal Year 2022			Fiscal Year 2013		
	Assessed Value	Rank	Percentage of Total City Employment	Assessed Value	Rank	Percentage of Total City Employment
Putnam County School District	1,417	1	25.31%	\$ 1,490	1	27.67%
Georgia Pacific	1,000	2	17.56%	1,125	2	0.00%
Putnam County Board of County Commissioners	714	3	12.26%	666	3	12.37%
St Johns River Water Management District	700	4	11.00%	370	6	6.87%
Putnam Community Medical Center, LLC	618	5	9.48%	477	4	8.86%
St. Johns River State College	400	6	7.43%	270	5	5.01%
Walmart Supercenter	315	7	5.85%	-		0.00%
Publix Super Market	300	8	5.57%	-		0.00%
Seminole Electric Cooperative, Palatka	270	9	3.01%	285	9	5.29%
Winn Dixie Stores, Inc.	190	10	2.53%	194	6	3.60%
Palatka Health Care Center	-		0.00%	190	9	3.53%
Kangaroo Express	-		0.00%	179	10	0.00%
Total	5,924		100.00%	\$ 5,246		73.20%

Source: Putnam County Property Appraiser

*Note: This schedule is intended to show information for 10 years. Additional information will be presented as they become available.

Wal-Mart Inc.

Table 16
City of Palatka, Florida
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Government:											
Building permits issued	595	583	561	497	543	502	572	31	16	2	49
Business Tax Receipts											650
Building inspections conducted	1,257	898	913	994	1,415	996	1,138	-	-	-	-
Code enforcement Cases	184	214	150	88	12	140	125	132	127	127	132
Occupational license issued	1,078	675	239	866	710	830	754	632	805	805	0
Police:											
Calls for service	32,709	30,616	30,595	29,946	23,586	19,490	21,535	30,952	26,746	23,901	22,213
Physical arrests	1,047	788	788	784	617	497	405	856	969	856	581
Citations	1,660	1,470	1,904	1,294	656	317	390	1,335	785	826	709
Fire:											
Emergency responses	2,498	2,173	2,142	2,128	2,967	3,125	3,095	3,098	3,267	3,861	4,386
Fires extinguished	41	125	374	398	58	63	85	58	62	79	90
Refuse collection:											
Customers	3,869	3,827	3,867	3,873	3,914	3,997	4,605	4,342	4,089	4,675	4,137
Other public works:											
Street resurfaced (miles)	-	-	-	-	-	0	0.3	0.2	0.2	0.2	0.3
Potholes repaired	58	63	65	40	16	128	97	64	64	64	41
Parks and recreation:											
Community center rentals	83	129	65	72	63	141	137	137	58	58	83
Human Services:											
Interments	107	117	79	111	97	99	113	73	125	125	73
Water:											
Water main breaks	7	26	64	107	269	292	338	307	391	391	125
Average daily consumption (thousands of gallons)	1,811	1,684	1,706	1,728	1,654	1,316	1,143	1,710	1,317	1,665	1,472
Peak daily consumption (thousands of gallons)	2,908	2,139	2,634	2,420	2,278	1,726	1,941	2,012	2,021	2,480	2,480
Wastewater:											
Average daily treatment (thousands of gallons)	2,040	1,540	1,700	1,500	1,330	1,429	1,429	1,519	1,520	1,950	1,640
Airport:											
Rentals-T Hangars	54	54	55	55	64	64	64	64	64	64	73
Building	1	2	2	2	2	2	3	3	3	3	3
Land leases	1	1	1	1	1	1	1	1	1	1	1
Commercial Hangars	3	3	3	3	3	3	3	3	3	3	3
Executive Hangars	3	3	3	3	4	4	4	4	4	4	4

Source: Departments of the City

Table 17
City of Palatka, Florida
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<u>Function/Program</u>											
Police:											
Stations	1	1	1	1	1	2	2	2	2	2	2
Patrol units	24	22	21	21	22	22	22	22	22	22	22
Fire:											
Stations	2	2	2	2	2	2	2	2	2	2	2
Firefighters	23	24	24	24	24	23	23	23	26	26	26
Refuse collection:											
Collection trucks	6	6	6	6	6	6	8	8	8	8	8
Other public works:											
Streets(miles)	71.18	71.18	60.00	60.00	60.00	71.80	71.80	71.80	71.80	71.80	71.8
Traffic signals	21	21	12	12	39	33	18	18	18	18	14
Parks and Recreation:											
Acreage	26.67	26.67	45.36	45.36	45.36	45.36	46.36	46.36	46.36	46.36	46.36
Playgrounds	10	10	5	5	7	10	8	8	8	8	8
Baseball/softball diamonds	5	5	4	4	3	4	4	4	4	4	4
Community Centers	1	1	2	2	2	2	2.0	2.0	2.0	2.0	2
Water:											
Water mains (miles)	108	108	108	108	112	108	108	108	108	108	108
Fire hydrants	578	578	581	581	543	560	560	560	560	560	560
Storage capacity (in millions)	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Wastewater:											
Sanitary sewers (miles)	80	80	80	80	70	80	80	80	80	80	80
Storm sewers (miles)	60	60	61	61	61	61	61	61	61	61	61
Treatment capacity (millions of gals.)	1,278	1,278	6,000	6,000	6,000	6,000	3,150	3,150	3,150	3,150	3150
Golf Courses:											
Acreage	99	99	124	124	124	124	124	124	124	124	124
Airports:											
Runways	3	3	2	2	2	2	2	2	2	2	2
Source: Individual departments of the city											

Table 18
City of Palatka, Florida
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Government											
General Administration	8	8	8	8	7	9	11	12	12	14	15
Attorney	1	1	1	1	1	1	1	1	-	-	0
Mainstreet	1	1	1	1	-	-	-	-	-	-	0
Information Technology	-	1	1	1	1	-	-	1	-	-	0
Facilities Maintenance	-	1	1	1	1	1	2	1.0	2	2	3
Public Safety											
Building & Zoning	4	4	5	4.0	4	3	3	3	2	2	3
Police Officers	35	34	36	36	33	34	34	32	32	32	30
Police Clerical	7	7	6.5	6.5	6.5	6.0	6.0	6.5	6.5	6.5	6.5
Code Enforcement	1	1	1	2	1.5	1.5	1.5	1.5	2.0	2.0	2
Firefighters	23	24	23.5	23.5	23.5	22.5	22.5	22.5	25.5	25.5	24
Transportation											
Streets	6	6	6	6	6	10	9.5	9.0	9	9	8
Human Services											
Cemeteries	2	2	2	3	-	-	-	-	-	-	-
Culture/Recreation	5	5	6	4	2.5	1.0	1	2	3.0	3.0	6
Business Type Activities:											
Airport	3	3	3	3	3	4	3.5	3.0	3	3	4.5
Water	32	32	30	33	31	28.0	28	31	31	31	26
Golf	-	-	-	-	-	-	-	-	-	-	0
Sanitation	13	17	14	17	18	16.0	16	17	17	17	15

Source: City of Palatka Personnel Department

Compliance Section

DRAFT-FINAL

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and Members of the City Commission
City of Palatka, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund and the aggregate remaining fund information of the City of Palatka, Florida (the ‘City’), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise City’s, basic financial statements, and have issued our report thereon dated June 29, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and

material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida

June 29, 2026

DRAFT-FINAL

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR THE MAJOR
FEDERAL PROGRAM AND STATE PROJECT; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY
FLORIDA AUDITOR GENERAL**

To the Honorable Mayor and Members of the City Council
City of Palatka, Florida

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited the City of Palatka, Florida’s (the “City”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Department of Financial Services’ State Projects Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs and state projects for the fiscal year ended September 30, 2025. The City’s major federal programs and state projects are identified in the summary of the auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the fiscal year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program and State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Section 215.97, Florida Statutes (Florida Single Audit Act), and Chapter 10.550, Rules of the Auditor General. Our responsibilities under those standards and the Uniform Guidance, Florida Single Audit Act, and Rules of the Auditor General are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major Federal program and State project. Our audit does not provide a legal determination of the City’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design implantation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs and state projects.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, Uniform Guidance, Florida Single Audit Act, and Rules of the Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major Federal program and State project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, Florida Single Audit Act, and Rules of the Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.550 Rules of the Auditor General

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the fiscal year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated June 29, 2026, which contained unmodified opinions on those basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Uniform Guidance and Chapter 10.550 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from

and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida

June 29, 2026

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City of Palatka, Florida
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2025

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass - Through/ Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>			
<u>PASS THROUGH: Florida Depart of Economic Opportunity</u>			
CDBG MIT Price Martin I0146	14.228	I0146	31,792
Mitigation Program	14.228	IR042	36,918
Mitigation Program	14.228	MT013	223,540
Small Cities Program	14.228	23DB-N27	5,507
CARE Program	14.228	22CV-S05	50,122
<u>Total U.S. Department of Housing and Urban Development</u>			<u>347,880</u>
<u>U.S. DEPARTMENT OF TREASURY</u>			
<u>PASSED THROUGH: Florida Division of Emergency Management</u>			
American Rescue Plan Act (ARPA)	21.027	Y5250	409,688
<u>PASSED THROUGH: Florida State Department</u>			
Coronavirus State and Local Fiscal Recovery Funds (SLFRF)	21.027	23.s3aa39003078	428,953
<u>Total U.S. Department of Treasury</u>			<u>838,641</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
FY24 COPS Hiring Program	16.710	15JCOPS-24-GG-03538-UHPX	105,684
<u>PASSED THROUGH: Bureau of Justice Assistance</u>			
Edward Byrne Memorial Justice Assistance Grant	16.738	15PBJA-23-GG-02972-MUMU	28,236
<u>PASSED THROUGH: State of Florida Attorney General</u>			
Victims of Crime Act	16.575	V13045	35,446
<u>Total U.S. Department of Justice</u>			<u>169,366</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<u>PASS THROUGH: Federal Aviation Administration</u>			
Airport Improvement Program	20.106	3-12-0061-0-038-2024	97,627
Airport Improvement Program	20.106	3-12-0061-039-2024	105,908
Phillip Randolph Regional Multimodal Transportation Hub and Complete Streets Connectivity	20.933	693JJ32340306	91,112
<u>Total U.S. Department of Transportation</u>			<u>294,646</u>
<u>U.S. DEPARTMENT OF ENVIRONMENT PROTECTION</u>			
<u>PASS THROUGH: State Environmental Protection Agency</u>			
Drinking Water State Revolving Fund Project	66.468	DW540220	425,967
Drinking Water State Revolving Fund Project	66.468	DW541901	-
<u>Total U.S. Department of Environmental Protection</u>			<u>425,967</u>
TOTAL FEDERAL AWARDS			<u>\$ 2,076,500</u>

City of Palatka, Florida
Schedule of Expenditures of State Financial Assistance
Year Ended September 30, 2025

STATE AGENCY/PASS-THROUGH GRANTOR/PROGRAM TITLE	State CSFA Number	Pass - Through/ Entity Identifying Number	State Expenditures
<u>FLORIDA DEPARTMENT OF TRANSPORTATION</u>			
Aviation Grant Program	55.004	G2N21	\$ 459,046
Aviation Grant Program	55.004	G2W23	35,764
Local Transportation Project	55.039	G2S30	20,108
Aviation Grant Program	55.004	G2R81	101,193
Aviation Grant Program	55.004	G2T46	10,091
Aviation Grant Program	55.004	G2U23	59,995
Aviation Grant Program	55.004	G3443	11,768
Aviation Grant Program	55.004	G3299	119,104
<u>Total Department of Transportation</u>			<u>817,068</u>
<u>FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION</u>			
Drinking Water Revolving Loan TF	37.076	DW540250	329,546
Clean Water State Revolving Fund	37.077	DW540230	24,772
St Johns River Water Management District	37.1	WS067	391,124
City of Palatka Wastewater Treatment Plant Digester Improvement Project	37.039	LPR0004	1,048,902
Palatka-Potable Water Main Line Replacement	37.039	LPA0602	9,995
Palm (Triangle) Bowl Park Phase I	37.017	P5096	45,579
Shaw Buck Park Phase I	37.017	P5096	36,305
Statewide Water Quality Restoration Project	37.039	LPA0354	766,931
<u>Total Florida Dept. of Environmental Protection</u>			<u>2,653,154</u>
<u>FLORIDA DEPARTMENT OF LAW ENFORCEMENT</u>			
SAFE	71.122	2023-SAFE-SF-006	123,493
Police Patrol Cars	71.127	PB007	250,000
<u>Total Florida Dept. of Law Enforcement</u>			<u>373,493</u>
<u>FLORIDA DEPARTMENT OF JUSTICE</u>			
Patrick Leahy Bullet Proof Vest Partnership Program	71.122	OMB11210235	683
<u>Total Florida Dept. of Justice</u>			<u>683</u>
<u>FLORIDA DEPARTMENT OF ECONOMIC OPPORTUNITY</u>			
RIF Lift Station Expansion 16	40.042	D0207	47,796
Palatka Affordable Housing Initiative Project	40.038	HL209	514,735
Technical and Planning Assistance Comprehensive Plan	40.024	P0510	75,000
Technical and Planning Assistance 5-Year Downtown Strategic Action Plan	40.024	P0511	40,000
<u>Total Florida Dept. of Economic Opportunity</u>			<u>677,531</u>
<u>FLORIDA DEPARTMENT OF EMERGENCY MANAGEMENT</u>			
Hazard Mitigation Grant Program	97.039	H0977	53,050
<u>Total Florida Dept. of Emergency Management</u>			<u>53,050</u>
<u>FLORIDA DEPARTMENT OF STATE, DIVISION OF HISTORICAL RESOURCES</u>			
City of Palatka Bronson Muholland House Rehabilitation	45.032	25.h.sc.100.017	113,833
<u>Total Florida Dept. of State, Division of Historical Resources</u>			<u>113,833</u>
TOTAL STATE FINANCIAL ASSISTANCE			<u>\$ 4,688,812</u>
<u>LOCAL AGENCY, PASS THROUGH ENTITY, LOCAL PROGRAM</u>			
Libra Philanthropies		2354	1,271
<u>Total Local</u>			<u>1,271</u>
TOTAL LOCAL FINANCIAL ASSISTANCE			<u>\$ 1,271</u>

City of Palatka, Florida
Summary of Independent Auditor's Results
Year Ended September 30, 2025

Financial Statements

Type of report the auditor issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) ☒ Yes ☐ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards and State Projects

Internal control over major Federal programs or State projects:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant Deficiency(s) identified ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major Federal programs or State Projects:

Unmodified.

Any audit findings disclosed that are required to be reported in accordance with the CFR 200.516(a) or Chapter 10.557, Rules of the Auditor General? ☐ yes ☒ no

Identification of major Federal programs:

CFDA No(s).	Names of Federal Programs
21.027	Coronavirus State and Local Fiscal Recovery Funds (SLFRF)
21.027	American Rescue

Identification of major State projects:

CSDA No(s).	Names of State Project
55.004	Aviation Grant Program
71.127	Police Patrol Cars
37.039	City of Palatka Wastewater Treatment Plant Digester Improvement Project

City of Palatka, Florida
Summary of Independent Auditor's Results
Year Ended September 30, 2025

Dollar threshold used to distinguish

between Type A and Type B Federal programs \$ 1,000,000

Dollar threshold used to distinguish

between Type A and Type B State projects \$ 250,000

Auditee qualified as low-risk auditee pursuant to the Uniform Guidance X Yes No

Section II – Financial Statement Findings

See section III below.

Section III – Federal Awards and State Projects Findings and Questioned Costs

One matter related to a State Project was identified and is described in MLC-2025-05 (Grant Compliance) on page 122.

DRAFT-FINAL

**INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Honorable Mayor and Members of the City Commission
City of Palatka, Florida

We have examined the City of Palatka (the “City”) compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2025. Management is responsible for the City’s compliance with those requirements. Our responsibility is to express an opinion on the City’s compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements references above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

Our examination does not provide a legal determination of the City’s compliance with the specified requirements.

In our opinion, the City complied in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2025.

This report is intended solely to describe our testing of compliance with aforementioned sections of the Florida statutes, and it is not suitable for any other reasons.

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida

June 29, 2026

MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Honorable Mayor and Members of the City Commission
City of Palatka, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Palatka, Florida (the 'City'), as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated June 29, 2026.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditor's Report on Compliance for the Major Federal Program and State Project; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.550, Rules of the Auditor General; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 29, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address the findings and recommendations made in the preceding annual financial audit report. There were no such findings identified.

Tabulation of Uncorrected Audit Findings		
Current Year Findings		Prior Year Findings
MLC-2025-01		None
MLC-2025-02		
MLC-2025-03		
MLC-2025-04		
MLC-2025-05		
MLC-2025-06		

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The pertinent details of the City are disclosed in the notes to the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did have six any such recommendations (MLC-2025-01, MLC-2025-02, MLC-2025-03, MLC-2025-04, MLC-2025-05 and MLC-2025-06).

Property Assessed Clean Energy (PACE) Programs

Section 10.554(1)(i)6.a., Rules of the Auditor General, requires a statement as to whether a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, did/did not operate within the City's geographical boundaries during the fiscal year under audit. The City did not operate a PACE Program within the City's geographical boundaries during the fiscal year under audit.

Special District Component Units

Sections 10.554(1)(i)5.c., Rules of the Auditor General, require, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within in the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material, but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, pass-through entities, the City, members of the City Council, and applicable and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida

June 29, 2026

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MLC-2025-01 Procurement Processes and Circumvention of Internal Controls - Significant deficiency

Condition: During walkthrough procedures over cash disbursement controls, HCT noted exceptions related to the requisition approval process. The walkthrough identified that requisitions are expected to be reviewed and approved through a system-based workflow involving the Department Supervisor, Accounting Group, and Finance Group. HCT examined approved requisitions and ADG approval history and traced requisitions through the approval hierarchy (Supervisor → Accounting → Finance). However, the sample selected did not contain evidence of approval within the system workflow.

Effect: Circumvention of established controls, lack of documented approval evidence, and inadequate procurement oversight increase the risk of unauthorized transactions, noncompliance with applicable procurement laws and policies, fraud, and misuse of public resources. Inadequate approval documentation also limits management's ability to demonstrate that transactions were properly authorized in accordance with established procedures.

Cause: The condition appears to result from inadequate oversight, management override of controls, inconsistent adherence to procurement and approval procedures, and insufficient monitoring of system-based workflow approvals.

Criteria: Effective internal control frameworks require governmental entities to maintain procurement procedures, segregation of duties, and approval controls sufficient to ensure compliance with applicable laws, regulations, and organizational policies.

Recommendation: HCT recommends that management strengthen procurement and contract approval procedures to ensure all significant transactions receive appropriate legal and financial review prior to execution. Management should reinforce adherence to established internal controls and implement safeguards to prevent management override of controls. Additionally, management should ensure that all requisition approvals are consistently documented and retained within the system workflow to provide a complete audit trail supporting transaction authorization.

Management Response: Management concurs with this finding. This condition occurred during a period of high turnover within the Finance Department, during which both the Finance Director and Finance Specialist positions were vacant for more than 30 days. A new Finance Director joined the City in July 2025 and has since stabilized the department by training three team members to provide proper, redundant coverage across the approval hierarchy. The system approval hierarchy has been fully updated within ADG to map to these newly trained roles, including the Grant Accountant, Procurement Specialist, and Finance Specialist II. Furthermore, the Finance Director met directly with ADG system consultants to verify that the system-based approval workflows are clearly configured, and functioning properly.

Management will issue a department-wide directive reinforcing our commitment to internal control integrity and strict adherence to established procurement procedures. This directive will explicitly state that bypassing system-based approval workflows is strictly prohibited. Disciplinary consequences for unapproved manual workarounds or unauthorized management overrides will be formally updated in our Finance Department policies. As an immediate mitigating control, the Finance Director will perform a retrospective review of transactions to verify that a manual signature, physical sign-off, or explicit email approval from the Department Supervisor, Accounting, and Finance exists for any historical transaction lacking digital system logs.

MLC-2025-02 Review of Significant and Unusual Transactions - Significant deficiency

Condition: Concerns were raised regarding the accounting treatment of certain sales or land swap transactions, specifically whether gains associated with those transactions were appropriately calculated and supported.

Effect: Inadequate review of unusual or significant transactions may result in inaccurate accounting treatment, material misstatements, or noncompliance with applicable accounting standards.

Cause: The condition appears related to insufficient review and analysis of complex transactions and limited oversight of accounting calculations supporting recorded gains.

Criteria: Governmental entities are required to account for significant and unusual transactions in accordance with generally accepted accounting principles and maintain sufficient supporting documentation for accounting estimates and calculations.

Recommendation: HCT recommends that management implement formal review procedures for significant or unusual transactions, including independent review of calculations, assumptions, and accounting treatment to ensure compliance with applicable accounting standards.

Management Response: Although this is a concern raised and not an established audit finding, management is proactive. At the City of Palatka Commission meeting on May 28, 2026, a thorough discussion resulted in a ratifying motion to completely ban future land swap transactions. Going forward, city land transactions are strictly limited to fee simple sales. This legislative action serves as our primary COSO Control Activity, completely eliminating the risk of complex accounting errors inherent to nonmonetary exchanges. To address the remaining scope of the concern, management will formalize review procedures for all future significant and unusual transactions including fee simple transactions directly into the Finance Department policy. Management will enhance its ongoing COSO Risk Assessment process to identify and evaluate non-routine transactions as they arise. Our updated policy will mandate an independent management review of all significant accounting calculations and assumptions before transaction finalization. Finally, the City of Palatka will ensure robust supporting documentation is retained and communicated clearly to guarantee transparency and satisfy all GASB reporting requirements.

MLC-2025-03 Deferred Revenue Recognition for Grant Revenues - Significant deficiency

Condition: During our audit, we noted that the City recorded deferred revenue balances related to grant revenues where cash had not been received in advance. These balances included amounts related to both current and prior fiscal years.

Effect: As a result, deferred revenue balances related to grants were overstated, and related revenues were not recognized in the appropriate fiscal period within the Statement of Activities.

Cause: We understand that the deferred revenue balances were recorded as part of the City's historical practice for tracking grant-related funding and reimbursements, including situations where cash receipts were pending at year-end, without consistently distinguishing between advance payments and reimbursement-based grants where eligibility requirements had already been met.

Criteria: Under applicable governmental accounting standards, grant revenues should be recognized when all eligibility requirements have been met and the revenue is measurable and available. Deferred revenue should generally only be recorded when cash is received in advance of meeting eligibility requirements or incurring allowable expenditures.

Recommendation: We recommend that the City refine its grant revenue recognition process to ensure deferred revenue is recorded only when cash is received in advance of meeting eligibility requirements or incurring qualifying expenditures. For reimbursement-based grants where eligibility requirements have been satisfied and expenditures incurred, revenue should be recognized in the appropriate period.

Management Response: Management concurs with this finding, taking accountability for past practices and committing to competence by ensuring staff are fully trained in current Government Finance Officers Association and applicable governmental accounting standards. We have identified the risk of material misstatements stemming from misclassifying reimbursement-based grants. We will specify exact revenue recognition objectives going forward. We are refining our grant tracking policies and procedures. Controls will now strictly require that deferred revenue is recorded only when cash is received in advance of meeting eligibility requirements. Our financial systems and accounting personnel will consistently generate quality data to distinguish between advance payments and reimbursement-based grants. Management will conduct ongoing evaluations and supervisory reviews to ensure revenue is recognized in the appropriate period and that these controls are continuously functioning.

MLC-2025-04 Interfund Transfers - Significant deficiency

Condition: During review of detailed general ledger activity within the CRA fund, we identified interfund transfer transactions recorded between the CRA fund and another project fund that were subsequently reversed during the fiscal year with descriptions including “transfer not justified” and “reverse transfer not justified.” Although the transactions did not result in a year-end balance impact, the activity indicates that unsupported transfers were initially processed within the accounting records.

Effect: The processing of unsupported or insufficiently documented interfund transfers increases the risk of:

- inaccurate interim financial reporting,
- unauthorized movement of restricted funds,
- management override of established controls,
- and noncompliance with applicable fund restrictions or City policies.

Additionally, transactions that are later reversed may not be readily identifiable through standard trial balance review procedures, increasing the risk that inappropriate activity could go undetected without detailed transaction-level monitoring.

Cause: The condition appears to have resulted from insufficient review and authorization controls over interfund transfer activity, including inadequate documentation supporting the purpose and approval of transfers prior to processing.

Criteria: Effective internal controls require that interfund transfers be:

- properly authorized,
- supported by sufficient documentation,
- reviewed by appropriate personnel,
- and monitored to ensure compliance with applicable fund restrictions and City policies.

Recommendation: We recommend management strengthen controls over interfund transfers by:

- requiring documented justification and supervisory approval prior to recording transfers,
- implementing periodic monitoring of transfer activity,
- and enhancing review procedures to identify unsupported or unusual transactions timely, including transactions subsequently reversed within the accounting records.

Management Response: Management acknowledges that documentation could be strengthened. Although, the activity netted to zero and left a clear trail. City's current internal controls actively mitigate risks through robust governance, continuous information flow, and timely monitoring activities. The existing control environment establishes clear lines of authority and a strict "tone at the top." Management and the governing body actively review financials for outliers and inconsistencies. The ability of the system to identify these transfers, reverse them, and correctly label them as "transfer not justified" demonstrates that management is effectively exercising oversight responsibilities. Relevant, quality information must be generated and communicated to support internal controls. The general ledger's detailed recording and clear transaction descriptions prove that the information system successfully communicated issues, allowing visibility into transactions that were initially misaligned with Finance Department practices. Full documentation to support the reversals and the final year-end totals was openly provided to the auditor. Ongoing and separate evaluations to ascertain whether components of internal control are functioning are critical. The fact that these unsupported transfers were identified, corrected, and documented during the fiscal year proves that the City's monitoring controls are operating as intended. In conclusion, because these transfers were identified, corrected, and did not result in a net balance impact and because the reversal descriptions provide a clear audit trail the existing controls are functioning to maintain accurate reporting and compliance. However, management is always open to continuous improvement. To further strengthen operations, the Finance Department has already updated its journal entry procedures. These updated procedures explicitly require sufficient backup documentation, review by appropriate personnel, and enhanced monitoring to ensure ongoing compliance.

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MLC-2025-05 Grant Compliance - Significant deficiency

Condition: During our review of grant-funded project activity, we noted a significant change order that increased the original contract amount by approximately 120%. Although the change order was approved by the appropriate parties, including project oversight personnel, the modification reportedly exceeded the amount eligible for reimbursement under the applicable grant terms.

As a result, the City may be responsible for costs incurred in excess of allowable grant funding and is pursuing recovery efforts related to the matter.

Effect: Insufficient monitoring of grant requirements and contract modifications increases the risk of:

- noncompliance with grant provisions,
- reimbursable or questioned costs,
- financial loss to the City,
- and ineffective oversight of grant-funded projects.

Additionally, reliance on external consultants or project personnel without adequate verification of grant compliance may result in approvals that are inconsistent with grant limitations and funding restrictions.

Cause: The condition appears to have resulted from inadequate oversight and monitoring controls surrounding grant-funded projects, including insufficient review of grant limitations applicable to contract change orders and project cost increases.

The City may have also experienced operational challenges related to turnover in key personnel responsible for grant administration and project oversight.

Criteria: Effective internal controls and sound grant administration practices require management to:

- monitor compliance with grant requirements,
- ensure contract modifications remain within allowable funding parameters,
- and verify that significant project changes are reviewed for compliance with grant terms prior to approval and execution.

Recommendation: We recommend the City strengthen controls over grant-funded projects by:

- implementing formal review procedures for contract modifications and change orders,
- requiring documented verification of grant compliance prior to approval of significant project cost increases,
- enhancing oversight of external consultants and project managers,
- and ensuring personnel responsible for grant administration possess adequate knowledge of applicable grant requirements and funding limitations.

Management should also continue evaluating the financial impact of reimbursable costs and monitor the status of any related recovery efforts or litigation.

Management Response: The City agrees with the audit finding. The funding source for this initiative is the Drinking Water State Revolving Fund (DWSRF) Program, which provides low-interest loans to eligible entities for planning, designing, and constructing public water facilities under Chapter 62-552, F.A.C.. The change order was processed in January 2025, during a period of operational challenges when the City was short-staffed. To date, the City has resolved these capacity issues and is currently fully staffed with a dedicated, full-time Grant Administrator/Grant Writer. Additionally, the City will be seeking alternative funding sources in place of the State Revolving Loan. The City acknowledges that prior staffing turnover created a vulnerability. With the newly hired, full-time Grant Administrator, the City is actively restoring a strong tone at the top and reinforcing organizational commitment to robust grant oversight. The Grant Administrator/Grant Writer will review the underlying grant agreement to ensure compliance is fully met for any grant related change order prior to approval. The City recognizes that large scope modifications (such as the 120% contract increase) carry inherent compliance risks. We have re-assessed our operations and are committed to identifying and mitigating risks of noncompliance, questioned costs, and financial loss before authorizing project modifications. We will ensure all personnel responsible for grant administration, including external project managers, possess a thorough knowledge of applicable funding limitations. Moving forward, management will conduct independent evaluations of grant-funded project activity to monitor compliance, track project costs, and evaluate the status of any recovery efforts.

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MLC-2025-06 Inadequate Journal Entry Supports - Significant deficiency

Condition: During journal entry testing for both the City and CRA funds, we identified multiple instances where journal entries were not supported by adequate underlying documentation. In several cases, support provided consisted primarily of informal calculations, spreadsheets, or summarized figures without sufficient source documentation to substantiate the nature, purpose, accuracy, or validity of the recorded entries. Additionally, we noted instances where the same individual appeared to both prepare and review journal entries within the financial system, limiting the effectiveness of independent review controls. As a result, certain journal entries could not be readily traced to complete and appropriate supporting documentation.

Effect: Inadequate journal entry documentation and insufficient segregation of duties increase the risk of:

- material misstatements in the financial records,
- unauthorized or unsupported journal entries,
- management override of controls,
- undetected errors or irregularities,
- and incomplete audit trails supporting financial reporting activity.

The lack of independently verifiable support may also impair management's ability to demonstrate the accuracy and propriety of financial transactions.

Cause: The condition appears to result from inadequate policies and procedures governing:

- journal entry preparation and documentation requirements,
- retention of supporting documentation,
- and independent review and approval of journal entries.

Additionally, insufficient segregation of duties within the financial reporting process may have contributed to the control weakness.

Criteria: Effective internal controls require that:

- journal entries be supported by complete and appropriate documentation,
- supporting records be retained in a manner sufficient to substantiate recorded transactions,
- and journal entries be independently reviewed and approved by personnel separate from the preparer.

Adequate documentation and review controls are necessary to ensure the accuracy, validity, and transparency of financial reporting activity.

Recommendation: We recommend management strengthen controls over journal entry processing by:

- establishing formal documentation standards for all journal entries,
- requiring supporting documentation sufficient to substantiate the purpose and accuracy of recorded entries,
- implementing independent review and approval procedures,
- and enhancing segregation of duties within the journal entry process where feasible.

Management should also consider periodic supervisory review of journal entries and supporting documentation to ensure compliance with established policies and internal control expectations.

Management Response: Management's assessment is that this finding is not indicative of a broader pattern. However, to ensure a proactive and robust internal control environment, the Finance Director met with key staff immediately following the audit notification. The journal entry processing workflow has been updated to require a mandatory journal entry form that explicitly lists a separate preparer and approver. To ensure immediate compliance, the Grant Accountant, Finance Specialist, and Financial Services Supervisor have signed a formal acknowledgment demonstrating their understanding and adoption of these new workflow changes. The workflow changes demonstrate a strong "tone at the top" by treating this gap proactively, despite believing it to be an isolated event. The signed employee acknowledgments enforce clear authority, responsibility, and strict accountability for financial reporting. By moving swiftly to implement changes, management has actively identified and mitigated risks associated with material misstatements, management override, and unauthorized or unsupported financial transactions. The implementation of a standardized journal entry form establishes a mandatory preventive control. Requiring separate signatures for the preparer and approver enforces a strict segregation of duties within the financial reporting process. The new workflow establishes rigorous documentation and retention standards. This ensures that relevant, high-quality, and independently verifiable support is maintained to provide a complete and transparent audit trail. Management's immediate intervention lays the groundwork for ongoing compliance monitoring. The signed forms provide an auditable baseline that allows management to perform routine supervisory reviews and verify that the control remains effective over time.

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THE CITY OF PALATKA, FLORIDA

Audited Financial Statements Presentation For the Year Ended September 30, 2025

Introduction

**To the Honorable Mayor, Vice Mayor and Members of the City Commission of
*City of Palatka, Florida***

We are pleased to have the opportunity to meet with you on ***June 29, 2026***, to discuss the results of our audit of the financial statements of the ***City of Palatka, Florida (the “City”)*** as of and for the year ended ***September 30, 2025***. Our audit was conducted in accordance with the terms established in the audit engagement letter dated ***February 2, 2026***

We are providing this document to enable you to consider the results of our audit to enhance the quality of our discussions. We will be pleased to elaborate on the matters covered in this document when we meet.

Our audit is complete, and we issued an unmodified or “clean” opinion on the financial statements as of ***September 30, 2025***, of the ***City of Palatka, Florida***, on ***June 29, 2026***

Contents

- Audit results, required communications, and other matters summary
- Supplemental slides supporting required communications and other matters
- Responsibilities

Audit results, required communications, and other matters summary

Communication Topic	Response
Scope of audit	Our audit of the financial statements of City of Palatka, Florida as of and for the year ended September 30, 2024, was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States; Title 2 U.S. <i>Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> ; and Chapter 10.550, <i>Rules of the Auditor General</i> .
Changes to our planned risk assessment and planned audit strategy	There were no changes to our planned risk assessment and planned audit strategy.
Auditor's report	We have issued an unmodified opinion on the financial statements of City of Palatka, Florida and other reports as follows: • Independent Auditor's Report - Complete • Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards - Complete • Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Chapter 10.550 - Complete • Schedule of Findings and Questioned Costs – Complete • Independent Auditor's Report on Compliance with the Requirements of Section 218.415, Florida Statutes, Required by Rule 10.556(10) of the Auditor General of the State of Florida - Complete • Management Letter in Accordance with the Rules of the Auditor General of the State of Florida – Complete
Outstanding matters	None
Significant accounting polices	Significant accounting policies and practices are detailed in Note 1 of the financial statements .

Audit results, required communications, and other matters summary (continued)

Communication Topic	Response
Significant accounting estimates	The following significant accounting estimates are as follows: • Allowance for doubtful accounts • Annual depreciation expense • Fair value of investments
Significant risk and other significant audit matters	Significant risks and other significant audit matters relate to: • Management override of controls (relevant for all entities) • Revenue recognition (relevant for all entities) • Cash (relevant for all entities)
New accounting pronouncements	Management has reviewed all new pronouncements and have determined that none had an impact for FY 2025.

Audit results, required communications, and other matters summary (continued)

Communication Topic	Response
Uncorrected misstatements	No matters to report
Corrected misstatements	Various adjusting journal entries were needed during the audit. All entries were made, and any misstatements noted during the audit were corrected.
Financial presentation and disclosure omissions	No matters to report

Audit results, required communications, and other matters summary (continued)

Communication Topic	Response
Control deficiencies	HCT reported internal control deficiencies in 2025. See pages 16- 21 of this presentation.
Related parties	No significant findings or issues were detected.
Other information in documents containing audited financial statements	Our responsibility with respect to information in a document does not extend beyond the financial information identified in our report, and we have no obligation to perform procedures to corroborate other information contained in a document. However, we do have a responsibility to read the other information and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements.

Audit results, required communications, and other matters summary (continued)

Communication Topic	Response
Illegal acts or fraud	No actual or suspected instances of fraud involving management, employees with significant roles in internal control, or instances where fraud results in a material misstatement in the financial statement were identified during the audit.
Noncompliance with laws and regulations	No matters to report
Going Concern	No matters to report
Non-GAAP	No matters to report
Subsequent events	No matters to report
Other findings or issues	No matters to report

Communication Topic	Response
Significant difficulties encountered during the audit	No matters to report
Disagreements with management	No matters to report
Significant findings or issues discussed, or the subject of correspondence, with management	Internal control deficiencies (pages 16 -21)
Management's consultation with other accountants	No matters to report
Material written communications	Engagement letter and management representation letter

Audit results, required communications, and other matters summary

Communication Topic	Response
Independence	In our professional judgment, we are independent with respect to The City, as that term is defined by the professional standards.

Supplemental Slides

Areas of audit emphasis

- Financial statements:
 - Financial Reporting
 - Revenues
 - Expenses
 - Capital Assets
 - Long Term Debt

Areas of Audit emphasis - Financial statements

Areas	Approach
Financial Reporting	• Obtained an understanding of the Financial Reporting Process • Reviewed the Financial Statements for conformity with GAAP • Reviewed disclosures notes ensuring applicable disclosures were included in accordance with related accounting standards.
Revenues	• Revenues totaled \$35.6M for the fiscal year ended September 30, 2025, compared to \$37.7M for the fiscal year 2024. • Decrease in revenue is primarily due to decrease in Capital Grant and Contributions in fiscal year 2025. • We selected a sample of significant transactions for various revenue streams and tested the existence, completeness, accuracy and presentation of the revenue recorded.
Expenses	• Totaled \$34.3M for fiscal year 2025 compared to \$28.3M for fiscal year 2024. • Increase in expenses mainly due to increases in Public Safety; Water and Airport expenses • We selected a sample of significant expenditure items and tested them for completeness, occurrence, accuracy and presentation assertions.

Areas of Audit emphasis - Financial statements (continued)

Areas	Approach
Capital Assets	• Final balance of \$105.1M at September 30, 2025 compared to \$96.0M at September 30, 2024. • The increase is a result of infrastructure improvements made during the year.
Long Term Debt	• Balance of \$22.6M at September 30, 2025, compared to \$22.9M at September 30, 2024. • Balances were confirmed by third party entities.

Internal controls related matters

HCT responsibilities:

- The purpose of our audit was to express an opinion on the financial statements.
- Our audit included consideration of internal controls over financial reporting in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal controls.
- We are not expressing an opinion on the effectiveness of the City's internal controls.
- Our consideration of internal controls was not designed to identify all deficiencies in internal controls that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Internal controls related matters (continued)

Definitions

Deficiency

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exist when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exist when a properly designed control does not operate as designed, or when that person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiency

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting (ICFR) that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Material weakness

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, Or detected and corrected, on a timely basis. A reasonable possibility exists when the like hood of an event occurring is either reasonably possible or probable. Reasonably possible is defined as the chance of the future event or events occurring is either reasonably possible or probable. Reasonably possible is defined as the chance of the future event or events occurring is more than remote but less than likely. Probable is defined as the further event or events are likely to occurring.

2025 Internal Controls Findings

MLC-2025-01 - Procurement Processes and Circumvention of Internal Controls Significant deficiency

Significant deficiency

Condition: During walkthrough procedures over cash disbursement controls, HCT noted exceptions related to the requisition approval process. The walkthrough identified that requisitions are expected to be reviewed and approved through a system-based workflow involving the Department Supervisor, Accounting Group, and Finance Group. HCT examined approved requisitions and ADG approval history and traced requisitions through the approval hierarchy (Supervisor → Accounting → Finance). However, the sample selected did not contain evidence of approval within the system workflow.

Recommendation: HCT recommends that management strengthen procurement and contract approval procedures to ensure all significant transactions receive appropriate legal and financial review prior to execution. Management should reinforce adherence to established internal controls and implement safeguards to prevent management override of controls. Additionally, management should ensure that all requisition approvals are consistently documented and retained within the system workflow to provide a complete audit trail supporting transaction authorization.

Management Response: Management concurs with this finding. This condition occurred during a period of high turnover within the Finance Department, during which both the Finance Director and Finance Specialist positions were vacant for more than 30 days. A new Finance Director joined the City in July 2025 and has since stabilized the department by training three team members to provide proper, redundant coverage across the approval hierarchy. The system approval hierarchy has been fully updated within ADG to map to these newly trained roles, including the Grant Accountant, Procurement Specialist, and Finance Specialist II. Furthermore, the Finance Director met directly with ADG system consultants to verify that the system-based approval workflows are clearly configured, and functioning properly. Management will issue a department-wide directive reinforcing our commitment to internal control integrity and strict adherence to established procurement procedures. This directive will explicitly state that bypassing system-based approval workflows is strictly prohibited. Disciplinary consequences for unapproved manual workarounds or unauthorized management overrides will be formally updated in our Finance Department policies. As an immediate mitigating control, the Finance Director will perform a retrospective review of transactions to verify that a manual signature, physical sign-off, or explicit email approval from the Department Supervisor, Accounting, and Finance exists for any historical transaction lacking digital system logs.

2025 Internal Controls Findings

MLC-2025-02 - Review of Significant and Unusual Transactions

Significant deficiency

Condition: Concerns were raised regarding the accounting treatment of certain sales or land swap transactions, specifically whether gains associated with those transactions were appropriately calculated and supported.

Recommendation: HCT recommends that management implement formal review procedures for significant or unusual transactions, including independent review of calculations, assumptions, and accounting treatment to ensure compliance with applicable accounting standards.

Management Response: Although this is a concern raised and not an established audit finding, management is proactive. At the City of Palatka Commission meeting on May 28, 2026, a thorough discussion resulted in a ratifying motion to completely ban future land swap transactions. Going forward, city land transactions are strictly limited to fee simple sales. This legislative action serves as our primary COSO Control Activity, completely eliminating the risk of complex accounting errors inherent to nonmonetary exchanges. To address the remaining scope of the concern, management will formalize review procedures for all future significant and unusual transactions including fee simple transactions directly into the Finance Department policy. Management will enhance its ongoing COSO Risk Assessment process to identify and evaluate non-routine transactions as they arise. Our updated policy will mandate an independent management review of all significant accounting calculations and assumptions before transaction finalization. Finally, the City of Palatka will ensure robust supporting documentation is retained and communicated clearly to guarantee transparency and satisfy all GASB reporting requirements.

2025 Internal Controls Findings

MLC-2025-03 - Deferred Revenue Recognition for Grant Revenues

Significant deficiency

Condition: During our audit, we noted that the City recorded deferred revenue balances related to grant revenues where cash had not been received in advance. These balances included amounts related to both current and prior fiscal years.

Recommendation: We recommend that the City refine its grant revenue recognition process to ensure deferred revenue is recorded only when cash is received in advance of meeting eligibility requirements or incurring qualifying expenditures. For reimbursement-based grants where eligibility requirements have been satisfied and expenditures incurred, revenue should be recognized in the appropriate period.

Management Response: Management concurs with this finding, taking accountability for past practices and committing to competence by ensuring staff are fully trained in current Government Finance Officers Association and applicable governmental accounting standards. We have identified the risk of material misstatements stemming from misclassifying reimbursement-based grants. We will specify exact revenue recognition objectives going forward. We are refining our grant tracking policies and procedures. Controls will now strictly require that deferred revenue is recorded only when cash is received in advance of meeting eligibility requirements. Our financial systems and accounting personnel will consistently generate quality data to distinguish between advance payments and reimbursement-based grants. Management will conduct ongoing evaluations and supervisory reviews to ensure revenue is recognized in the appropriate period and that these controls are continuously functioning.

2025 Internal Controls Findings

MLC-2025-04 – Interfund Transfers

Significant deficiency

Condition: During review of detailed general ledger activity within the CRA fund, we identified interfund transfer transactions recorded between the CRA fund and another project fund that were subsequently reversed during the fiscal year with descriptions including “transfer not justified” and “reverse transfer not justified.” Although the transactions did not result in a year-end balance impact, the activity indicates that unsupported transfers were initially processed within the accounting records

Recommendation: We recommend management strengthen controls over interfund transfers by: (a) requiring documented justification and supervisory approval prior to recording transfers, (b) implementing periodic monitoring of transfer activity, [c] and enhancing review procedures to identify unsupported or unusual transactions timely, including transactions subsequently reversed within the accounting records.

Management Response: Management acknowledges that documentation could be strengthened. Although, the activity netted to zero and left a clear trail. City’s current internal controls actively mitigate risks through robust governance, continuous information flow, and timely monitoring activities. The existing control environment establishes clear lines of authority and a strict “tone at the top.” Management and the governing body actively review financials for outliers and inconsistencies. The ability of the system to identify these transfers, reverse them, and correctly label them as “transfer not justified” demonstrates that management is effectively exercising oversight responsibilities. Relevant, quality information must be generated and communicated to support internal controls. The general ledger’s detailed recording and clear transaction descriptions prove that the information system successfully communicated issues, allowing visibility into transactions that were initially misaligned with Finance Department practices. Full documentation to support the reversals and the final year-end totals was openly provided to the auditor. Ongoing and separate evaluations to ascertain whether components of internal control are functioning are critical. The fact that these unsupported transfers were identified, corrected, and documented during the fiscal year proves that the City’s monitoring controls are operating as intended. In conclusion, because these transfers were identified, corrected, and did not result in a net balance impact and because the reversal descriptions provide a clear audit trail the existing controls are functioning to maintain accurate reporting and compliance. However, management is always open to continuous improvement. To further strengthen operations, the Finance Department has already updated its journal entry procedures. These updated procedures explicitly require sufficient backup documentation, review by appropriate personnel, and enhanced monitoring to ensure ongoing compliance.

2025 Internal Controls Findings

MLC-2025-05 – Grant Compliance

Significant deficiency

Condition: During our review of grant-funded project activity, we noted a significant change order that increased the original contract amount by approximately 120%. Although the change order was approved by the appropriate parties, including project oversight personnel, the modification reportedly exceeded the amount eligible for reimbursement under the applicable grant terms. As a result, the City may be responsible for costs incurred in excess of allowable grant funding and is pursuing recovery efforts related to the matter.

Recommendation: We recommend the City strengthen controls over grant-funded projects by: (a) implementing formal review procedures for contract modifications and change orders, (b) requiring documented verification of grant compliance prior to approval of significant project cost increases, (c) enhancing oversight of external consultants and project managers, (d) and ensuring personnel responsible for grant administration possess adequate knowledge of applicable grant requirements and funding limitations.

Management Response: The City agrees with the audit finding. The funding source for this initiative is the Drinking Water State Revolving Fund (DWSRF) Program, which provides low-interest loans to eligible entities for planning, designing, and constructing public water facilities under Chapter 62-552, F.A.C.. The change order was processed in January 2025, during a period of operational challenges when the City was short-staffed. To date, the City has resolved these capacity issues and is currently fully staffed with a dedicated, full-time Grant Administrator/Grant Writer. Additionally, the City will be seeking alternative funding sources in place of the State Revolving Loan. The City acknowledges that prior staffing turnover created a vulnerability. With the newly hired, full-time Grant Administrator, the City is actively restoring a strong tone at the top and reinforcing organizational commitment to robust grant oversight. The Grant Administrator/Grant Writer will review the underlying grant agreement to ensure compliance is fully met for any grant related change order prior to approval. The City recognizes that large scope modifications (such as the 120% contract increase) carry inherent compliance risks. We have re-assessed our operations and are committed to identifying and mitigating risks of noncompliance, questioned costs, and financial loss before authorizing project modifications. We will ensure all personnel responsible for grant administration, including external project managers, possess a thorough knowledge of applicable funding limitations. Moving forward, management will conduct independent evaluations of grant-funded project activity to monitor compliance, track project costs, and evaluate the status of any recovery efforts.

2025 Internal Controls Findings

MLC-2025-06 – Inadequate Journal Entry Supports

Significant deficiency

Condition: During journal entry testing for both the City and CRA funds, we identified multiple instances where journal entries were not supported by adequate underlying documentation. In several cases, support provided consisted primarily of informal calculations, spreadsheets, or summarized figures without sufficient source documentation to substantiate the nature, purpose, accuracy, or validity of the recorded entries. Additionally, we noted instances where the same individual appeared to both prepare and review journal entries within the financial system, limiting the effectiveness of independent review controls. As a result, certain journal entries could not be readily traced to complete and appropriate supporting documentation.

Recommendation: We recommend management strengthen controls over journal entry processing by: (a) establishing formal documentation standards for all journal entries, (b) requiring supporting documentation sufficient to substantiate the purpose and accuracy of recorded entries, (c) implementing independent review and approval procedures, - and enhancing segregation of duties within the journal entry process where feasible. Management should also consider periodic supervisory review of journal entries and supporting documentation to ensure compliance with established policies and internal control expectations.

Management Response: Management's assessment is that this finding is not indicative of a broader pattern. However, to ensure a proactive and robust internal control environment, the Finance Director met with key staff immediately following the audit notification. The journal entry processing workflow has been updated to require a mandatory journal entry form that explicitly lists a separate preparer and approver. To ensure immediate compliance, the Grant Accountant, Finance Specialist, and Financial Services Supervisor have signed a formal acknowledgment demonstrating their understanding and adoption of these new workflow changes. The workflow changes demonstrate a strong "tone at the top" by treating this gap proactively, despite believing it to be an isolated event. The signed employee acknowledgments enforce clear authority, responsibility, and strict accountability for financial reporting. By moving swiftly to implement changes, management has actively identified and mitigated risks associated with material misstatements, management override, and unauthorized or unsupported financial transactions. The implementation of a standardized journal entry form establishes a mandatory preventive control. Requiring separate signatures for the preparer and approver enforces a strict segregation of duties within the financial reporting process. The new workflow establishes rigorous documentation and retention standards. This ensures that relevant, high-quality, and independently verifiable support is maintained to provide a complete and transparent audit trail. Management's immediate intervention lays the groundwork for ongoing compliance monitoring. The signed forms provide an auditable baseline that allows management to perform routine supervisory reviews and verify that the control remains effective over time.

Responsibilities

Management responsibilities - Financial statements	- Fairly presenting the financial statements, including disclosures in conformity with U.S. GAAP. - Adjusting the financial statements to correct material misstatements and affirming in the representation letter that the effects of any uncorrected misstatements aggregated by the auditor are immaterial, both individually and the aggregated, to the financial statements taken as a whole.
Management responsibilities - ICFR	Design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.
Management responsibilities - Other	- To provide the auditor with: - Access to all information of which management is aware is relevant to the preparation and fair presentation of the consolidated financial statements, such as records, documentation, and other matters; - Additional information that the auditor may request from management for the purpose of the audit; and - Unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence. - Identifying and ensuring that the entity complied with laws and regulations applicable to its activities, and for informing the auditor of any known material violations of such laws and regulations. - Providing the auditor with a letter confirming certain representations made during the audit, that includes but is not limited to managements - disclosure of all significant deficiencies, including material weaknesses in the design or operation of internal controls that could adversely affect the Company's financial reporting - acknowledgement of their responsibilities for the design, implementation, and maintenance of internal controls to prevent and detect fraud.
City Commission responsibilities	- Oversight of the financial reporting process and internal control over financial reporting (ICFR) - Oversight of the establishment and maintained by management of programs and controls designed to prevent, deter, and detect fraud.

Responsibilities (continued)

Management and the City Commission responsibilities	• Setting the proper tone and creating and maintaining a culture of honesty and high ethical standards • Ensuring that the entity's operations are conducted within the provisions of law and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in the entity's financial statements
HCT - Audit objectives	• Forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the City Commission are prepared, in all material respects, in accordance with U.S. GAAP.
HCT responsibilities - Audit	• Performing the audit in accordance with U.S. GAAS and that the audit is designed to obtain reasonable, rather than absolute, assurance about whether the financial statements as a whole are free from material misstatement. • Performing an audit of financial statements including consideration of ICFR as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's ICFR.
HCT responsibilities - Other information in documents containing financial statements	• The auditor's report on the financial statements does not extend to the other information in documents containing audited consolidated financial statements, excluding required supplementary information. • The auditor's responsibility is to make appropriate arrangements with management or the City Commission to obtain information prior to the report release date and to read the other information to identify material inconsistencies with the audited financial statements or misstatements of facts. • Any material inconsistencies or misstatements of facts that are not resolved prior to the report release date, and that require revision of the other information, may result in HCT modifying or withholding the auditors report or withdrawing from the engagements • Communicate any procedures performed relating to the other information and the results of those procedures.

Responsibilities (continued)

HCT responsibilities - Communications

- Communicating significant matters related to the financial statement audit that are in our professional judgment, relevant to the responsibilities of the City Commission in overseeing the financial process. U.S. GAAS does not require us to design procedures for the purpose of identifying matter to communicate to the City Commission.
- Communicating if we suspect or identify non compliance with laws and regulations exist, unless matters are clearly inconsequential.
- Communicating to management and the City Commission in writing all significant deficiencies and material weaknesses in internal control identified during the audit , including those that were remediated during the judgment, are of sufficient importance to merit managements attention. The objective of our audit consolidated financial statements is to report on the Company's internal control.
- Conducting the audit in accordance with professional standards and complying with the rules and responsibility of the Code of Professional Conduct of the American Institute of Certified Public Accountants and the official standards of relevant CPA Societies, and relevant state boards of accountancy.
- Communicating to the City Commission circumstances, if any, that affect the form and content of the auditors' report.
- Communicating if we plan to withdraw from the engagement and the reasons for the withdrawal
- Communicating to the City Commission if we conclude no reasonable justification for a change of the terms of the audit engagement exists and we are not permitted by management to continue the original audit engagement.
- When applicable, we are also responsible for communicating particular matters required by law or regulation, by agreement with the entity, or by additional requirements applicable to the engagement
- Communicating if we have identified or suspect fraud involving: (a) management, (b) employees who have significant roles in internal control, (c) others, when the fraud results in a material misstatement in the judgment, relevant to the responsibilities of the City Commission .
- Communicating significant finding and issues arising during the audit in connection with the entity's professional parties.
- Communicating conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time.

Questions



The information contained herein is a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

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