

**CITY OF KEYSTONE HEIGHTS
KEYSTONE HEIGHTS, FLORIDA**

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2023

REDDISH AND WHITE
CERTIFIED PUBLIC ACCOUNTANTS

**CITY OF KEYSTONE HEIGHTS
KEYSTONE HEIGHTS, FLORIDA**

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**Additional Elements of Report Prepared in Accordance with
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and the City Council
City of Keystone Heights, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Keystone Heights, Florida (the City) as of and for the year ended September 30, 2023, 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 and each major fund and the aggregate remaining fund information of the City, as of September 30, 2023, 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.

Basis for Opinions

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. 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.

Responsibility of Management 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.

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 budgetary comparison 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2024, 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 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's internal control over financial reporting and compliance.

Reddish & White, CPA's

Starke, Florida
June 30, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Keystone Heights, Florida (the City) annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the year ended September 30, 2023. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The City's assets exceeded its liabilities and deferred inflows of resources by \$6,892,991 (net position) for the year.
- For the year, the City's governmental expenditures were \$186,304 more than the \$1,476,846 recognized in tax and other revenues.
- The City was awarded \$1,154,718 in American Rescue Grant Funds in prior years. The City expended \$61,531 of the funds this year and has \$386,338 remaining as of September 30, 2023.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the City'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 City also includes in this report additional information to supplement the basic financial statements. Comparative data is presented.

Government-wide Financial Statements

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

The first of these government-wide statements is the *Statement of Net Position*, which presents all of the City'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 City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers or other general revenues.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by sales taxes and utility taxes and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include primarily general government, transportation, and culture and recreation. Business-type activities include the operation of the City's cemetery.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported. All but one of the City's funds are classified as major funds.

The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these 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 operating statement provide a reconciliation to assist in understanding the differences between these two perspectives. The City currently has three governmental funds, the General Fund, the Community Redevelopment Fund (CRA Fund), and the Capital Improvement (CIP) Fund. The CRA Fund and the CIP Fund are considered special revenue funds. The General Fund encompasses the majority of the City's operations.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The proprietary fund is classified as an enterprise fund. The enterprise fund essentially encompass the same function reported as a business-type activity in the government-wide statements. The City operates a cemetery. The Cemetery Fund is reported on a statement of net position, a statement of revenues, expenses and changes in fund net position, and a statement of cash flows.

The Fiduciary Fund is reported at the fund financial reporting level only and reports the City's pension trust fund. Included is a statement of fiduciary net position and a statement of changes in fiduciary net position.

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.

Other Supplementary Information

In addition to the financial statements and accompanying notes, this report also presents certain supplementary information concerning the revenue and expenditures actual versus budget presentations of the City's General Fund, CRA Fund, and the CIP Fund.

Financial Analysis of the City as a Whole

The City implemented the new financial reporting model used in this report beginning with the year ended September 30, 2011. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the City as a whole.

The City's net position at year-end is \$6,892,991. The following table provides a summary of the City's net position:

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current assets	\$ 2,666,918	\$ 2,235,252	\$ 479,600	\$ 463,443	\$ 3,146,518	\$ 2,698,695
Other assets	-	-	505,412	505,558	505,412	505,558
Capital assets	4,080,787	4,776,516	90,459	91,838	4,171,246	4,868,354
Total assets	6,747,705	7,011,768	1,075,471	1,060,839	7,823,176	8,072,607
Liabilities						
Current liabilities	413,694	476,798	-	9,946	413,694	486,744
Long-term liabilities	10,931	25,586	-	-	10,931	25,586
Total liabilities	424,625	502,384	-	9,946	424,625	512,330
Deferred Inflows of Resources	-	-	505,560	505,702	505,560	505,702
Net position						
Invested in capital assets, net of debt	4,080,787	4,776,516	90,459	91,838	4,171,246	4,868,354
Restricted	1,134,845	787,823	249,891	240,634	1,384,736	1,028,457
Unrestricted	1,107,448	945,045	229,561	212,719	1,337,009	1,157,764
Total Net Position	\$ 6,323,080	\$ 6,509,384	\$ 569,911	\$ 545,191	\$ 6,892,991	\$ 7,054,575

The City continues to maintain a very high current ratio for both the governmental activities and for the business-type activities. The current ratio compares current assets to current liabilities and is an indication of the City's ability to pay its current obligations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and For the Fiscal Year Ended September 30, 2023**

Keystone Heights, Florida

The net position decreased \$186,304 for the governmental activities and increased \$24,720 for the business-type activities. The City's overall financial position decreased approximately 2.3% during the year.

The following table provides a summary of the City's changes in net position:

Summary of Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues:						
Program:						
Charges for services	\$ 13,690	\$ 22,812	\$ 52,975	\$ 37,980	\$ 66,665	\$ 60,792
Grants	164,533	404,501	-	-	164,533	404,501
General:						
Taxes	1,018,064	964,630	-	-	1,018,064	964,630
Other State-shared	74,067	68,773	-	-	74,067	68,773
Other	206,492	73,255	3,113	740	209,605	73,995
Total revenues	<u>1,476,846</u>	<u>1,533,971</u>	<u>56,088</u>	<u>38,720</u>	<u>1,532,934</u>	<u>1,572,691</u>
Program Expenses:						
General government	526,664	515,049	-	-	526,664	515,049
Public safety	41,502	39,686	-	-	41,502	39,686
Physical environment	237,694	237,694	-	-	237,694	237,694
Transportation	585,137	545,666	-	-	585,137	545,666
Economic environment	51,532	70,282	-	-	51,532	70,282
Human services	9,916	4,221	-	-	9,916	4,221
Culture and recreation	210,705	193,030	-	-	210,705	193,030
Cemetery	-	-	31,368	43,415	31,368	43,415
Total expenses	<u>1,663,150</u>	<u>1,605,628</u>	<u>31,368</u>	<u>43,415</u>	<u>1,694,518</u>	<u>1,649,043</u>
Excess (deficiency)	(186,304)	(71,657)	24,720	(4,695)	(161,584)	(76,352)
Beginning net position	<u>6,509,384</u>	<u>6,581,041</u>	<u>545,191</u>	<u>549,886</u>	<u>7,054,575</u>	<u>7,130,927</u>
Ending net position	<u>\$ 6,323,080</u>	<u>\$ 6,509,384</u>	<u>\$ 569,911</u>	<u>\$ 545,191</u>	<u>\$ 6,892,991</u>	<u>\$ 7,054,575</u>

GOVERNMENTAL REVENUES

The State of Florida, by Constitution, does not have a state personal income tax and, therefore, the State operates primarily using sales, gasoline and corporate income taxes. Local governments primarily rely on property and a limited array of permitted other taxes (sales, gasoline, utilities services, etc.) and fees (franchise, occupational license, etc.) to finance governmental activities. There are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from both the state and federal governments.

For the business-type and certain governmental activities, the user (of services) pays a related fee (or charge) associated therewith.

Based upon the above funding structure, the City relies primarily upon the property ad valorem tax, state revenues such as infrastructure funds, local option gas sales tax, Florida sales tax, utilities service tax, franchise fees, and local communication service tax.

Besides one-time grants, the City's largest revenue streams are the tax related revenues. Program revenues typically cover only 10% of governmental operating expenses. This means that the government's taxpayers and the City's other general governmental revenues fund 90% of the governmental activities. As a result, the general economy and the City businesses have a major impact on the City's revenue streams.

GOVERNMENTAL FUNCTIONAL EXPENSES

The transportation and physical environment functions comprise a significant part of the total government activities expenditures. The physical environment includes the annual charge of \$237,000 in depreciation. The transportation function includes more than \$368,000 in depreciation which includes over \$333,000 in depreciation related to road improvements.

BUSINESS-TYPE ACTIVITIES

The City operates one enterprise fund, the Cemetery Fund.

Cemetery Fund – In fiscal year 2023, cemetery lot sales increased \$15,100 or 75% from fiscal year 2022 due, in part, to the increase in the price of the lots. In addition, the fund incurred approximately \$12,000 less in expenses related to the cemetery. As a result, the Cemetery Fund reported an operating income of \$24,720.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Fund – General Fund

The General Fund is reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. At September 30, 2023, the General Fund reported ending fund balance of \$1,136,768 or an increase of \$163,237 from last year's fund balance. The unassigned amount of \$1,095,109 is available for continuing City service requirements.

Revenues – Overall, total revenues decreased approximately \$140,000 from the prior year. This is the net impact of the American Rescue grant revenues recognized decreasing compared to the prior year along with an increase in tax revenues in the current year.

Expenditures – Overall, total expenditures decreased approximately \$168,000 from the prior year primarily due to the American Rescue grant.

Transportation expenditures increased primarily due to an increase in personnel costs.

Culture and Recreation expenditures increased due to an increase of utility costs, personnel costs, and festival and decoration costs.

Economic Environment expenditures decreased due to the American Rescue grant assistance expenditures during the year being significantly less than the 2022 expenditures.

General Government, Public Safety and Human Services costs remained close to their prior year amounts.

In addition, the transfer of \$79,864 to the CRA fund represents the City's required match of Clay County funds contributed for the year and is considered an Economic Environment operating expenditure to the General Fund.

As a result, the General Fund's ending fund balance increased \$163,237 from the September 30, 2022 balance.

Governmental Fund – The Capital Improvements Fund (CIP Fund)

The Capital Improvements Fund (CIP Fund) was formally created the beginning of the year ended September 30, 2021, as a special revenue fund. The revenues are primarily from the state of Florida discretionary sales tax. This revenue stream is restricted for capital improvements. The \$220,136 received in these taxes is approximately \$64,000 more than budgeted and approximately \$14,000 more than last year.

There were no capital expenditures during the year. Overall, the actual expenditures were approximately \$260,000 less than budgeted.

Governmental Fund – Community Redevelopment Agency Fund (CRA Fund)

The CRA Fund received \$103,000 from Clay County. The Fund budgeted expenditures totaling \$242,874, including \$135,500 for capital outlay while only \$17,005 was spent on capital outlay during the year.

Budgetary Highlights – General Fund

Budget Amendments – The budget was not amended during the fiscal year.

Revenues – The City realized 118% of its final total budgeted revenues for the year. The additional revenue was due primarily to the actual tax revenue being approximately \$110,000 more than the expected tax revenue.

Expenditures – Overall, the City spent approximately 101% of its final total budgeted expenditures. The unfavorable budgeted outcomes in Transportation, Economic Environment and Human Services were offset by favorable budgeted outcomes in General Government, Public Safety and Culture and Recreation, for a net total unfavorable outcome of \$6,707.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2023, was \$4,080,787 and \$90,459, respectively. There was a 14% decrease for governmental activities and a 2% decrease for business-type activities. Overall, there was a decrease of 14% for the City as a whole. See Note 9 for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year.

The following table provides a summary of capital asset activity.

	Capital Assets					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Nondepreciable assets:						
Land	\$ 644,312	\$ 644,312	\$ -	\$ -	\$ 644,312	\$ 644,312
Construction in progress	-	-	-	-	-	-
Total nondepreciable	644,312	644,312	-	-	644,312	644,312
Depreciable assets:						
Buildings and improvements	6,882,257	6,882,257	163,226	163,226	7,045,483	7,045,483
Vehicles and equipment	585,142	585,142	45,937	44,007	631,079	629,149
Infrastructure	9,012,524	9,012,524	-	-	9,012,524	9,012,524
Total depreciable assets	16,479,923	16,479,923	209,163	207,233	16,689,086	16,687,156
Less accumulated depreciation	13,043,448	12,347,719	118,704	115,395	13,162,152	12,463,114
Book value - depreciable assets	3,436,475	4,132,204	90,459	91,838	3,526,934	4,224,042
Percentage depreciated	79%	75%	57%	56%	79%	75%
Book value - all assets	\$ 4,080,787	\$ 4,776,516	\$ 90,459	\$ 91,838	\$ 4,171,246	\$ 4,868,354

At September 30, 2023, the depreciable capital assets for governmental activities were 79% depreciated. This compares to 75% at the September 30, 2022. The increase is due to no capital asset additions during the year. Similar changes in percentages are generally a positive indicator that the City is replacing its capital assets at the same rate they are being depreciated.

However, it is important to point out that since September 30, 2007, depreciable capital assets for governmental activities have steadily changed from 33% depreciated at September 30, 2007 to 79% depreciated at September 30, 2023. This steady change is due principally to the maturing of the wastewater system (relatively new in 2007), and to a lesser extent, prudent management of capital asset renewal decisions.

With the City's business type activities, the percentage of capital assets depreciated increased to 57%, with \$1,929 in additions made during the year.

Long-term Debt

The City has no long term debt.

Economic Conditions Affecting the City

The unemployment rate for Clay County, which the City is part of, was 3.1% at year end and 2.3% as of the prior fiscal year.

In prior years, the City undertook a multi-year effort to improve operating efficiency, dramatically reduce operating expenses (more than 30%), and prudently manage capital asset renewal (recapitalization) decisions. These efforts, supplemented by prudent but modest tax increases, have directly resulted in the strengthening of the City's capital and operating reserve profile.

In 2011, the City developed and implemented a comprehensive bi-annual citywide pavement condition review and observational analysis, and now maintains a comprehensive roadway recapitalization plan of which is actively executed and current. In 2015, the City initiated development of a similar comprehensive non-roadway recapitalization plan covering all other depreciable assets.

As economic recovery continues, the City's management believes the current capital and operating reserves to be prudent and reasonable in ensuring stable governmental operations and timely capital asset renewal.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City at city@Keystoneheights.us or call 352-473-4807.

CITY OF KEYSTONE HEIGHTS, FLORIDA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Keystone Heights Airpark Authority
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 863,828	\$ 198,603	\$ 1,062,431	\$ 551,394
Investments in Time Certificates of Deposits	241,502	-	241,502	4,310
Accounts Receivable, Net	40,405	-	40,405	6,542
Inventory	-	30,958	30,958	65,521
Due from Other Governments	-	-	-	180,763
Lease Receivable, Current Portion	-	148	148	103,794
Restricted Assets				
Cash and Cash Equivalents	1,258,093	43,123	1,301,216	82,748
Investments in Time Certificates of Deposits	223,968	206,768	430,736	-
Due from Other Governments	39,122	-	39,122	-
Total Current Assets	<u>2,666,918</u>	<u>479,600</u>	<u>3,146,518</u>	<u>995,072</u>
Capital Assets	<u>4,080,787</u>	<u>90,459</u>	<u>4,171,246</u>	<u>13,502,900</u>
Other Assets				
Lease Receivable, net of current portion	-	505,412	505,412	1,544,343
Timber	-	-	-	70,469
Total Other Assets	<u>-</u>	<u>505,412</u>	<u>505,412</u>	<u>1,614,812</u>
TOTAL ASSETS	<u>\$ 6,747,705</u>	<u>\$ 1,075,471</u>	<u>\$ 7,823,176</u>	<u>\$ 16,112,784</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 7,356	\$ -	\$ 7,356	\$ 17,457
Accounts Payable - Restricted	-	-	-	167,610
Deposits	-	-	-	4,220
Unearned Revenue	386,338	-	386,338	-
Long Term Obligations, Current Portion	20,000	-	20,000	6,304
Total Current Liabilities	<u>413,694</u>	<u>-</u>	<u>413,694</u>	<u>195,591</u>
Long Term Obligations, Noncurrent Portion	<u>10,931</u>	<u>-</u>	<u>10,931</u>	<u>12,654</u>
TOTAL LIABILITIES	<u>424,625</u>	<u>-</u>	<u>424,625</u>	<u>208,245</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>505,560</u>	<u>505,560</u>	<u>1,662,899</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>424,625</u>	<u>505,560</u>	<u>930,185</u>	<u>1,871,144</u>
NET POSITION				
Net Invested in Capital Assets	4,080,787	90,459	4,171,246	13,483,942
Restricted for:				
Perpetual Care	-	249,891	249,891	-
Community Redevelopment	281,204	-	281,204	-
Capital Projects	853,641	-	853,641	95,901
Unrestricted	<u>1,107,448</u>	<u>229,561</u>	<u>1,337,009</u>	<u>661,797</u>
TOTAL NET POSITION	<u>6,323,080</u>	<u>569,911</u>	<u>6,892,991</u>	<u>14,241,640</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 6,747,705</u>	<u>\$ 1,075,471</u>	<u>\$ 7,823,176</u>	<u>\$ 16,112,784</u>

See accompanying notes to the financial statements.

CITY OF KEYSTONE HEIGHTS, FLORIDA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Program Revenues			Net Revenue (Expense) and Change in Net Assets			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Total
					Governmental Activities	Business-Type Activities		
Functions/Programs								
Government Activities:								
General Government	\$ 526,664	\$ 7,844	-	-	\$ (518,820)	\$ -	\$ (518,820)	
Public Safety	41,502	-	-	-	(41,502)	-	(41,502)	
Physical Environment	237,694	-	-	-	(237,694)	-	(237,694)	
Transportation	585,137	-	84,175	-	(500,962)	-	(500,962)	
Economic Environment	51,532	-	103,002	61,531	113,001	-	113,001	
Human Services	9,916	-	-	-	(9,916)	-	(9,916)	
Culture and Recreation	210,705	5,846	-	-	(204,859)	-	(204,859)	
Total Governmental Activities	<u>1,663,150</u>	<u>13,690</u>	<u>187,177</u>	<u>61,531</u>	<u>(1,400,752)</u>	<u>-</u>	<u>(1,400,752)</u>	
Business-type Activities:								
Cemetery	31,368	52,975	-	-	-	21,607	21,607	
Total Business-type Activities	<u>31,368</u>	<u>52,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,607</u>	<u>21,607</u>	
Total Primary Government Component Unit	<u>\$ 1,694,518</u>	<u>\$ 66,665</u>	<u>\$ 187,177</u>	<u>\$ 61,531</u>	<u>(1,400,752)</u>	<u>21,607</u>	<u>(1,379,145)</u>	
Keystone Heights Airport Authority	<u>\$ 2,144,701</u>	<u>\$ 1,591,418</u>	<u>\$ -</u>	<u>\$ 2,320,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,767,033</u>	
General Revenues:								
Taxes:								
Property					340,946	-	340,946	
Discretionary Sales Surtax					220,136	-	220,136	
Franchise Fees and Utility Taxes					269,664	-	269,664	
Half Cent Sales Tax					91,678	-	91,678	
Local Option Gas Tax					95,640	-	95,640	
State Revenue Sharing					74,067	-	74,067	
Investment Income					19,946	3,113	23,059	
Miscellaneous					102,371	-	102,371	
Total General Revenues					<u>1,214,448</u>	<u>3,113</u>	<u>1,217,561</u>	
Change in Net Assets					(186,304)	24,720	(161,584)	
Net Position, Beginning of Year, Restated					6,509,384	545,191	7,054,575	
Net Position, Ending of Year					<u>\$ 6,323,080</u>	<u>\$ 569,911</u>	<u>\$ 6,892,991</u>	

See accompanying notes to the financial statements.

CITY OF KEYSTONE HEIGHTS

BALANCE SHEET - GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2023

	General Fund	CRA Fund	Capital Improvement Fund	Total
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 862,217	\$ -	\$ 1,611	\$ 863,828
Cash and Cash Equivalents - Restricted	386,338	281,204	590,551	1,258,093
Investments	241,502	-	-	241,502
Investments - Restricted	-	-	223,968	223,968
Accounts Receivable, Net	40,405	-	-	40,405
Due from Other Governments	-	-	39,122	39,122
Total Assets	\$ 1,530,462	\$ 281,204	\$ 855,252	\$ 2,666,918
Liabilities and Fund Balances				
Liabilities				
Current Liabilities				
Accounts Payable	\$ 7,356	\$ -	\$ -	\$ 7,356
Unearned Revenue	386,338	-	-	386,338
Total Liabilities	393,694	-	-	393,694
FUND BALANCES				
Restricted	-	281,204	853,641	1,134,845
Assigned	41,659	-	1,611	43,270
Unassigned	1,095,109	-	-	1,095,109
Total Fund Balances	1,136,768	281,204	855,252	2,273,224
Total Liabilities and Fund Balances	\$ 1,530,462	\$ 281,204	\$ 855,252	\$ 2,666,918

See accompanying notes to the financial statements.

CITY OF KEYSTONE HEIGHTS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION SEPTEMBER 30, 2023

Total Fund Balance - Total Governmental Funds \$ 2,273,224

Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets of \$17,124,236 net of accumulated
depreciation of \$13,043,449, are not financial resources
and, therefore, are not reported in the funds. 4,080,787

Long-term liabilities are not due and payable in the current
period and accordingly, are not reported in the
governmental funds. (30,931)

Total Net Position of Governmental Activities \$ 6,323,080

See accompanying notes to the financial statements.

CITY OF KEYSTONE HEIGHTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	CRA Fund	Capital Improvement Fund	Total
Revenues				
Taxes	\$ 706,250	\$ -	\$ 220,136	\$ 926,386
Licenses and Permits	7,844	-	-	7,844
Intergovernmental Programs	311,452	182,867	-	494,319
Charges for Services	5,846	-	-	5,846
Miscellaneous Revenue	30,163	37,853	7,023	75,039
Interfund Charges	47,277	-	-	47,277
Total Revenues	1,108,832	220,720	227,159	1,556,711
Expenditures				
Current:				
General Government	494,758	-	15,625	510,383
Public Safety	41,503	-	-	41,503
Transportation	216,033	-	-	216,033
Economic Environment	79,864	68,218	-	148,082
Human Services	9,916	-	-	9,916
Culture and Recreation	51,990	-	-	51,990
Capital Outlay:				
Economic Environment	51,531	17,005	-	68,536
Total Expenditures	945,595	85,223	15,625	1,046,443
Revenues Over Expenditures	163,237	135,497	211,534	510,268
Fund Balance, Beginning of Year	973,531	145,707	643,718	1,762,956
Fund Balance, End of Year	\$ 1,136,768	\$ 281,204	\$ 855,252	\$ 2,273,224

See accompanying notes to the financial statements.

CITY OF KEYSTONE HEIGHTS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$510,268

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 \$695,729 is more than capital outlays
for capitalized assets of \$0. (695,729)

Compensated absences are recorded recorded when paid in
the governmental funds. This is the amount the
compensated absences increased during the year. (843)

Change in Net Position of Governmental Activities (\$186,304)

See accompanying notes to the financial statements.

CITY OF KEYSTONE HEIGHTS, FLORIDA

STATEMENT OF NET POSITION - PROPRIETARY FUND SEPTEMBER 30, 2023

Assets

Current Assets

Cash and Cash Equivalents	\$	198,603
Cash and Cash Equivalents - Restricted		43,123
Investments - Restricted		206,768
Inventory		30,958
Lease Receivable, Current Portion		148
Total Current Assets		<u>479,600</u>

Capital Assets, Net of

Accumulated Depreciation		90,459
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Other Assets

Lease Receivable, Net of Current Portion		<u>505,412</u>
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Total Assets	\$	<u><u>1,075,471</u></u>
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Liabilities, Deferred Inflows of Resources, and Net Position

Liabilities

Accounts Payable	\$	-
Total Liabilities		<u>-</u>

Deferred Inflows of Resources		<u>505,560</u>
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Net Position

Net Investment in Capital Assets		90,459
Restricted for Perpetual Care		249,891
Unrestricted		229,561
Total Net Position		<u>569,911</u>

Total Liabilities, Deferred Inflows of Resources, and Net Position	\$	<u><u>1,075,471</u></u>
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See accompanying notes to the financial statements.

CITY OF KEYSTONE HEIGHTS, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND FOR THE YEAR ENDED SEPTEMBER 30, 2023

Operating Revenues	
Cemetery Lot Sales	\$ 35,100
Lease Rental Income	143
Lease Interest Income	17,697
Other	35
Total Operating Revenues	<u>52,975</u>
Operating Expenses	
Administrative Expense	9,916
Depreciation	3,308
Accounting and Auditing	5,625
Cost of Cemetery Lots Sold	270
Utilities	1,663
Computer Training and Support	2,405
Legal Fees	2,437
Supplies	1,242
Repairs and Maintenance	4,502
Total Operating Expenses	<u>31,368</u>
Operating Income	<u>21,607</u>
Nonoperating Revenues	
Investment Income	3,113
Total Nonoperating Revenues	<u>3,113</u>
Increase in Net Position	24,720
Net Position, Beginning of Year	<u>545,191</u>
Net Position, End of Year	<u>\$ 569,911</u>

See accompanying notes to the financial statements.

CITY OF KEYSTONE HEIGHTS, FLORIDA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND FOR THE YEAR ENDED SEPTEMBER 30, 2023

Cash Flows from Operating Activities	
Receipts from Customers	\$ 52,975
Payments to Suppliers of Goods and Services	(27,821)
Payments for Interfund Personnel Services	(9,916)
Net Cash Provided by Operating Activities	<u>15,238</u>
Cash Flows from Capital & Related Financing Activities	
Purchase of Capital Assets	(1,929)
Net Cash (Used) by Capital & Related Financing Activities	<u>(1,929)</u>
Cash Flows from Investing Activities	
Increase in Investments	(1,854)
Interest Received	3,113
Net Cash Provided by Investing Activities	<u>1,259</u>
Net Increase in Cash and Cash Equivalents	14,568
Cash and Cash Equivalents, Beginning of Year	<u>227,158</u>
Cash and Cash Equivalents, End of Year	<u>\$ 241,726</u>
Cash and Cash Equivalents, Unrestricted	198,603
Cash and Cash Equivalents, Restricted	43,123
	<u>\$ 241,726</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income	21,607
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	3,308
Change in Current Assets and Current Liabilities	
Inventory	269
Accounts Payable	(9,946)
Net Cash Provided by Operating Activities	<u>\$ 15,238</u>

See accompanying notes to the financial statements.

CITY OF KEYSTONE HEIGHTS, FLORIDA
EMPLOYEE PENSION FUND
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2023

Assets	
Investments	<u>\$ 221,321</u>
Total Assets	<u><u>\$ 221,321</u></u>
Liabilities and Net Position	
Liabilities	\$ -
Net Position	
Held in Trust for Pension Benefits	<u>221,321</u>
Total Liabilities and Net Position	<u><u>\$ 221,321</u></u>

See accompanying notes to the financial statements.

CITY OF KEYSTONE HEIGHTS, FLORIDA
EMPLOYEE PENSION FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Additions	
Contributions:	
Employer	\$ 11,531
Employees	11,532
Net Investment Income	<u>26,527</u>
Total Additions	<u>49,590</u>
Deductions	
Benefit Payments	31,817
Service Fees	<u>40</u>
Total Deductions	<u>31,857</u>
Change in Net Position	17,733
Net Position Held in Trust for Pension Benefits, Beginning of Year	<u>203,588</u>
Net Position Held in Trust for Pension Benefits, End of Year	<u><u>\$ 221,321</u></u>

See accompanying notes to the financial statements.

CITY OF KEYSTONE HEIGHTS

Notes to the Financial Statements
For the Year Ended September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City'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 City of Keystone Heights (the "City") is a political subdivision of the state of Florida located in Clay County. The City was established in 1925 as a municipality under the legal authority of the Laws of Florida. The legislative branch of the City is composed of a five member elected city council. The city council is governed by the city charter, and by state and local laws and regulations. The city council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the city manager.

The City's major operations include general government services, road and street maintenance, parks and beaches, and the operation of a cemetery. In addition, the City is responsible for waste and disposal services provided by a private company. The City's basic financial statements include the accounts of all City operations.

In determining the financial reporting entity, the City complies with the provisions of GASB, and includes all component units of which the City is either able to impose its will on the entity or a financial benefit or burden exists.

The Keystone Heights Community Redevelopment Agency (CRA Fund), a blended component unit of the City, which was established on February 24, 2004 is considered part of the primary government and is accounted for in a special revenue fund. For the current fiscal year, the CRA Fund incurred expenditures in excess of \$100,000 and/or recognized revenues in excess of \$100,000. As a result, pursuant to Section 8 of Chapter 2019-163, Laws of Florida, a separate audit is required. Accordingly, a separate set of audited financial statements for the CRA Fund may be obtained from the City's administrative office for this fiscal year.

A discretely presented component unit is a separate legal entity that meets the component unit criteria described above but does not meet the criteria for blending (as its operations are significantly different than the primary government's operations). The component unit that is discretely presented in the City's reporting entity is the Keystone Heights Airport Authority. The Keystone Heights Airport Authority (the Authority) is a dependent special district created to manage the Keystone Heights airport. The Authority was established by the City under City Ordinance 91- 194 and is governed by a seven-member board appointed by the City Council.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Authority maintains separate accounting records and budgets. It is reported as an enterprise fund and a complete separate set of audited financial statements for the Authority may be obtained from its administrative office located at 7100 Airport Road, Starke, Florida. The fiscal year end for the Authority is September 30.

The Keystone Heights' fire department is not a part of the reporting entity.

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 nonfiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures / expenses. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the financial reporting entity are described below.

Governmental Funds

The General Fund is the primary operating fund of the City and is always classified as a major fund. This fund is used to account for all activities except those legally or administratively required to be accounted for in other funds.

The Keystone Heights Community Redevelopment Agency (CRA Fund), a component unit of the City of Keystone Heights, is considered part of the primary government and is accounted for as a special revenue fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Capital Improvement Fund (CIP Fund), established in the year ended September 30, 2021, is considered a special revenue fund that accounts for the capital improvements. This fund is supported by state receipts restricted for such improvements. This fund also provides tree landscaping maintenance that is funded through transfers from the General Fund.

Proprietary Funds

The City has one proprietary fund, the Cemetery Fund. The Cemetery Fund is used to account for the revenues and expenses resulting from activities of the cemetery owned by the City.

Fiduciary Fund

The City has one fiduciary fund, the Employee Pension Fund. The City acts as a trustee for the pension plan participants.

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, as are the proprietary fund and fiduciary fund financial statements. 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 City 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, franchise fees, and intergovernmental revenues. Expenditures generally are recorded when the related fund liability is incurred, except expenditures related to debt service expenditures and compensated absences which are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise funds are sales of cemetery lots and a land lease for a communication tower. Operating expenses for the enterprise funds include the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The cash balances consist of checking accounts, money market accounts, and time certificates of deposit with an original maturity of three months or less.

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

The City has not adopted a formal deposit and investment policy that limits the City's allowable deposits and investments. However, the City 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.

Interfund Receivables and Payables and Transfers

Interfund receivables and payables, if any, are the result of the City, through its General Fund, providing administrative support to the Enterprise Fund and to the Special Revenue Funds. These funds reimburse the General Fund on a monthly basis.

Inventory

Cemetery lot inventory consists of unsold lots and urns at the Keystone Heights Cemetery. Lots and urns are valued at the lower of cost or market. Fuel inventory of the component unit, the Authority, is valued at the lower of cost or market.

Capital Assets

Capital assets include property, plant equipment, and infrastructure (e.g. roads) and are reported in applicable governmental or business-type activities columns in the government-wide financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets are defined by the City 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 City and component units are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Buildings and Improvements	10 – 40
Vehicles and Equipment	5 – 15
Infrastructure	15 – 30

Compensated Absences

It is the City's policy regarding vacation and sick time to permit employees to accumulate earned but unused vacation and sick time, subject to maximum limitations. The liability for these compensated absences is reported as long-term obligations in the governmental-wide financial statements.

Fund Equity Classifications

Government-wide, Proprietary, and Trust Fund Statements

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

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. The restricted amounts are the same as the restricted fund balance below.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

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, 2023, represents \$853,641 restricted (by enabling legislation) for infrastructure improvements including the repayment of any related outstanding debt in the CIP fund, and \$281,204 restricted for economic development in the CRA fund. As of September 30, 2023, the \$249,891 in restricted fund balance of the Proprietary Fund is restricted for perpetual care of the cemetery.

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. Assigned fund balance of \$43,270 as of September 30, 2023 is comprised of \$1,611 assigned for the recapitalization in the CIP fund and \$41,659 assigned for the lake replenishment and restoration project in the General Fund.

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 City’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.

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 City has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 30, 2024, the date the financial statements were made available. See note 12 for subsequent events.

NOTE 2 – AD VALOREM TAXES

The assessment of all properties and the collection of all property taxes are made through the Clay County Property Appraiser and Clay County Tax Collector. General property taxes are recorded as received, which approximates taxes levied less discounts for the current fiscal year. Taxes are levied on November 1 of each year. All taxes become delinquent on April 1 of the following year. Discounts are allowed for early payment. On or prior to June 1, certificates bearing interest at 18% are sold for all uncollected real property taxes. Unsold certificates are held by the County.

NOTE 3 – BUDGETS AND BUDGETARY ACCOUNTING

The City follows the procedures below in establishing the budgetary data reflected in the financial statements:

- In June, the City manager submits to the City Council a proposed operating budget, for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public meetings may be conducted in July and August to inform taxpayers and receive input, followed by required public hearings which are held in September to obtain public comment.
- In September, the final budget is legally enacted through passage of an ordinance.
- The City Council must approve any revision that alters the total expenditures of any fund or transfers budgeted amounts between departments within any fund.
- The same basis of accounting is utilized for both budgetary purposes and actual results. Comparisons of budgetary data to actual are not required to be reported for the proprietary fund type or the fiduciary fund type.
- Appropriations lapse at year-end.
- The fund total is considered the legal level of control.
- The final budget is presented as amended.
- For the current fiscal year, the General Fund's actual expenditures were \$6,707 in excess of the final budgeted expenditures.

NOTE 4 – EMPLOYEE RETIREMENT PLAN

The City maintains a single employer, contributory defined contribution pension plan (the Plan), which covers substantially all employees. Employees attaining the age of 18 who have completed 1,000 hours of service during the year are eligible to participate. If an employee elects to participate, the employee is required to contribute 5% of eligible salary to the plan. Annually, the City matches the 5% of the required employee contribution. The City's contribution for the year was \$16,201. All participants are fully vested as soon as they enter the Plan. The City fully funds its obligation to the Plan.

Pension Trust Fund Cash and Investments

Participants direct the investment of their contributions into various investment options offered by the Plan. The Plan currently offers several mutual funds as investment options for participants. The Plan's investments are stated at fair value. Quoted market prices (level 1 inputs) are used to value investments. Shares of mutual funds are valued at quoted market prices which represent the net asset value of shares held by the Plan at year- end. The City

NOTE 4 – EMPLOYEE RETIREMENT PLAN (concluded)

employs ICMA-RC Services, LLC a subsidiary of International City Management Association Retirement Corporation as trustee for the assets.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

NOTE 5 – RISK MANAGEMENT

The City 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 City carries insurance. Insurance against losses are provided through the Florida League of Cities, Inc. for the following types of risk: (1) workers compensation and employer liability, (2) general liability and automotive liability, (3) real and personal property damage, and (4) automobile physical damage. The City's coverage for workers compensation is under a retrospectively rated policy. Premiums are accrued based on the ultimate cost to date of the City's experience for this type of risk. Commercial insurance has also been purchased by the City to cover the risks of loss due to employee errors or omissions and for health insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE 6 – LEASES

The City, through its Cemetery fund, leases land (cell tower lease) to an unrelated third party at the Cemetery. The lease, which began in March 2000 for a period of five years, includes ten additional five-year extensions that automatically occur unless notification by one of the two parties. Terms of the lease stipulate original monthly payments of \$850 with a 15% increase every five years. Total amount received under the terms of the lease was \$17,840 for the year ended September 30, 2023.

In implementing GASB 87, Leases, effective October 1, 2021, the City recognized a lease receivable and a related deferred inflows of resources for the same amount. The lease value was based on a 3.5% incremental borrowing rate as of October 1, 2021, and an expected lease term to mature in July 2055. During the year, \$143 was applied to the lease receivable balance (and deferred inflows of resources) balance, and the City recognized \$17,697 in related interest income.

The Authority leases land, hangars, and hangar space at the Authority to various individuals and businesses primarily through lease agreements with a term of one year. In addition, the Authority has entered into 4 lease agreements, as lessor, that are classified as long-term leases. In implementing GASB 87, Leases, effective October 1, 2021, the Authority has recognized a lease receivable and a related deferred inflows of resources related to 3 leases based on the net present value of future cash flows with an implicit borrowing rate of 3.50%, and 1 lease based on the net present value of future cash flows with an implicit borrowing rate of 4.00%, as follows:

NOTE 6 – LEASES (continued)

	<u>Lease Receivables</u>
In October 2019, the Authority entered into a warehouse lease, as lessor, receivable in monthly installments of \$2,410 for an initial term of 5 years. There are two options to renew for additional periods of 5 years each and an implicit borrowing rate of 3.50%	\$ 263,721
In May 2020, the Authority entered into a warehouse lease, as lessor, receivable in monthly installments of \$5,175 for an initial term of 5 years. There are two options to renew for additional periods of 5 years each and an implicit borrowing rate of 3.50%	566,314
In November 2020, the Authority entered into a warehouse lease, as lessor, receivable in monthly installments of \$1,800 for an initial term of 10 years. There are two options to renew for additional periods of 5 years each and an implicit borrowing rate of 3.50%	277,443
In January 2023, the Authority entered into a warehouse lease, as lessor, receivable in monthly installments of \$4,153 for an initial term of 5 years. There are two options to renew for additional periods of 5 years each and an implicit borrowing rate of 4.00%	<u>540,659</u>
Total	1,648,137
Less Current Portion	<u>(103,794)</u>
Non-Current Portion	<u>\$ 1,544,343</u>

During the year, the Authority recognized \$93,292 in lease revenue and \$56,711 in interest income from these leases.

As of September 30, 2023, the following summarizes the expected future payments of principal and interest for each of the subsequent five years and in five-year increments thereafter:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 103,794	\$ 58,668	\$ 162,462
2025	107,634	54,829	162,463
2026	111,617	50,845	162,462
2027	115,749	46,714	162,463
2028	120,032	42,430	162,462
2029-2033	670,211	142,099	812,310
2034-2038	375,767	35,018	410,785
2039-2043	43,333	1,668	45,001
	<u>\$ 1,648,137</u>	<u>\$ 432,271</u>	<u>\$ 2,080,408</u>

NOTE 6 – LEASES (concluded)

In June 2021, the Authority entered into a long-term lease, as lessee, for a fuel truck. The term of the lease is for three years and includes a monthly payment of \$1,500. In accordance with the implementation of GASB 87, Leases, the Authority recognized a lease asset of \$48,485, and a corresponding increase in deferred inflows of resources with an implicit borrowing rate of 3.5%.

For the year ended September 30, 2023, the Authority recognized \$17,156 in amortization expense and \$844 in interest expense as a result of this lease. The following is a summary as of September 30, 2023, of the required principal and interest payments for the next year:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	<u>\$ 14,762</u>	<u>\$ 243</u>	<u>\$ 15,005</u>

NOTE 7 – 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. The amount, if any, of expenditures which may be disallowed by the grantor(s) cannot be determinable at this time although the City expects the amounts, if any, to be immaterial.

In May 2023, the Authority signed a \$613,400 agreement for construction services for the construction phase of the runway lighting project. As of September 30, 2023, \$167,610 of expenses have been incurred, and the Authority has an outstanding commitment of \$445,790 related to this contract.

In July 2022, the Authority signed a \$2,052,557 agreement for construction services and a \$333,166 agreement for engineering services for the construction phase of the taxilane rehabilitation project. As of September 30, 2023, \$2,137,638 of expenses have been incurred and the Authority has an outstanding commitment of \$248,085 related to these contracts.

NOTE 8 – DEFERRED INFLOWS OF RESOURCES

The \$505,560 balance in deferred inflows of resources for the City as of September 30, 2023, relates entirely to the long-term cell tower lease as lessor.

The \$1,662,899 balance in deferred inflows of resources as of September 30, 2023, for the Authority, consists of \$1,648,137 related to long term leases as lessor and \$14,762 related to a long-term lease for a vehicle, as lessee.

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2023, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets Not Depreciated:				
Land	\$ 644,312	\$ -	\$ -	\$ 644,312
Capital Assets Depreciated:				
Buildings and Improvements	6,882,257	-	-	6,882,257
Vehicles and Equipment	585,142	-	-	585,142
Infrastructure	9,012,524	-	-	9,012,524
Total	<u>16,479,923</u>	<u>-</u>	<u>-</u>	<u>16,479,923</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(4,459,551)	(324,262)	-	(4,783,813)
Vehicles and Equipment	(386,979)	(37,333)	-	(424,312)
Infrastructure	(7,501,189)	(334,134)	-	(7,835,323)
Total Accumulated Depreciation	<u>(12,347,719)</u>	<u>(695,729)</u>	<u>-</u>	<u>(13,043,448)</u>
Total Capital Assets Being Depreciated, Net	<u>4,132,204</u>	<u>(695,729)</u>	<u>-</u>	<u>3,436,475</u>
Capital Assets, Net	<u>\$ 4,776,516</u>	<u>\$ (695,729)</u>	<u>\$ -</u>	<u>\$ 4,080,787</u>

For the year ended September 30, 2023, depreciation expense was charged to government activities of the primary government as follows:

General Government	\$ 15,438
Transportation	369,105
Culture and Recreation	73,492
Physical Environment	<u>237,694</u>
	<u>\$ 695,729</u>

NOTE 9 – CAPITAL ASSETS (continued)

Capital asset activity for the business-type activities for the year ended September 30, 2023 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets Depreciated:				
Buildings and Improvements	\$ 163,226	\$ -	\$ -	\$ 163,226
Equipment	44,008	1,929	-	45,937
Total	<u>207,234</u>	<u>1,929</u>	<u>-</u>	<u>209,163</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(73,457)	(2,449)	-	(75,906)
Equipment	(41,939)	(859)	-	(42,798)
Total Accumulated Depreciation	<u>(115,396)</u>	<u>(3,308)</u>	<u>-</u>	<u>(118,704)</u>
Capital Assets, Net	<u>\$ 91,838</u>	<u>\$ (1,379)</u>	<u>\$ -</u>	<u>\$ 90,459</u>

For the year ended September 30, 2023, \$3,308 in depreciation expense was incurred.

NOTE 9 – CAPITAL ASSETS (concluded)

Capital asset activity for the Authority for the year ended September 30, 2023 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Depreciated:				
Land	\$ 11,210	\$ -	\$ -	\$ 11,210
Construction in Progress	239,997	2,319,537	-	2,559,534
Total	<u>251,207</u>	<u>2,319,537</u>	<u>-</u>	<u>2,570,744</u>
Capital Assets Depreciated:				
Buildings and Improvements	19,747,437	-	-	19,747,437
Vehicles and Equipment	318,677	3,139	(14,083)	307,733
Total	<u>20,066,114</u>	<u>3,139</u>	<u>(14,083)</u>	<u>20,055,170</u>
Lease Assets Amortized:				
Fuel Truck Lease	48,485	-	-	48,485
Less Accumulated Depreciation and Accumulated Amortization:				
Buildings and Improvements	(8,325,249)	(640,244)	-	(8,965,493)
Vehicles and Equipment	(164,261)	(21,604)	14,083	(171,782)
Fuel Truck Lease	(17,112)	(17,112)	-	(34,224)
Total	<u>(8,506,622)</u>	<u>(678,960)</u>	<u>14,083</u>	<u>(9,171,499)</u>
Total Capital Assets being Depreciated and Amortized, Net	<u>11,607,977</u>	<u>(675,821)</u>	<u>-</u>	<u>10,932,156</u>
Capital Assets, Net	<u>\$ 11,859,184</u>	<u>\$ 1,643,716</u>	<u>\$ -</u>	<u>\$ 13,502,900</u>

NOTE 10 – LONG-TERM OBLIGATIONS

The long-term obligation activity for the year ended September 30, 2023 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities					
Compensated Absences	\$ 30,088	\$ 843	\$ -	\$ 30,931	\$ 20,000
Component Unit					
Note Payable	\$ 25,008	\$ -	\$ (6,050)	\$ 18,958	\$ 6,304

NOTE 10 – LONG-TERM OBLIGATIONS (concluded)

A summary of the City’s long-term debt as of September 30, 2023 is as follows:

Component Unit

Note payable to a local bank, payable in monthly installments of \$517 including interest at 3.99%, to be repriced starting in 2021 and every 36 months thereafter at a rate equal to 2.6% over the Federal Home Loan Bank of Atlanta's 36 month fixed rate creit index; secured by a Security Agreement and assignment of lease rents on hangars; final payment due December 2029

\$ 18,958

As of September 30, 2023, annual debt service requirements to maturity for the outstanding long-term obligations above are as follows:

Year	Component Unit	
	Principal	Interest
2024	\$ 6,304	\$ 642
2025	6,561	386
2026	6,093	108
	<u>\$ 18,958</u>	<u>\$ 1,136</u>

NOTE 11 – JOINT OPERATION

On November 19, 2002, the City entered into an interlocal agreement with the Clay County Utility Authority (CCUA). The agreement is for providing cost efficient water, wastewater and reclaimed water service to existing and potential customers within and outside the corporate limits of the City (the Keystone Heights Area System, hereafter referred to as the System). The interlocal agreement provides that the City and CCUA will jointly own certain portions of the System that are acquired or constructed for a term of twenty years, after which sole ownership will revert to CCUA. Under the terms of the agreement, the City’s contribution consists of providing access to grant funding and other lending sources to facilitate construction of the wastewater facilities and other limited customer service to be provided. In return for such assistance, the City is entitled to a 5% fee on water and wastewater revenues generated within the city limits. The total amount recognized for the year was \$37,680 as a result of this agreement.

NOTE 12 – SUBSEQUENT EVENTS

The City and its component units have evaluated subsequent events and transactions through June 30, 2024, the date the financial statements were made available. The following subsequent events were identified.

In October 2023, the Authority was awarded \$200,000 for the purchase of backup generators from the Florida Department of Transportation.

NOTE 12 – SUBSEQUENT EVENTS (concluded)

In January 2024, the City accepted a bid for necessary improvements to four roadways for \$201,248.

In 2024, the City approved the purchase of property located on the corner of State Route 100 and State Road 21 for \$240,000 plus closing costs, to be paid for by the Community Redevelopment Agency.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

The Authority's beginning net position was increased by \$70,469 with a corresponding increase in the timber inventory for amounts previously recognized as sold.

REQUIRED BUDGETARY SUPPLEMENTAL SCHEDULES

CITY OF KEYSTONE HEIGHTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE - BUDGET TO ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues				
Taxes	\$ 594,783	\$ 594,783	\$ 706,250	\$ 111,467
Licenses and Permits	25,200	25,200	7,844	(17,356)
Intergovernmental Programs	283,186	283,186	311,452	28,266
Charges for Services	8,000	8,000	5,846	(2,154)
Miscellaneous Revenue	8,720	8,720	30,163	21,443
Interfund Charges	23,000	23,000	47,277	24,277
Total Revenues	942,889	942,889	1,108,832	165,943
Expenditures				
Current:				
General Government	528,302	528,302	494,758	33,544
Public Safety	49,830	49,830	41,503	8,327
Transportation	169,633	169,633	216,033	(46,400)
Economic Environment	42,123	42,123	79,864	(37,741)
Human Services	6,000	6,000	9,916	(3,916)
Culture and Recreation	97,000	97,000	51,990	45,010
Capital Outlay:				
Economic Environment	46,000	46,000	51,531	(5,531)
Total Expenditures	938,888	938,888	945,595	(6,707)
Revenues Over Expenditures	4,001	4,001	163,237	\$ 159,236
Fund Balance, Beginning of Year	973,531	973,531	973,531	
Fund Balance, End of Year	\$ 977,532	\$ 977,532	\$ 1,136,768	

See accompanying notes to the financial statements.

**KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT
AGENCY FUND**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Tax Increment Revenues	\$ 122,824	\$ 122,824	\$ 182,867	\$ 60,043
Investment Revenue	50	50	1,853	1,803
Miscellaneous Revenue	-	-	36,000	36,000
Total Revenues	<u>122,874</u>	<u>122,874</u>	<u>220,720</u>	<u>97,846</u>
Expenditures				
Current				
Economic Environment	107,374	107,374	68,218	39,156
Capital Outlay				
Economic Environment	<u>135,500</u>	<u>135,500</u>	<u>17,005</u>	<u>118,495</u>
Total Expenditures	<u>242,874</u>	<u>242,874</u>	<u>85,223</u>	<u>157,651</u>
Revenues Over (Under) Expenditures	(120,000)	(120,000)	135,497	<u>\$ 255,497</u>
Fund Balance, Beginning of Year	<u>145,707</u>	<u>145,707</u>	<u>145,707</u>	
Fund Balance, End of Year	<u>\$ 25,707</u>	<u>\$ 25,707</u>	<u>\$ 281,204</u>	

See accompanying notes to the financial statements.

CITY OF KEYSTONE HEIGHTS, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL - CAPITAL IMPROVEMENT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 156,028	\$ 156,028	\$ 220,136	\$ 64,108
Investment revenue	450	450	7,023	6,573
Total Revenues	<u>156,478</u>	<u>156,478</u>	<u>227,159</u>	<u>70,681</u>
Current Expenditures:				
General Government	4,000	4,000	15,625	(11,625)
Capital Outlay				
Transportation	127,500	127,500	-	127,500
Culture and Recreation	144,978	144,978	-	144,978
Total Expenditures	<u>276,478</u>	<u>276,478</u>	<u>15,625</u>	<u>260,853</u>
Revenues Over (Under) Expenditures	(120,000)	(120,000)	211,534	<u>\$ 331,534</u>
Fund Balance, Beginning of Year	<u>643,718</u>	<u>643,718</u>	<u>643,718</u>	
Fund Balance, End of Year	<u>\$ 523,718</u>	<u>\$ 523,718</u>	<u>\$ 855,252</u>	

See accompanying notes to the financial statements.

**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 Honorable Mayor and the City Council
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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Keystone Heights, Florida, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Keystone Heights, Florida's basic financial statements, and have issued our report thereon dated June 30, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Keystone Heights, Florida'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 City of Keystone Heights, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Keystone Heights, Florida's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we did identify certain deficiencies in internal control that we consider to be a material weakness.

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. We consider the following deficiencies, 2023-001 and 2023-002, to be material weaknesses.

Finding 2023-001: Updating the Accounts Receivable at Year End

The determination of the unadjusted balance by customer of the accounts receivable was not accurate.

Background: The accounts receivable is adjusted at the end of each year from the cash basis to the accrual basis. By not starting with an accurate listing by customer, the final annual accrual adjustments are made more difficult to determine. Our audit testing disclosed a customer whose balance was not reflected properly after the City's accountant made the final adjustments to the receivables at year end. As a result, the accounts receivable balance was understated by \$39,123.

Recommendation: Establish controls to ensure the detail by customer of the accounts receivable is properly maintained at year end.

Finding 2023-002: Documentation and Record Keeping

During the audit, there were invoices paid during and subsequent to the audit year that were not able to be produced upon request.

Background: Selected paid invoices requested during the audit were not able to be provided by the City. The results of the audit procedures revealed 6 invoices from the General Fund and 4 invoices from the Cemetery Fund that were not able to be produced. The inability to provide specific invoices suggests a potential weakness in internal controls over documentation and record keeping. Proper internal controls would ensure that invoices are systematically recorded, stored, and easily retrievable.

Recommendation: Evaluate the existing controls for documenting and filing invoices for weaknesses. Clearly define the process and update accordingly to ensure documentation is retrievable when needed.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Keystone Heights, Florida'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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, as follows:

Finding 2023-003: The Actual Expenditures Exceeded the Final Budgeted Expenditures of the General Fund

Background: No action was taken during the year to amend the budget to better reflect actual results. As a result, the \$6,707 excess in actual expenditures over budgeted expenditures was noted.

Recommendation: Establish internal controls to ensure that the budget is compared to actual expenditures and amended in a timely manner to better reflect actual results and ensure all calculations are reviewed for accuracy prior to approval of budgets.

City of Keystone Heights, Florida's Response to Findings

The City of Keystone Heights, Florida's response to the findings identified in our audit are described in the last page of this report labeled Auditee's response. The City of Keystone Heights, Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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.

Reddish & White, CPA's

Starke, Florida
June 30, 2024

REDDISH & WHITE

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

To the Honorable Mayor and the
City Council
City of Keystone Heights, Florida

We have examined the City of Keystone Heights, Florida's compliance with the requirements of Section 218.415, Florida Statutes during the fiscal year ended September 30, 2023. Management is responsible for City of Keystone Heights, Florida's compliance with those requirements. Our responsibility is to express an opinion on the City of Keystone Heights, Florida'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 City of Keystone Heights, Florida'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 City of Keystone Heights, Florida's compliance with specified requirements.

In our opinion, City of Keystone Heights, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2023.

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 30, 2024

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Honorable Mayor and the City Council
City of Keystone Heights, Florida
Keystone Heights, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Keystone Heights, Florida, as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated June 30, 2024.

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 the Financial Statements Performed in Accordance with *Government Auditing Standards*; 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 which are dated June 30, 2024, 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.

The findings in the preceding financial audit report were corrected, except for the following which is still considered unresolved.

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2021-22 FY Finding #	2020-21 FY Finding #
2023 - 001	2022 - 001	2021 - 001

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 in the notes to 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 City of Keystone Heights, Florida 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 of Keystone Heights, Florida did not meet any of these conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City of Keystone Heights, Florida. It is management’s responsibility to monitor the City of Keystone Heights, Florida’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 2023-004: Improve the Budget Review Process

Our audit disclosed the budgeted expenditures, when added, did not agree to the total expenditures line item on the approved budget. Total budgeted expenditures were \$4,000 less than the figure shown on the approved budget.

We recommend the City establish procedures in which the budget is reviewed and footed to ensure the sum of the individual line items reconcile to the total balances. The spreadsheets used should be reviewed to ensure no hidden rows are included in the totals.

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 Keystone Heights Community Redevelopment 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 0.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency was \$0.
- d. All compensation earned or awarded to employee independent contractors, whether paid or accrued, regardless of contingency was \$59,654.
- 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 - No projects meet this criteria.
- 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 \$255,497.

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

- a. The total number of district employees compensated in the last pay period of the Agency's fiscal year was 5.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the Agency's fiscal year was 2.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency was \$210,930.
- d. All compensation earned or awarded to employee independent contractors, whether paid or accrued, regardless of contingency was \$12,580.
- e. Each construction project with a total costs of at least \$65,000 approved by the Keystone Airpark Authority that is scheduled to begin on or after October 1 of the fiscal year being reported, together with total expenditures for such project - Runway lighting project, total expenditures were \$181,899 and reconstruction of hanger 42 J taxilanes, total expenditures were \$2,137,638.
- 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, is not applicable.

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.

Reddish & White, CPA's

Starke, Florida

June 30, 2024

REDDISH & WHITE

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 307 • 134 East Call Street • Starke, Florida 32091

Phone (904) 964-7555 • Fax (904) 964-3887

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Communication with Those Charged with Governance

June 30, 2024

To the Honorable Mayor and the City Council
City of Keystone Heights
Keystone Heights, Florida

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Keystone Heights, Florida as of and for the year ended September 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated October 16, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Keystone Heights are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimate affecting the City of Keystone Heights's financial statements was:

Management's estimate of the useful lives of the fixed assets is based on historical data. We evaluated the key factors and assumptions used to develop the useful lives of the fixed assets in determining that is reasonable in relation to the financial statements taken as a whole.

The financial statements disclosures are neutral, consistent, and clear.

Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. However, at times, there were significant delays in receiving responses to various requests.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, which were primarily to convert your accounting records from the cash basis to the accrual basis, including:

General Fund

- 1) A \$61,531 adjustment to deferred revenue for the American Rescue Plan grant funds expended, and
- 2) A \$927 adjustment to reallocate the Lake Fund's equity balance, and
- 3) A \$5,500 adjustment to accrue legal fees.

Cemetery Fund

- 1) A \$143 adjustment to lease receivable and a corresponding debit to the deferred inflows of resources for the long-term cell tower lease,
- 2) A \$17,697 reclassification of cell tower rent to interest income related to the cell tower lease,
- 3) A \$270 adjustment to cemetery lot inventory for the cost of the lots sold,
- 4) A \$3,308 adjustment to record depreciation expense and increase accumulated depreciation, and
- 5) An adjustment to update the fund balances totaling \$9,257.

CIP Fund

- 1) Update the fund balances to agree to the prior year and reclass the \$10,000 difference to expense, and
- 2) A \$39,123 adjustment to the accounts receivable.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the

auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 30, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the government unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the government unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

This information is intended solely for the use of the council members and management of the City of Keystone Heights, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Reddish & White, CPA's



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



June 30, 2024

Dear Sirs,

I would like to take this opportunity to respond to the comments made by the auditors in the City of Keystone Heights, Florida's audit report for the fiscal year ended September 30, 2023. The following is our response to the comment included in the audit report.

Finding 2023-001: Updating the Accounts Receivable at Year End

Condition: The determination of the unadjusted balance by customer of the accounts receivable was not accurate. The accounts receivable is adjusted at the end of each year from the cash basis to the accrual basis. Our audit testing disclosed a customer whose balance was not reflected properly after the City's accountant made the final adjustments to the receivables at year end. As a result, the accounts receivable balance was understated by \$39,123.

Effect: By not starting with an accurate listing by customer, the final annual accrual adjustments are made more difficult to determine.

Recommendation: Establish controls to ensure the detail by customer of the accounts receivable is properly maintained at year end.

Response 2023-001:

We have put measures in place to use Quick Books more efficiently in order to accurately reflect the accounts receivable balance at years end.

Finding 2023-002: Documentation and Record Keeping

Condition: During the audit, there were invoices paid during and subsequent the audit year that were not able to be produced upon request. Selected paid invoices requested during the audit were not able to be provided by the City. The results of the audit procedures revealed 6 invoices from the General Fund and 4 invoices from the Cemetery Fund that were not able to be produced.



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Effect: The inability to provide specific invoices suggests a potential weakness in internal controls over documentation and record keeping. Proper internal controls would ensure that invoices are systematically recorded, stored, and easily retrievable for audit purposes.

Recommendation: Evaluate the existing controls for documenting and filing invoices for weaknesses. Clearly define the process and update accordingly to ensure documentation is retrievable when needed.

Response 2023-002:

We will evaluate existing controls for filing and documentation of invoices. We have added internal purchase orders for management review to our process. We will review our record keeping process and implement standardized procedures for maintaining all records.

Finding 2023-003: The Actual Expenditures Exceeded the Final Budgeted Expenditures of the General Fund

Condition: No action was taken during the year to amend the budget to better reflect actual results. As a result, the \$6,707 excess in actual expenditures over budgeted expenditures was noted.

Effect: Inaccurate budget figures could result in misallocation of expenditures, ineffective decisions, difficulty forecasting and cash flow issues, among other things.

Recommendation: Establish internal controls to ensure that the budget is compared to actual expenditures and amended in a timely manner to better reflect actual results and ensure all calculations are reviewed for accuracy prior to approval of budgets.

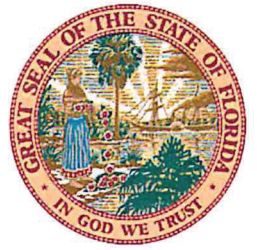
Response 2023-003:

We will improve our system of checking actual expenditures against budget projections and **monitor** in regular intervals during the budget year. Budget amendments will be brought to the city council in a timely fashion.

Recommendation 2023-004: Improve the Budget Review Process



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Condition: Our audit disclosed the budgeted expenditures, when added, did not agree to the total expenditures line item on the approved budget. Total budgeted expenditures were \$4,000 less than the figure shown on the approved budget. As a result, the \$6,707 excess in actual expenditures over budgeted expenditures was noted.

Effect: Inaccurate budget figures could result in misallocation of expenditures, ineffective decisions, difficulty forecasting and cash flow issues, among other things.

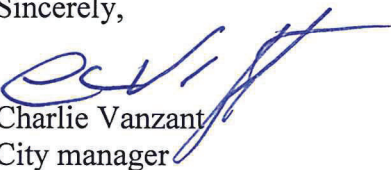
Recommendation: Establish procedures in which the budget is reviewed and footed to ensure the sum of the individual line items reconcile to the total balances. The spreadsheets used should be reviewed to ensure no hidden rows are included in the totals.

Response 2023-004:

We will establish procedures to insure the budget is reviewed and check each column to insure that the individual accounts are tallied correctly in the totals lines.

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

Sincerely,


Charlie Vanzant
City manager