

**KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT
AGENCY**

KEYSTONE HEIGHTS, FLORIDA

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2023

REDDISH AND WHITE
CERTIFIED PUBLIC ACCOUNTANTS

KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT AGENCY

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Keystone Heights Community Redevelopment Agency (the Agency), a component unit of the City of Keystone Heights, Florida (the City) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the CRA'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 and each major fund of the Agency, 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 Agency, 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 Agency'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 Agency'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 Agency'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 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 Agency'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 the Agency'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 Keystone Heights Community Redevelopment Agency (the Agency) annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the Agency for the year ended September 30, 2023. This discussion and analysis of the Agency's financial performance provides an overview of the Agency's financial activities for the year ended September 30, 2023. Please read it in conjunction with the Agency's financial statements that follow.

Financial Highlights

- As of September 30, 2023, the assets of the Agency exceeded its liabilities by \$406,555 (net position). The Agency's net position increased by \$128,214 as a result of this year's operations.
- During the year, the Agency's largest expense was for events and festivals for a total of \$40,439.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

Both government-wide financial statements distinguish governmental activities of the Agency that are principally supported by ad-valorem taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities in the Agency are primarily economic development.

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

Fund Financial Statements

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

Governmental funds

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

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

Notes to the Financial Statements

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

Financial Analysis of the Agency as a Whole

The Agency's net position increased by \$128,214 from the prior year. The capital assets are shown net of depreciation. The following table provides the details for the years ended September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Assets:		
Current Assets	\$ 281,204	\$ 145,821
Capital Assets	125,351	132,634
Total Assets	<u>\$ 406,555</u>	<u>\$ 278,455</u>
Liabilities:		
Current Liabilities	<u>\$ -</u>	<u>\$ 114</u>
Total Liabilities	<u>-</u>	<u>114</u>
Net Position:		
Net Investment in Capital Assets	125,351	132,634
Restricted	281,204	145,707
Total Net Position	<u>\$ 406,555</u>	<u>\$ 278,341</u>

The following is a summary of the Agency's increase in net position for the years ended September 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Revenues:		
Tax Increment Revenues	\$ 182,867	\$ 115,350
Miscellaneous	36,000	1,547
Investment	1,853	88
Total Revenues	<u>220,720</u>	<u>116,985</u>
Expenses:		
Economic Environment	<u>(92,506)</u>	<u>(89,305)</u>
Change in Net Position	<u>\$ 128,214</u>	<u>\$ 27,680</u>

Financial Analysis of the Agency's General Fund

The Agency's governmental fund is reported in the fund financial statements with a short-term, inflow and outflow of spendable resource focus. This information may be useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. For the year ended September 30, 2023, the fund

reported an excess of revenues over expenditures of \$135,497. The approximate expenditures toward capital projects decreased from \$31,000 last year to just \$17,000 this year.

Fund Budgetary Highlights

The Agency incurred \$85,222 in expenditures for the year, which was under the total budget expenditures by \$157,652. This was primarily due to the decrease in capital outlay expenditures.

The Agency's actual results ended up approximately \$255,490 more favorable than budgeted, as the budget included less increment revenue from the City and less County funding revenue than was recognized.

Capital Asset and Debt Administration

The Agency incurred approximately \$17,000 in expenditures related to capital projects. The majority of the expenditures were for the purchase of picnic tables for the beach.

The Agency does not have any long-term debt.

Economic Environment and Next Year's Budgets and Rates

The Agency's budget for the following year includes \$105,000 funding from the county and \$49,785 from the City as the incremental match required. The Agency budgeted a total of \$444,835 in expenditures with \$346,461 toward capital projects and \$59,824 toward events and festivals. The remaining budgeted expenditures are for operating and administrative costs. The Agency will continue to plan projects and improvements that align with its redevelopment priorities. Additionally, the City and the Agency will continue to partner to encourage private sector development in the designated downtown area.

Contacting the Agency's Financial Management

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

**KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT
AGENCY**

STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

ASSETS

Current Assets

Cash and Cash Equivalents \$ 281,204

Other Assets

Capital Assets, Net of Depreciation 125,351

TOTAL ASSETS \$ 406,555

LIABILITIES \$ -

NET POSITION

Net Invested in Capital Assets 125,351

Restricted 281,204

TOTAL NET POSITION 406,555

TOTAL LIABILITIES AND NET POSITION \$ 406,555

See accompanying notes to the financial statements.

**KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT
AGENCY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue (Expense) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Functions/Programs				
Government Activities:				
Economic Environment	<u>\$ 92,506</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (92,506)</u>
		General Revenues:		
			Tax Increment Revenues	182,867
			Investment Income	1,853
			Miscellaneous	<u>36,000</u>
			Total General Revenues	<u>220,720</u>
			Change in Net Assets	128,214
			Net Position, Beginning of Year	<u>278,341</u>
			Net Position, Ending of Year	<u>\$ 406,555</u>

See accompanying notes to the financial statements.

**KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT
AGENCY FUND**

BALANCE SHEET
SEPTEMBER 30, 2023

Assets	
Current Assets	
Cash and Cash Equivalents	<u>\$ 281,204</u>
Liabilities and Fund Balances	
Liabilities	\$ -
Fund Balances	
Restricted	<u>281,204</u>
Total Liabilities and Fund Balance	<u>\$ 281,204</u>

See accompanying notes to the financial statements.

**KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT
AGENCY**

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

Total Fund Balance - Total Governmental Funds \$ 281,204

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

Capital assets of \$140,524, net of accumulated
depreciation of \$15,173, are not financial resources
and, therefore, are not reported in the funds.

125,351

Total Net Position of Governmental Activities \$ 406,555

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 Revenue	\$ 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.

KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT AGENCY

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Basis of Presentation

Government-wide Financial Statements

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

Deposits and Investments

Highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. As of September 30, 2023, the cash and cash equivalent balance consists of a checking account.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Receivables

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

Capital Assets

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

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

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

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

<u>Asset</u>	<u>Years</u>
Buildings and Improvements	30
Vehicles and Equipment	10

Compensated Absences

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

Fund Equity Classifications

Government-wide, Proprietary, and Trust Fund Statements

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Restricted net position as of September 30, 2023, represents \$281,204 restricted for economic development.

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

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

Fund Financial Statements

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

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

Restricted fund balance – this classification represents amounts restricted to specific purposes that are either *externally imposed by creditors, grantors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation*. This definition is the same as the definition of restricted net position used in government-wide financial reporting. Restricted fund balance as of September 30, 2023, represents \$281,204 restricted for economic development.

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Use of Estimates

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

Subsequent Events

The Agency has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 30, 2024, the date the financial statements were made available. The following subsequent event has been identified.

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 Agency.

NOTE 2 – TAX INCREMENTAL FINANCING REVENUE

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

NOTE 3 – COMMITMENTS AND CONTINGENCIES

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

NOTE 4 – RISK MANAGEMENT

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

NOTE 5 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets:				
Buildings and Improvements	\$ 101,539	\$ -	\$ -	\$ 101,539
Fixtures and Equipment	<u>38,985</u>	<u>-</u>	<u>-</u>	<u>38,985</u>
Total	<u>140,524</u>	<u>-</u>	<u>-</u>	<u>140,524</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(3,667)	(3,385)	-	(7,052)
Fixtures and Equipment	<u>(4,223)</u>	<u>(3,898)</u>	<u>-</u>	<u>(8,121)</u>
Total Accumulated Depreciation	<u>(7,890)</u>	<u>(7,283)</u>	<u>-</u>	<u>(15,173)</u>
Capital Assets, Net	<u>\$ 132,634</u>	<u>\$ (7,283)</u>	<u>\$ -</u>	<u>\$ 125,351</u>

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Keystone Heights Community Redevelopment Agency (the Agency), a component unit of the City of Keystone Heights, Florida (the City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated June 30, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We consider the following deficiency, 2023-4, to be a material weakness.

Finding 2023-4: Documentation and Record Keeping

During the audit, there were requests for supporting documentation that were not able to be fulfilled.

Background: Selected paid invoices requested during the audit were not able to be provided. The results of the audit procedures revealed 5 invoices that were not able to be produced. Additionally, the supporting documentation for incremental funding received was not able to be produced. The inability to provide specific invoices and receipts 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Keystone Heights, Florida Community Redevelopment Agency's Response to Findings

The City of Keystone Heights, Florida Community Redevelopment Agency's response to the findings identified in our audit are described on the last page of the audit report. The City of Keystone Heights, Florida Community Redevelopment Agency'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 Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Reddish & White, CPA's

Starke, Florida
June 30, 2024

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

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

We have examined the Keystone Heights Community Redevelopment Agency's (the Agency) compliance with the requirements of Section 218.415, Florida Statutes during the fiscal year ended September 30, 2023. Management is responsible for the Agency's compliance with those requirements. Our responsibility is to express an opinion on the Agency's compliance based on our examination.

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

In our opinion, the Agency complied, in all material respects, with the aforementioned requirements for the year ended September 30, 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 ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 163.387(6) and (7), FLORIDA STATUTES

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

We have examined the Keystone Heights Community Redevelopment Agency's (the Agency) compliance with the requirements of Section 163.387 (6) and (7), Florida Statutes, as of and for the year ended September 30, 2023, as required by Section 10.556 (10)(a), *Rules of the Auditor General*. Management is responsible for the Agency's compliance with those requirements. Our responsibility is to express an opinion on the Agency's compliance based on our examination.

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

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

In our opinion, except for the non-compliance noted below, the Agency complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2023.

2023-1: Status of Unspent Funds at Year End

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

- Returned to each taxing authority which paid the increment in the proportion that the amount of the payment of such taxing authority bears to the total amount paid into the trust fund by all taxing authorities for that year.
- Used to reduce the amount of any indebtedness to which increment revenues are pledged.

- Deposited into an escrow account for the purpose of later reducing any indebtedness to which increment revenues were pledged.
- Appropriated to a specific redevelopment project pursuant to an approved community redevelopment plan.

Condition: Moneys remaining in the Agency trust fund on the last day of the Agency’s fiscal year totaled \$281,204. Our review of the Agency records and discussions with City personnel disclosed that the Agency included \$290,000 as a carryover in the following year budget, however, they did not demonstrate that the moneys remaining in the Agency trust fund were appropriated to a specific project or otherwise disposed of in accordance with State law.

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

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

2023-5: Budget Submission

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

Condition: The Agency was not able to provide proof of submission of its budget and budget amendments to the taxing authority within 10 days of adoption.

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

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

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

To the Keystone Heights Community Redevelopment Agency
Keystone Heights, Florida

Report on the Financial Statements

We have audited the financial statements of the Keystone Heights Community Redevelopment Agency (the Agency), a component unit of the City of Keystone Heights, Florida (the City) as of and for the fiscal year ended September 30, 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 on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Reports on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports which are dated June 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 following findings and recommendation made in the preceding financial audit report are still considered unresolved.

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2021-22 FY Finding #	2020-21 FY Finding #
2023-1	2022-1	2021-3
2023-2	2022-2	2021-5
2023-5		2021-1

Corrective actions have been taken to address all other findings and recommendations made in the preceding financial audit report.

Official Title and Legal Authority

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

Financial Condition and Management

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

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

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we have the following recommendations:

Recommendation 2023–2 – Reimburse the City for Administrative Services – During the audit, we noted that there were no costs associated with the administration of the Agency.

We recommend that the Agency should reimburse the City for a reasonable amount (i. e. \$5,000 - \$10,000) each year to cover the costs of the administration of the Agency. This includes the accounting services of the Agency (maintaining the general ledger, preparing

budgets, writing checks, handling deposits, and preparing budget to actual interim financial reports).

Recommendation 2023–3 – 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.

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 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 may receive 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 as \$0.
- d. All compensation earned or awarded to employee independent contractors, whether paid or accrued, regardless of contingency as \$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.

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

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Communication with Those Charged with Governance

June 30, 2024

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

We have audited the financial statements of the governmental activities and each major fund of the Keystone Heights Community Redevelopment Agency (the Agency), a component unit of the City of Keystone Heights, Florida (the City) as of and for the year ended September 30, 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 Agency 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 Agency'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.

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.

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 to the financial statements themselves.

This information is intended solely for the use of the council members and management of the Agency 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 audit of the Keystone Heights Community Redevelopment Agency (the Agency) for the fiscal year ended September 30, 2023. The following are responses to the comments included in the audit report.

Finding 2023-001: Status of Unspent Funds at Year End

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

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

Condition: Moneys remaining in the Agency trust fund on the last day of the Agency's fiscal year totaled \$281,204. Our review of the Agency records and discussions with City personnel disclosed that the Agency included \$290,000 as a carryover in the following year budget, however, they did not demonstrate that the moneys remaining in the Agency trust fund were appropriated to a specific project or otherwise disposed of in accordance with State law.

Effect: By not maintaining adequate records to demonstrate that unused moneys were re-appropriated to specific projects in a subsequent year, there is an increased risk that the



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taxing authorities that contributed tax financing moneys to the Agency may not receive unused Agency moneys to which they are entitled pursuant to State law.

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

Response 2023 - 001:

We will assign any unspent fund to specific accounts and obligate these funds to specific projects. Our budget will include the projects in particular lines(s) that will clearly delineate what the funds are to be used for.

Finding 2023-002: Reimburse the City for Administrative Services

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

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

Response 2023 - 002:

We will put a periodic process in place to account for CRA expenses and budget within the CRA to fund the administration of the Agency.

Finding 2023-003: Improve the Budget Review Process

Condition: Our audit disclosed the budgeted expenditures, when added, did not agree to the total expenditures line item on the approved budget.

Effect: The use of an inaccurate budget could result in misallocation of expenditures, ineffective decisions, difficulty forecasting and cash flow issues, among other things.

Recommendation: 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



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balances. The spreadsheets used should be reviewed to ensure no hidden rows are included in the totals.

Response 2023 - 003:

Increased internal controls will be implemented in order to facilitate proper review of the budget. An external accountant who is not part of the city management will review the budget to insure it is complete and accurate prior to giving it to the City Council for review.

Finding 2023-004: Documentation and Record Keeping

Condition: During the audit, there were requests for supporting documentation that were not able to be fulfilled. Selected paid invoices requested during the audit were not able to be provided. The results of the audit procedures revealed 5 invoices that were not able to be produced. Additionally, the supporting documentation for incremental funding received was not able to be produced.

Effect: The inability to provide specific invoices and receipts 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.

Response 2023 - 004:

Upon arrival as City Manager in January 2024, I assessed the city lacked competency in the finance office. Some early 2024 city staff has worked diligently to improve records organization and attention. We will make continuous improvements in this area by implementing tighter internal controls in the fiscal office.

2023-005: Budget Submission



City of Keystone Heights

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

Condition: The Agency was not able to provide proof of submission of its budget and budget amendments to the taxing authority within 10 days of adoption.

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

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

Response 2023 - 005:

We will add the budget and budget amendments submission requirements to the budget calendar.

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