KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT AGENCY

KEYSTONE HEIGHTS, FLORIDA

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021

REDDISH AND WHITE
CERTIFIED PUBLIC ACCOUNTANTS

KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT AGENCY FUND

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INDEPENDENT AUDITOR'S REPORT

To the Keystone Heights Community Redevelopment Agency
City of Keystone Heights, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Keystone Heights Community Redevelopment Agency (the Agency), a component unit of the City of Keystone Heights, Florida (the City) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2022 on our consideration of the City of Keystone Heights, Florida'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 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 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 of Keystone Heights, Florida's internal control over financial reporting and compliance.

Redditt & White, CPAs

Starke, Florida
June 10, 2022

Management's Discussion and Analysis

Within this section of the Keystone Heights Community Redevelopment Agency (the Agency) annual financial report, the Town's management provides narrative discussion and analysis of the financial activities of the Agency for the fiscal year ended September 30, 2021. This discussion and analysis of the Agency's financial performance provides an overview of the Agency's financial activities for the fiscal year ended September 30, 2021. Please read it in conjunction with the Agency's financial statements that follow.

Financial Highlights

- As of September 30, 2021, the assets of the Agency exceeded its liabilities by $250,661 (net position). The Agency's net position increased by $137,688 as a result of this year's operations.

- During the year, the Agency substantially completed the Rails to Trails project. This project was funded in large part from a $46,000 grant awarded from the State of Florida Department of Environmental Protection and matched by $46,000 from Clay County.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Agency's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Agency also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Agency's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Agency's overall status. Financial reporting at this level uses a perspective like that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Position. This is the Agency-wide statement of financial position presenting information that includes all of the Agency's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency as a whole is improving or deteriorating.

The second government-wide statement is the Statement of Activities which reports how the Agency's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

Both government-wide financial statements distinguish governmental activities of the Agency that are principally supported by ad-valorem taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or

a significant portion of their costs through user fees and charges. The governmental activities in the Agency are primarily economic development.

The government-wide financial statements include only the financial activities of the Agency. However, the Agency is considered a component unit of the City of Keystone Heights, Florida (the City), and as such, the financial information of the Agency is include in the City's annual audit report in each fiscal year.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations.

Governmental funds

All of the Agency's basic services are reported in one governmental fund. This fund is reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Agency's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs.

Since the government-wide focus includes the long-term view, comparisons between the two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliations to the government-wide statements to assist in understanding the differences between these two perspectives.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Financial Analysis of the Agency as a Whole

The Agency's net position increased by $137,688 from the prior year. The capital assets are shown net of depreciation. The following table provides the details for the years ended September 30, 2021 and 2020:

	2021	2020
Current assets	$110,756	$112,973
Capital assets	139,917	0
Total assets	250,673	112,973
Long-term debt	(0)	(0)
Current liabilities	(12)	(0)
Total liabilities	(12)	(0)
Net position:		
Net Investment in capital assets	139,917	0
Restricted	110,744	112,973
Total net position	$250,661	$112,973

The following is a summary of the Agency's increase in net position for the years ended September 30, 2021 and 2020.

	2021	2020
Revenues		
Tax Incremental Financing	$60,807	$60,095
Intergovernmental (grants)	92,000	0
Investment	107	783
Total	152,914	60,878
Expenditures		
Economic Environment	39,226	70,844
Total	39,226	70,844
Transfers In	24,000	22,887
Change in net position	$ 137,688	$ 12,921

Financial Analysis of the Agency's General Fund

The Agency's governmental fund is reported in the fund financial statements with a short-term, inflow and outflow of spendable resource focus. This information may be useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. For the year ended September 30, 2021, the fund reported an excess of expenditures over revenues of $48,229. During the year ended September 30, 2021, the fund incurred $140,647 in expenditures toward capital projects.

This was the primary factor in the expenditures exceeding the revenues for the year.

Fund Budgetary Highlights

The Agency's budget was amended during the year to increase the funding from Clay County by $20,807 and to increase the expenditures for operating expenses by $5,000 and capital outlay by $15,500.

The Agency realized over $45,000 of the total final budgeted revenues due to a late commitment from Clay County to match the state grant.

The Agency incurred $179,143 in expenditures for the year which was over the final amended total budget expenditures by $3,943. This was primarily due to the excess expenditures on capital outlay.

As a result, the Agency reported a favorable variance of over $41,400 from the final budget.

Capital Asset and Debt Administration

The Agency incurred approximately $140,500 in capital outlay for the following projects: $101,500 for the Rails to Trails project; $24,200 for the furnishings for the pavilion at Keystone Beach; and $14,800 for beach lighting and aesthetics.

The Agency does not have any long-term debt.

Economic Environment and Next Year's Budgets and Rates

The Agency's budget for the following year includes $60,000 funding from the County and $27,000 from the City of Keystone Heights. The Agency budgeted $197,200 in expenditures with $138,650 toward capital projects and $33,500 toward events and festivals. The Agency will continue to plan projects and improvements that align with its redevelopment priorities. Additionally, the City and the Agency will continue to partner to encourage private sector development in the designated downtown area.

Contacting the Agency's Financial Management

This financial report is designed to provide users with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City's office at (352) 473-4807.

KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT AGENCY

STATEMENT OF NET POSITION

SEPTEMBER 30, 2021

ASSETS	
Current Assets	
Cash and Cash Equivalents	$18,756
Due from Other Governments	92,000
Total Current Assets	110,756
Capital Assets	139,917
TOTAL ASSETS	$250,673
LIABILITIES	
Accounts Payable and Accrued Liabilities	$12
Total Current Liabilities	12
TOTAL LIABILITIES	12
NET POSITION	
Net Invested in Capital Assets	139,917
Restricted	110,744
TOTAL NET POSITION	250,661
TOTAL LIABILITIES AND NET POSITION	$250,673

See accompanying notes to the financial statements.

KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position
Government Activities:					
Economic Environment	39,226	0	0	92,000	52,774
Total Governmental Activities	39,226	0	0	92,000	52,774
General Revenues:					
Taxes					60,807
Investment Income					107
Total General Revenues					60,914
Transfers In					24,000
Change in Net Assets					137,688
Net Position, Beginning of Year					112,973
Net Position, Ending of Year					$250,661

See accompanying notes to the financial statements.

KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT AGENCY FUND

BALANCE SHEET

SEPTEMBER 30, 2021

Assets	
Current Assets	
Cash and Cash Equivalents	$18,756
Due from Other Governments	46,000
Total Assets	$64,756
Liabilities and Fund Balances	
Liabilities	
Current Liabilities	
Accounts Payable	$12
Total Liabilities	12
FUND BALANCES	
Restricted	64,744
Total Fund Balances	64,744
Total Liabilities and Fund Balances	$64,756

See accompanying notes to the financial statements.

KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT AGENCY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Total Fund Balance - Total Governmental Funds	$64,744
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of $140,524, net of accumulated depreciation of $607, are not financial resources and, therefore, are not reported in the funds.	139,917
Amounts Due from Other Governments Received later than 60 days are not considered financia resources and, therefore, are not reported in the funds.	46,000
Total Net Position of Governmental Activities	$250,661

See accompanying notes to the financial statements.

KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT AGENCY FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Taxes	$40,000	$60,807	$60,807	$0
County Grant	0	0	46,000	46,000
Investment revenue	700	700	107	(593)
Total Revenues	40,700	61,507	106,914	45,407
Expenditures				
Current				
Economic Environment	46,050	51,050	38,496	12,554
Capital Outlay				
Economic Environment	108,650	124,150	140,647	(16,497)
Total Expenditures	154,700	175,200	179,143	(3,943)
Revenues Over (Under) Expenditures	(114,000)	(113,693)	(72,229)	41,464
Other Financing Sources (Uses)				
Transfers In	24,000	24,000	24,000	0
Total Other Financing Sources	24,000	24,000	24,000	0
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Financing Uses	(90,000)	(89,693)	(48,229)	41,464
Fund Balance, Beginning of Year	112,973	112,973	112,973	
Fund Balance, End of Year	$22,973	$23,280	$64,744	

See accompanying notes to the financial statements.

KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT AGENCY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

SEPTEMBER 30, 2021

Net Change in Fund Balances - Total Governmental Funds	($48,229)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount depreciation of $607 is less than the capital outlays of $140,524.	139,917
Revenues from other Governments received after 60 days are not considered financial resources and, therefore, are not reported in the funds.	46,000
Change in Net Position of Governmental Activities	$137,688

See accompanying notes to the financial statements.

KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT AGENCY

Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The Keystone Heights Community Redevelopment Agency's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Financial Reporting Entity

The Keystone Heights Community Redevelopment Agency (the Agency) is a blended component unit of the City of Keystone Heights, Florida (City) and was established on February 24, 2004, as a public body organized pursuant to Part III of Chapter 163 of the Florida Statutes. The Agency's purpose is to promote the economic and physical character of the redevelopment area which is located within the City of Keystone Heights. Blended component units are legally separate entities that are in substance part of the City's operations, as they either have governing bodies that are substantially the same as the City or there is a financial benefit or burden relationship between the Agency and the City. The Agency is governed by the same members of the City's council which provides substantial fundings of operations and adopts the annual budget for the Agency.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (the statement of net position and statement of activities) report information on all of the governmental activities of the Agency. The government-wide focus is more on the sustainability of the Agency as an entity and the change in aggregate financial position resulting from activities of the fiscal year. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

The fund financial statements focus on the short-term results of operations and financing decisions at a specific fund level. There is only one governmental fund for the Agency, that encompasses all of the activities of the Keystone Heights Community Redevelopment Agency, the Keystone Heights Community Redevelopment Agency Fund (the Agency Fund).

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. For this purpose, the Agency considers taxes and licenses and other revenues to be available if they are collected within 60 days of the end of the current fiscal period.

The revenues susceptible to accrual are taxes, and intergovernmental revenues. Expenditures generally are recorded when the related fund liability is incurred, except expenditures related to debt service expenditures which are recorded only when payment is due.

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

Deposits and Investments

For purposes of the statement of cash flows, highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. As of September 30, 2021, the cash and cash equivalent balance consists of a checking account.

All monies collected by the City are required to be deposited in accordance with the laws of the State of Florida. Section 218.415 (17), Florida Statutes, authorizes the City to invest in the Local Government Surplus Funds Trust, direct obligations of the United States Government, obligations unconditionally guaranteed by the United States Government, time deposits and savings accounts of Florida Qualified Depositories, obligations of Federal Farm Credit Banks, and obligations of the Federal National Mortgage Association.

All cash and investments in time certificates of deposits of the City are covered by Federal depository insurance or by collateral held by the City's custodial bank which is pledged to a state trust fund that provides security in accordance with the Florida Security for Deposits Act, Chapter 280, for amounts held in excess of the FDIC coverage. The Florida Security for Public Deposits Act establishes guidelines for qualification and participation by banks and savings

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

The Agency has not adopted a formal deposit and investment policy that limits the Agency's allowable deposits and investments. However, the Agency limits its investments to time certificates of deposit with maturities ranging from three months to one year.

Receivables

Receivables are recorded at their estimated net realizable value. Accordingly, they have been adjusted for all known doubtful accounts.

Capital Assets

Capital assets include buildings and improvements, and fixtures and equipment and are reported in applicable governmental activities columns in the government-wide financial statements.

Capital assets are defined by the Agency as assets with an initial, individual cost of more than $1,500 and an estimated useful life in excess of one year. Capital assets purchased or constructed are carried at historical cost or estimated historical cost. Contributed fixed assets are recorded at their estimated fair market value at the time received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are expensed as incurred.

Major outlays for capital assets and improvements are capitalized as projects are constructed. For assets constructed with governmental fund resources, interest during construction is not capitalized.

Property, plant, and equipment of the Agency are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Buildings and Improvements	30
Vehicles and Equipment	10

Compensated Absences

The Agency does not have any employees. Instead, the Agency may reimburse the City for use of their employees. Consequently, the Agency does not accrue for compensated absences.

Fund Equity Classifications

Government-wide, Proprietary, and Trust Fund Statements

Equity is classified as net position and displayed in 3 components:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, leases, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Restricted net position as of September 30, 2021, represents $110,744 restricted for economic development

Unrestricted net position – consist of all other net positions that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The Agency's policy is to consider restricted resources as expended whenever both restricted and unrestricted resources are available.

Fund Financial Statements

GASB statement No. 54 requires fund balance classifications in the following hierarchy:

Nonspendable fund balance – this classification represents amounts for prepaid expenses, if any.

Restricted fund balance – this classification represents amounts restricted to specific purposes that are either *externally imposed by creditors, grantors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.* This definition is the same as the definition of restricted net position used in government-wide financial reporting. Restricted fund balance as of September 30, 2021, represents $64,744 restricted for economic development.

Committed fund balance – this classification represents amounts restricted for specific purposes by formal action of the government's highest level of decision-making authority (i.e. ordinance).

Assigned fund balance – this classification represents amounts constrained by the government's intent to be used for specific purposes but are neither restricted nor committed.

Unassigned fund balance – This classification represents amounts that do not belong in any of the previous classifications, that is, the residual classification of the general fund.

The Agency's policy is to consider committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for which any of the unrestricted fund balance classifications could be used.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

The Agency has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 10, 2022, the date the financial statements were made available. There were no subsequent events disclosed.

NOTE 2 – TAX INCREMENTAL FINANCING REVENUE

The Agency is funded primarily through the tax-increment financing revenue. This revenue is determined each year and the funding amount is 95% of the difference between the ad valorem taxes levied in the base year within the district boundaries and the amount of a valorem taxes which is levied in the most recent assessment roll.

NOTE 3 – EXPENDITURES IN EXCESS OF THE FINAL BUDGETED EXPENDITURES

The actual expenditures were $3,943 in excess of the final budgeted expenditures.

NOTE 4 – COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

NOTE 5 – RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Agency (through the City) carries insurance. Insurance against losses are provided through the Florida League of Cities, Inc. for the following types of risk: general liability, real and personal property damage, and automobile liability, commercial crime, workers compensation, health insurance, public official. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital Assets being depreciated:				
Buildings and Improvements	0	101,539	0	101,539
Fixtures and Equipment	0	38,985	0	38,985
Infrastructure	0	0	0	0
Total	0	140,524	0	140,524
Less accumulated depreciation for:				
Buildings and Improvements	0	(282)	0	(282)
Vehicles and Equipment	0	(325)	0	(325)
Infrastructure	0	0	0	0
Total Accumulated Depreciation	0	(607)	0	(607)
Total Being Depreciated, Net	0	139,917	0	139,917
Total Capital Assets, net	$0	$139,917	$0	$139,917

ADDITIONAL ELEMENTS OF REPORT PREPARED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, AND THE RULES OF THE AUDITOR GENERAL

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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 Keystone Heights Community Redevelopment Agency
City of Keystone Heights, 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 and each major fund of the Keystone Heights Community Redevelopment Agency (the Agency), a component unit of the City of Keystone Heights, Florida (the City), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise City of Keystone Heights, Florida 's basic financial statements, and have issued our report thereon dated June 10, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Agency'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 determination of financial statement amounts. 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 Agency'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.

Reddish & White, CPAs

Starke, Florida
June 10, 2022

REDDISH & WHITE
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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

To the Keystone Heights Community Redevelopment Agency
City of Keystone Heights, Florida

We have examined the Keystone Heights Community Redevelopment Agency's (the Agency) compliance with the requirements of Section 218.415, Florida Statutes during the fiscal year ended September 30, 2021. Management is responsible for the Agency's compliance with those requirements. Our responsibility is to express an opinion on the Agency's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Agency's compliance with specified requirements.

In our opinion, the Agency complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Reddish & White CPA's

Starke, Florida
June 10, 2022

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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 163.387(6) and (7), FLORIDA STATUTES

To the Keystone Heights Community Redevelopment Agency
City of Keystone Heights, Florida

We have examined the Keystone Heights Community Redevelopment Agency's (the Agency) compliance with the requirements of Section 163.387 (6) and (7), Florida Statutes, as of and for the year ended September 30, 2021, as required by Section 10.556 (10)(a), *Rules of the Auditor General*. Management is responsible for the Agency's compliance with those requirements. Our responsibility is to express an opinion on the Agency's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Agency's compliance with specified requirements.

In our opinion, except for the non-compliance noted below, the Agency complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

2021-1 Budget Submission

Criteria: Section 163.387(6)(b), Florida Statutes requires the Agency to submit its original budget and budget amendments to the taxing authority (Clay County) within 10 days of adoption.

Condition: The Agency did not submit its budget and budget amendments to the taxing authority within 10 days of adoption.

Effect: By not submitting the Agency's budget or any budget amendments within 10 days of adoption, the Agency is not in compliance with Section 163.387 (6)(b), Florida Statutes.

Recommendation: We recommend the Agency submit its budget and any subsequent amendments to Clay County within 10 days of adoption.

2021-2 Agency Actual Expenditures in Excess of Final Budgeted Expenditures

Criteria: Florida Statutes require that the Agency's actual expenditures are kept within budgeted amounts at the established legal level of budgetary control. Unless specified in the adopted budget, local laws, or policies and procedures applicable to the Agency, the legal level of budgetary control is the level at which budgeted expenditures were presented on the Agency board adopted budget.

Condition: Even though the budgeted expenditures were increased by $20,500 during the fiscal year, the final actual expenditures were more than the final budgeted expenditures by $3,943.

Effect: By not keeping the actual expenditures within budgeted amounts, the Agency is not in compliance with the applicable Florida Statutes.

Recommendation: Improve the monitoring of the Agency's actual expenditures to its budgeted expenditures. Consider additional amendments to the budget, if necessary, especially at year end.

2021-3 Status of Unspent Funds at Year End

Criteria: Section 163.387, Florida Statutes, requires that on the last day of a CRA's fiscal year, any moneys remaining in the CRA's trust fund after the payment of expenses pursuant to State law shall be administered through one of the following:

- Returned to each taxing authority which paid the increment in the proportion that the amount of the payment of such taxing authority bears to the total amount paid into the trust fund by all taxing authorities for that year.
- Used to reduce the amount of any indebtedness to which increment revenues are pledged.
- Deposited into an escrow account for the purpose of later reducing any indebtedness to which increment revenues were pledged.
- Appropriated to a specific redevelopment project pursuant to an approved community redevelopment plan.

Condition: Moneys remaining in the Agency trust fund on the last day of the Agency's fiscal year totaled $18,756. Our review of the Agency records and discussions with City personnel disclosed that the Agency did not demonstrate that the moneys remaining in the Agency trust fund were appropriated to a specific project or otherwise disposed of in accordance with State law.

Effect: By not maintaining adequate records to demonstrate that unused moneys were re-appropriated to specific projects in a subsequent year, there is an increased risk that the taxing authorities that contributed tax financing moneys to the Agency may not receive unused Agency moneys to which they are entitled pursuant to State law.

Recommendation: The Agency should maintain records evidencing that moneys remaining in Agency trust funds at the end of the fiscal year were either obligated for purposes authorized by State law or returned to the applicable taxing authorities that contributed tax financing moneys.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Reddish & White, CPA's

Starke, Florida
June 10, 2022

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Keystone Heights Community Redevelopment Agency
Keystone Heights, Florida

Report on the Financial Statements

We have audited the financial statements of the Keystone Heights Community Redevelopment Agency (the Agency), a component unit of the City of Keystone Heights, Florida (the City) as of and for the fiscal year ended September 30, 2021 and have issued our report thereon dated June 10, 2022.

Auditor's Responsibility

We conducted our audit in accordance with 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; and Chapter 10.550, *Rules of the Florida Auditor General.*

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards;* and Independent Accountant's Reports 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 which are dated June 10, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires 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 information is disclosed in note1 of the financial statements.

Financial Condition and Management

Section 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 Agency 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 Agency did not meet any of these conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the Agency. It is management's responsibility to monitor the Agency'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 have the following recommendations:

Recommendation #2021-4 - Timely update for Amendments - During our audit, we noted that the budget was amended in July 2021. The internally prepared financials for the year ended September 2021, did not reflect the revised budgeted revenues and expenditures.

We recommend improving the internal controls to ensure that the financial reporting is updated in a timely manner to ensure it includes the latest approved budget.

Recommendation #2021-5 – Reimburse the City for Administrative Services – During the audit, we noted that there were no costs associated with the administration of the Agency.

We recommend that the Agency should reimburse the City for a reasonable amount (i. e. $5,000 - $10,000) each year to cover the costs of the administration of the Agency. This includes the accounting services of the Agency (maintaining the general ledger, preparing budgets, writing checks, handling deposits, and preparing budget to actual interim financial reports).

Special District Component Units

Section 10.554(1)(i)5.c, *Rules of the Auditor General,* requires, 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 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.

As required by Section 218.39 (3)(c), Florida Statutes, and Section 10.554(1)(i)6, *Rules of the Auditor General*, the Agency reported:

a. The total number of district employees compensated in the last pay period of the Agency's fiscal year was 0. The Agency has no employees but receives administrative, engineering, and project management support from the City staff.
b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the Agency's fiscal year was 1.
c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as $0.
d. All compensation earned or awarded to employee independent contractors, whether paid or accrued, regardless of contingency as $32,090.
e. Each construction project with a total costs of at least $65,000 approved by the Agency that is scheduled to begin on or after October 1 of the fiscal year being reported, together with total expenditures for such project - Rails to Trails project, total expenditures was $82,275.
f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as $41,771.

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 which 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 House of Representatives, the Florida Auditor General, and granting agencies, the city council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Redlish & White, CPAs

Starke, Florida
June 10, 2022

City of Keystone Heights

555 South Lawrence Blvd
Keystone Heights, Florida 32656
352.473.4807 Off 352.473.5101 Fax

June 10, 2022

Dear Sirs,

I would like to take this opportunity to respond to the comments made by the auditors in the audit of the Keystone Heights Community Redevelopment Agency (the Agency) for the fiscal year ended September 30, 2021. The following are responses to the comments included in the audit report.

2021-1 Budget Submission

Criteria: Section 163.387(6)(b), Florida Statutes requires the Agency to submit its original budget and budget amendments to the taxing authority (Clay County) within 10 days of adoption.

Condition: The Agency did not submit its budget and budget amendments to the taxing authority within 10 days of adoption.

Effect: By not submitting the Agency's budget or any budget amendments within 10 days of adoption, the Agency is not in compliance with Section 163.387 (6)(b), Florida Statutes.

Recommendation: We recommend the Agency submit its budget and any subsequent amendments to Clay County within 10 days of adoption.

Response 2021-1: We will submit our current year budget to Clay County immediately and for future budgets and amendments, we will submit the budget to Clay County within 10 days of council approval.

2021-2 Agency Actual Expenditures in Excess of Final Budgeted Expenditures

Criteria: Florida Statutes require that the Agency's actual expenditures are kept within budgeted amounts at the established egal level of budgetary control. Unless specified in the adopted budget, local laws, or policies and procedures applicable to the Agency, the legal level of budgetary control is the level at which budgeted expenditures were presented on the Agency board adopted budget.

Condition: Even though the budgeted expenditures were increased by $20,500 during the fiscal year, the final actual expenditures were more than the final budgeted expenditures by $3,943.

Effect: By not keeping the actual expenditures within budgeted amounts, the Agency is not in compliance with the applicable Florida Statutes.

City of Keystone Heights
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Keystone Heights, Florida 32656
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Recommendation: Improve the monitoring of the Agency's actual expenditures to its budgeted expenditures. Consider additional amendments to the budget, if necessary, especially at year end.

Response 2021-2: We will improve our monitoring of the Agency's actual expenditures versus the budgeted expenditures and propose any amendments to increase the budgeted expenditures, if necessary.

2021-3 Status of Unspent Funds at Year End

Criteria: Section 163.387, Florida Statutes, requires that on the last day of a CRA's fiscal year, any moneys remaining in the CRA's trust fund after the payment of expenses pursuant to State law shall be administered through one of the following:

- Returned to each taxing authority which paid the increment in the proportion that the amount of the payment of such taxing authority bears to the total amount paid into the trust fund by all taxing authorities for that year.
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Effect: By not maintaining adequate records to demonstrate that unused moneys were re-appropriated to specific projects in a subsequent year, there is an increased risk that the taxing authorities that contributed tax financing moneys to the Agency may not receive unused Agency moneys to which they are entitled pursuant to State law.

Recommendation: The Agency should maintain records evidencing that moneys remaining in Agency trust funds at the end of the fiscal year were either obligated for purposes authorized by State law or returned to the applicable taxing authorities that contributed tax financing moneys.

Response 2021-3: We will assign any remaining funds in the bank account at year end to specific projects that were uncompleted. We will also include these expenditures assigned to specific projects in the following year's budget.

City of Keystone Heights

555 South Lawrence Blvd
Keystone Heights, Florida 32656
352.473.4807 Off 352.473.5101 Fax

June 10, 2022

Dear Sirs,

I would like to take this opportunity to respond to the comments made by the auditors on page 26 of the audit report of the Keystone Heights Community Redevelopment Agency (the Agency) for the fiscal year ended September 30, 2021. The following are our responses to the comments included on page 26 in the audit report.

2021-4 Timely update for Amendments

Condition: During our audit, we noted that the budget was amended in July 2021. The internally prepared financials for the year ended September 2021, did not reflect the revised budgeted revenues and expenditures.

Effect: By not updating the internally prepared financials for budget amendments, the financial statements are not accurate.

Recommendation: We recommend improving the internal controls to ensure that the financial reporting is updated in a timely manner to ensure it includes the latest approved budget.

Response 2021-4: We will improve the internal controls to ensure that the financial reporting is updated in a timely manner to ensure it includes the latest approved budget.

2021-5 Reimburse the City for Administrative Services

Condition: During the audit, we noted that there were no costs associated with the administration of the Agency.

Recommendation: We recommend that the Agency should reimburse the City for a reasonable amount (i. e. $5,000 - $10,000) each year to cover the costs of the administration of the Agency. This includes the accounting services of the Agency (maintaining the general ledger, preparing budgets, writing checks, handling deposits, and preparing budget to actual interim financial reports).

Response 2021-5: We will consider that the Agency reimburse the City for a reasonable amount (i. e. $5,000 - $10,000) each year to cover the costs of the administration of the Agency.

If you have any questions concerning my response to the audit comments, please contact our office at (352) 473-4807.

Sincerely,

Lynnette Rutkowski
City Manager