

**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, 2022

REDDISH AND WHITE
CERTIFIED PUBLIC ACCOUNTANTS

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

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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, 2022, 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 and each major fund of the City, as of September 30, 2022, 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 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 May 20, 2023, 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.

Delish & White, CPAs

Starke, Florida
May 20, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section 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 fiscal year ended September 30, 2022. 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 \$7,054,575 (net position) for the fiscal year.
- For the fiscal year, the City's governmental expenditures were \$71,657 more than the \$1,533,971 recognized in tax, and other revenues.
- The City was awarded \$769,812 in American Rescue Grant Funds in the prior fiscal year and received the 2nd \$384,906 installment this fiscal year. The City expended \$321,943 of the funds this fiscal year and has \$447,869 remaining as of September 30, 2022.

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 basic 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 fiscal 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 Basic Financial Statements

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

Other Supplementary Information

In addition to the basic 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 fiscal 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 fiscal year-end is \$7,054,575. The following table provides a summary of the City's net position:

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------------|-------------------------|--------------|--------------------------|------------|--------------|--------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Assets | | | | | | |
| Current assets | \$ 2,235,252 | \$ 1,970,612 | \$ 463,443 | \$ 454,772 | \$ 2,698,695 | \$ 2,425,384 |
| Other assets | - | - | 505,558 | - | 505,558 | - |
| Capital assets | 4,776,516 | 5,035,743 | 91,838 | 95,114 | 4,868,354 | 5,130,857 |
| Total assets | 7,011,768 | 7,006,355 | 1,060,839 | 549,886 | 8,072,607 | 7,556,241 |
| Liabilities | | | | | | |
| Current liabilities | 476,798 | 399,902 | 9,946 | - | 486,744 | 399,902 |
| Long-term liabilities | 25,586 | 25,412 | - | - | 25,586 | 25,412 |
| Total liabilities | 502,384 | 425,314 | 9,946 | - | 512,330 | 425,314 |
| Deferred Inflows of Resources | - | - | 505,702 | - | 505,702 | - |
| Net position | | | | | | |
| Invested in capital assets, net of debt | 4,776,516 | 5,035,743 | 91,838 | 95,114 | 4,868,354 | 5,130,857 |
| Restricted | 787,823 | 684,921 | 240,634 | 232,882 | 1,028,457 | 917,803 |
| Unrestricted | 945,045 | 860,377 | 212,719 | 221,890 | 1,157,764 | 1,082,267 |
| Total Net Position | \$ 6,509,384 | \$ 6,581,041 | \$ 545,191 | \$ 549,886 | \$ 7,054,575 | \$ 7,130,927 |

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, 2022

Keystone Heights, Florida

The net position decreased \$71,657 for the governmental activities and \$4,695 for the business-type activities. The City's overall financial position decreased approximately 1.0% during the fiscal year 2022.

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

Summary of Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------|-------------------------|---------------------|--------------------------|-------------------|---------------------|---------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revenues: | | | | | | |
| Program: | | | | | | |
| Charges for services | \$ 22,812 | \$ 11,020 | \$ 37,980 | \$ 62,285 | \$ 60,792 | \$ 73,305 |
| Grants | 404,501 | 945,355 | - | - | 404,501 | 945,355 |
| General: | | | | | | |
| Taxes | 964,630 | 885,288 | - | - | 964,630 | 885,288 |
| Other State-shared | 68,773 | 60,291 | - | - | 68,773 | 60,291 |
| Other | 73,255 | 70,750 | 740 | 1,137 | 73,995 | 71,887 |
| Total revenues | <u>1,533,971</u> | <u>1,972,704</u> | <u>38,720</u> | <u>63,422</u> | <u>1,572,691</u> | <u>2,036,126</u> |
| Program Expenses: | | | | | | |
| General government | 515,049 | 419,944 | - | - | 515,049 | 419,944 |
| Public safety | 39,686 | 37,428 | - | - | 39,686 | 37,428 |
| Physical environment | 237,694 | 237,694 | - | - | 237,694 | 237,694 |
| Transportation | 545,666 | 605,919 | - | - | 545,666 | 605,919 |
| Economic environment | 70,282 | 39,363 | - | - | 70,282 | 39,363 |
| Human services | 4,221 | 5,555 | - | - | 4,221 | 5,555 |
| Culture and recreation | 193,030 | 99,544 | - | - | 193,030 | 99,544 |
| Cemetery | - | - | 43,415 | 28,484 | 43,415 | 28,484 |
| Total expenses | <u>1,605,628</u> | <u>1,445,447</u> | <u>43,415</u> | <u>28,484</u> | <u>1,649,043</u> | <u>1,473,931</u> |
| Transfers | - | - | - | - | - | - |
| Excess (deficiency) | (71,657) | 527,257 | (4,695) | 34,938 | (76,352) | 562,195 |
| Beginning net position | <u>6,581,041</u> | <u>6,053,784</u> | <u>549,886</u> | <u>514,948</u> | <u>7,130,927</u> | <u>6,568,732</u> |
| Ending 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> |

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 2022, cemetery lot sales decreased \$24,200 or over 100% from fiscal year 2021 as the covid-19 virus had a significant effect on the prior year sales. In addition, the fund incurred approximately \$15,000 more in expenses related to the cemetery. As a result, the Cemetery fund reported an operating loss of \$5,435.

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, 2022, the general fund reported ending fund balance of \$973,531 or an increase of \$132,909 from last year's fund balance. The unrestricted amount of \$930,945 is available for continuing City service requirements.

Revenues – Overall, total revenues decreased approximately \$400,000 from the prior year, primarily due to the Cares Act revenues of \$714,866 recognized in the prior year offset by the \$321,943 recognized this year in American Rescue grant funds.

Expenditures – Overall, total expenditures decreased approximately \$400,000 from the prior year primarily due to the same reason as the revenues above. Each year, the one-time grants continue to have a significant impact of the year's operations.

Public Safety expenditures decreased as a result of the Cares Act grant received in the prior year to expend on public safety. Total expended under this Act was over \$724,000.

Economic environment expenditures increased by over \$329,000 due to the American Rescue grant assistance.

General government, Human services, and culture and recreation costs remained close to their prior year amounts.

Transfers Out – In addition the transfer of \$32,792 to the CRA fund represents the City's required match of Clay County funds contributed for the year.

As a result, the General Fund's ending fund balance increased \$132,909 from the September 30, 2021 balance.

Governmental Fund – The Capital Improvements Fund (CIP Fund)

The Capital Improvements Fund (CIP Fund) was formally created as of the beginning of the prior fiscal year 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 \$206,317 received in these taxes is approximately \$42,000 more than budgeted and approximately \$28,000 more than last year.

The \$187,185 in expenditures for the year, includes \$169,338 related to capital outlay for culture and recreation department. When it was determined that the American Rescue grant funds could not pay for the entire Keystone Beach Project, the CIP fund contributed \$159,538 toward this project. Overall, the actual expenditures were approximately \$104,000 more than budgeted as the culture and recreation capital outlay expenditures were not budgeted.

Government Fund – Community Redevelopment Agency Fund (CRA Fund)

The CRA fund received over \$82,000 from Clay County and \$41,000 from the state for the prior year Trails Head project. The fund originally budgeted expenditures totaling \$197,200, including \$138,650 for capital outlay. The budget was subsequently amended to reduce the level of expenditures as less than \$32,000 was spent on projects during the year.

Budgetary Highlights – General Fund

Budget Amendments - The budget was amended during the current fiscal year primarily to increase revenues a total of \$425,000. The primary increase was for the American Rescue Plan grant funds by \$384,906. The budget was amended to increase net expenditures by \$123,701. This includes increasing the American Rescue Plan expenditures by \$127,000.

Revenues - The City realized 98% of its final total budgeted revenues for the year. The shortfall was due primarily to the unexpended American Rescue Plan grant funds as the related revenue isn't recognized until spent.

Expenditures – Overall, the City spent approximately 84% of its final total budgeted expenditures. This was due primarily to small favorable budgeted outcomes for all of the departments, and a favorable variance of \$148,000 in American Rescue Plan expenditures.

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, 2022, was \$4,776,516 and \$91,838, respectively. There was a 6% decrease for governmental activities and a 4% decrease for business-type activities. Overall, there was a decrease of 6% 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 | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| 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 | 6,463,853 | 163,226 | 163,226 | 7,045,483 | 6,627,079 |
| Vehicles and equipment | 585,142 | 585,983 | 44,007 | 44,007 | 629,149 | 629,990 |
| Infrastructure | 9,012,524 | 9,005,490 | - | - | 9,012,524 | 9,005,490 |
| Total depreciable assets | 16,479,923 | 16,055,326 | 207,233 | 207,233 | 16,687,156 | 16,262,559 |
| Less accumulated depreciation | 12,347,719 | 11,663,895 | 115,395 | 112,119 | 12,463,114 | 11,776,014 |
| Book value - depreciable assets | 4,132,204 | 4,391,431 | 91,838 | 95,114 | 4,224,042 | 4,486,545 |
| Percentage depreciated | 75% | 73% | 56% | 54% | 75% | 72% |
| Book value - all assets | <u>\$ 4,776,516</u> | <u>\$ 5,035,743</u> | <u>\$ 91,838</u> | <u>\$ 95,114</u> | <u>\$ 4,868,354</u> | <u>\$ 5,130,857</u> |

At September 30, 2022, the depreciable capital assets for governmental activities were 75% depreciated. This compares to 73% at the September 30, 2021. Since the changes in percentages are similar, this is a 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 75% depreciated at September 30, 2022. 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 56%, as there were no 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 2.3 % at year end, and improvement from 3.3% as of the prior fiscal year.

Recently, 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 has 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, 2022

| | Primary Government | | | Component |
|-------------------------------------------------------------------------------|----------------------------|-----------------------------|--------------------|-----------------------------------------------|
| | Governmental Activities | Business-Type Activities | Total | Unit Keystone Heights Airpark Authority |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and Cash Equivalents | \$749,041 | \$191,438 | \$940,479 | \$407,386 |
| Investments in Time Certificates of Deposits | 239,598 | 0 | 239,598 | 4,286 |
| Accounts Receivable, Net | 14,622 | 0 | 14,622 | 4,736 |
| Inventory | 0 | 31,227 | 31,227 | 85,965 |
| Due from Other Governments | 28,977 | 0 | 28,977 | 0 |
| Lease Receivable, Current Portion | 0 | 144 | 144 | 72,482 |
| Restricted Assets | | | | |
| Cash and Cash Equivalents | 954,912 | 35,720 | 990,632 | 93,326 |
| Investments in Time Certificates of Deposits | 221,602 | 204,914 | 426,516 | 0 |
| Due from Other Governments | 26,500 | 0 | 26,500 | 14,545 |
| Total Current Assets | 2,235,252 | 463,443 | 2,698,695 | 682,726 |
| Capital Assets | 4,776,516 | 91,838 | 4,868,354 | 11,859,184 |
| Other Assets | | | | |
| Lease Receivable, net of current portion | 0 | 505,558 | 505,558 | 1,107,478 |
| Total Other Assets | 0 | 505,558 | 505,558 | 1,107,478 |
| TOTAL ASSETS | \$7,011,768 | \$1,060,839 | \$8,072,607 | \$13,649,388 |
| LIABILITIES | | | | |
| Accounts Payable and Accrued Liabilities | \$24,429 | \$9,946 | \$34,375 | \$14,818 |
| Deposits | 0 | 0 | 0 | 1,220 |
| Unearned Revenue | 447,869 | 0 | 447,869 | 0 |
| Long Term Obligations, Current Portion | 4,500 | 0 | 4,500 | 6,058 |
| Total Current Liabilities | 476,798 | 9,946 | 486,744 | 22,096 |
| Long Term Obligations, Noncurrent Portion | 25,586 | 0 | 25,586 | 18,950 |
| TOTAL LIABILITIES | 502,384 | 9,946 | 512,330 | 41,046 |
| Deferred Inflows of Resources | 0 | 505,702 | 505,702 | 1,211,878 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OR RESOURCES | 502,384 | 515,648 | 1,018,032 | 1,252,924 |
| NET POSITION | | | | |
| Net Invested in Capital Assets | 4,776,516 | 91,838 | 4,868,354 | 11,801,725 |
| Restricted for: | | | | |
| Perpetual Care | 0 | 240,634 | 240,634 | 0 |
| Community Redevelopment | 145,707 | 0 | 145,707 | 0 |
| Capital Projects | 642,116 | 0 | 642,116 | 107,871 |
| Unrestricted | 945,045 | 212,719 | 1,157,764 | 486,868 |
| TOTAL NET POSITION | 6,509,384 | 545,191 | 7,054,575 | 12,396,464 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | \$7,011,768 | \$1,060,839 | \$8,072,607 | \$13,649,388 |

See accompanying notes to the financial statements.

CITY OF KEYSTONE HEIGHTS, FLORIDA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | Expenses | Program Revenues | | | Net Revenue (Expense) and Change in Net Assets | | | Component Unit Airpark Authority |
|-------------------------------------------|--------------------|----------------------|------------------------------------|----------------------------------|------------------------------------------------|--------------------------|--------------------|-------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | | Governmental Activities | Business-Type Activities | Total | |
| Functions/Programs | | | | | | | | |
| Government Activities: | | | | | | | | |
| General Government | \$515,049 | \$13,929 | \$0 | \$0 | (\$501,120) | \$0 | (\$501,120) | |
| Public Safety | 39,686 | 0 | 0 | 0 | (39,686) | 0 | (39,686) | |
| Physical Environment | 237,694 | 0 | 0 | 0 | (237,694) | 0 | (237,694) | |
| Transportation | 545,666 | 0 | 73,312 | 0 | (472,354) | 0 | (472,354) | |
| Economic Environment | 70,282 | 0 | 82,558 | 321,943 | 334,219 | 0 | 334,219 | |
| Human Services | 4,221 | 0 | 0 | 0 | (4,221) | 0 | (4,221) | |
| Culture and Recreation | 193,030 | 8,883 | 0 | 0 | (184,147) | 0 | (184,147) | |
| Total Governmental Activities | <u>1,605,628</u> | <u>22,812</u> | <u>155,870</u> | <u>321,943</u> | <u>(1,105,003)</u> | <u>0</u> | <u>(1,105,003)</u> | |
| Business-type Activities: | | | | | | | | |
| Cemetery | 43,415 | 37,980 | 0 | 0 | 0 | (5,435) | (5,435) | |
| Total Business-type Activities | <u>43,415</u> | <u>37,980</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(5,435)</u> | <u>(5,435)</u> | |
| Total Primary Government | <u>1,649,043</u> | <u>60,792</u> | <u>155,870</u> | <u>321,943</u> | <u>(1,105,003)</u> | <u>(5,435)</u> | <u>(1,110,438)</u> | |
| Component Unit | | | | | | | | |
| Keystone Heights Airport Authority | <u>\$2,161,390</u> | <u>\$1,538,856</u> | <u>\$32,000</u> | <u>\$323,429</u> | | | | <u>(\$267,105)</u> |
| General Revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property | | | | | 311,445 | 0 | 311,445 | 0 |
| Discretionary Sales Surtax | | | | | 206,317 | 0 | 206,317 | 0 |
| Franchise Fees and Utility Taxes | | | | | 253,911 | 0 | 253,911 | 0 |
| Half Cent Sales Tax | | | | | 91,616 | 0 | 91,616 | 0 |
| Local Option Gas Tax | | | | | 101,341 | 0 | 101,341 | 0 |
| State Revenue Sharing | | | | | 68,773 | 0 | 68,773 | 0 |
| Investment Income | | | | | 2,195 | 740 | 2,935 | 1,011 |
| Miscellaneous | | | | | (2,252) | 0 | (2,252) | 3,331 |
| Total General Revenues | | | | | <u>1,033,346</u> | <u>740</u> | <u>1,034,086</u> | <u>4,342</u> |
| Change in Net Assets | | | | | (71,657) | (4,695) | (76,352) | (262,763) |
| Net Position, Beginning of Year, Restated | | | | | <u>6,581,041</u> | <u>549,886</u> | <u>7,130,927</u> | <u>12,659,227</u> |
| Net Position, Ending of Year | | | | | <u>\$6,509,384</u> | <u>\$545,191</u> | <u>\$7,054,575</u> | <u>\$12,396,464</u> |

See accompanying notes to the financial statements.

CITY OF KEYSTONE HEIGHTS

BALANCE SHEET - GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2022

| | General Fund | CRA Fund | Capital Improvement Fund | Total |
|--------------------------------------------|---------------------------|-------------------------|--------------------------------|---------------------------|
| Assets | | | | |
| Current Assets | | | | |
| Cash and Cash Equivalents | \$747,439 | \$0 | \$1,602 | \$749,041 |
| Cash and Cash Equivalents - Restricted | 447,869 | 113,029 | 394,014 | 954,912 |
| Investments | 239,598 | 0 | 0 | 239,598 |
| Investments - Restricted | 0 | 0 | 221,602 | 221,602 |
| Accounts Receivable, Net | 14,624 | 0 | 0 | 14,624 |
| Due from Other Funds | 0 | 32,792 | 0 | 32,792 |
| Due from Other Governments | 28,977 | 0 | 0 | 28,977 |
| Due from Other Governments - Restricted | 0 | 0 | 26,500 | 26,500 |
| Total Assets | <u>\$1,478,507</u> | <u>\$145,821</u> | <u>\$643,718</u> | <u>\$2,268,046</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts Payable | 24,315 | 114 | 0 | 24,429 |
| Due to Other Funds | 32,792 | 0 | 0 | 32,792 |
| Unearned Revenue | 447,869 | 0 | 0 | 447,869 |
| Total Liabilities | <u>504,976</u> | <u>114</u> | <u>0</u> | <u>505,090</u> |
| FUND BALANCES | | | | |
| Restricted | 0 | 145,707 | 642,116 | 787,823 |
| Assigned | 42,586 | 0 | 1,602 | 44,188 |
| Unassigned | 930,945 | 0 | 0 | 930,945 |
| Total Fund Balances | <u>973,531</u> | <u>145,707</u> | <u>643,718</u> | <u>1,762,956</u> |
| Total Liabilities and Fund Balances | <u>\$1,478,507</u> | <u>\$145,821</u> | <u>\$643,718</u> | <u>\$2,268,046</u> |

CITY OF KEYSTONE HEIGHTS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION SEPTEMBER 30, 2022

Total Fund Balance - Total Governmental Funds \$1,762,956

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets of \$17,124,236 net of accumulated
depreciation of \$12,347,720, are not financial resources
and, therefore, are not reported in the funds. 4,776,516

Long-term liabilities are not due and payable in the current
period and accordingly, are not reported in the
governmental funds. (30,088)

Total Net Position of Governmental Activities \$6,509,384

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, 2022

| | General Fund | CRA Fund | Capital Improvement Fund | Total |
|---------------------------------------------------------------------------------------------------------|------------------|------------------|--------------------------------|--------------------|
| Revenues | | | | |
| Taxes | \$666,698 | \$0 | \$206,317 | \$873,015 |
| Licenses and Permits | 13,929 | 0 | 0 | 13,929 |
| Intergovernmental Programs | 555,644 | 123,973 | 0 | 679,617 |
| Charges for Services | 8,883 | 0 | 0 | 8,883 |
| Miscellaneous Revenue | 10,175 | 1,636 | 743 | 12,554 |
| Interfund Charges | (8,025) | 0 | 0 | (8,025) |
| Total Revenues | 1,247,304 | 125,609 | 207,060 | 1,579,973 |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 495,698 | 0 | 2,495 | 498,193 |
| Public Safety | 39,685 | 0 | 0 | 39,685 |
| Transportation | 170,345 | 0 | 0 | 170,345 |
| Economic Environment | 0 | 46,377 | 0 | 46,377 |
| Human Services | 4,221 | 0 | 0 | 4,221 |
| Culture and Recreation | 42,506 | 0 | 1,868 | 44,374 |
| Capital Outlay: | | | | |
| Transportation | 0 | 0 | 13,484 | 13,484 |
| Economic Environment | 329,148 | 31,061 | 0 | 360,209 |
| Cultural and Recreation | 0 | 0 | 169,338 | 169,338 |
| Total Expenditures | 1,081,603 | 77,438 | 187,185 | 1,346,226 |
| Revenues Over (Under) Expenditures | 165,701 | 48,171 | 19,875 | 233,747 |
| Other Financing Sources (Uses) | | | | |
| Transfers In (Out) | (32,792) | 32,792 | 0 | 0 |
| Total Other Financing Sources | (32,792) | 32,792 | 0 | 0 |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Financing Uses | 132,909 | 80,963 | 19,875 | 233,747 |
| Fund Balance, Beginning of Year | 840,622 | 64,744 | 623,843 | 1,529,209 |
| Fund Balance, End of Year | \$973,531 | \$145,707 | \$643,718 | \$1,762,956 |

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, 2022

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$233,747 |
| 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 \$694,465 is more than capital outlays of \$435,238. | (259,227) |
| Government Funds do not include amounts received after 60 days as a receivable. This is the amount recognized in the prior year in the statement of net position but not in the Governmental funds. | (46,000) |
| Compensated absences are recorded recorded when paid in the governmental funds. This is the amount the compensated absences increased during the year | <u>(177)</u> |
| Change in Net Position of Governmental Activities | <u><u>(\$71,657)</u></u> |

See accompanying notes to the financial statements.

CITY OF KEYSTONE HEIGHTS, FLORIDA

STATEMENT OF NET POSITION - PROPRIETARY FUND SEPTEMBER 30, 2022

Assets

Current Assets

| | |
|----------------------------------------|----------------|
| Cash and Cash Equivalents | \$191,438 |
| Cash and Cash Equivalents - Restricted | 35,720 |
| Investments - Restricted | 204,914 |
| Inventory | 31,227 |
| Lease Receivable, current portion | 144 |
| Total Current Assets | <u>463,443</u> |

Capital Assets, Net of

| | |
|--------------------------|---------------|
| Accumulated Depreciation | <u>91,838</u> |
|--------------------------|---------------|

Other Assets

| | |
|------------------------------------------|----------------|
| Lease Receivable, net of current portion | <u>505,558</u> |
|------------------------------------------|----------------|

| | |
|--------------|---------------------------|
| Total Assets | <u><u>\$1,060,839</u></u> |
|--------------|---------------------------|

Liabilities, Deferred Inflows of Resources, and Net Position

Liabilities

Current Liabilities

| | |
|---------------------------|----------------|
| Accounts Payable | <u>\$9,946</u> |
| Total Current Liabilities | <u>9,946</u> |

| | |
|-------------------------------|----------------|
| Deferred Inflows of Resources | <u>505,702</u> |
|-------------------------------|----------------|

Net Position

| | |
|----------------------------------|----------------|
| Net Investment in Capital Assets | 91,838 |
| Restricted for Perpetual Care | 240,634 |
| Unrestricted | <u>212,719</u> |
| Total Net Position | <u>545,191</u> |

| | |
|--------------------------------------------------------------------|---------------------------|
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u><u>\$1,060,839</u></u> |
|--------------------------------------------------------------------|---------------------------|

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, 2022

| | |
|------------------------------------------|-------------------------|
| Operating Revenues | |
| Cemetery Lot Sales | \$20,000 |
| Lease Rental Income | 138 |
| Lease Interest Income | 17,702 |
| Other | 140 |
| Total Operating Revenues | <u>37,980</u> |
| Operating Expenses | |
| Administrative Expense | 6,173 |
| Depreciation | 3,276 |
| Accounting and Auditing | 2,810 |
| Cost of Cemetery Lots Sold | 603 |
| Utilities | 1,481 |
| Computer Training and Support | 2,290 |
| Legal Fees | 1,737 |
| Other Professional Services | 9,834 |
| Supplies | 104 |
| Repairs and Maintenance | 15,107 |
| Total Operating Expenses | <u>43,415</u> |
| Operating Income (Loss) | <u>(5,435)</u> |
| Nonoperating Revenues and Expense | |
| Investment Income | 740 |
| Total Nonoperating Revenues and Expenses | <u>740</u> |
| Increase (Decrease) in Net Position | (4,695) |
| Net Position, Beginning of Year | <u>549,886</u> |
| Net Position, End of Year | <u><u>\$545,191</u></u> |

See accompanying notes to the financial statements.

CITY OF KEYSTONE HEIGHTS, FLORIDA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

| | |
|--------------------------------------------------------------------------------------------|-------------------------|
| Cash Flows from Operating Activities | |
| Receipts from Customers | \$37,980 |
| Payments to Suppliers of Goods and Services | (23,416) |
| Payments for Interfund Personnel Services | (6,173) |
| Net Cash Provided (Used) by Operating Activities | <u>8,391</u> |
| Cash Flows from Investing Activities | |
| Increase in Investments | (522) |
| Interest Received | 740 |
| Net Cash Provided (Used) by Investing Activities | <u>218</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 8,609 |
| Cash and Cash Equivalents, Beginning of Year | <u>218,549</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$227,158</u></u> |
| Cash and Cash Equivalents, Unrestricted | \$191,438 |
| Cash and Cash Equivalents, Restricted | 35,720 |
| | <u><u>\$227,158</u></u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | |
| Operating Income (Loss) | (\$5,435) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Depreciation Expense | 3,276 |
| Change in Current Assets and Current Liabilities | |
| Inventory | 604 |
| Accounts Payable | 9,946 |
| Net Cash Provided (Used) By Operating Activities | <u><u>\$8,391</u></u> |

See accompanying notes to the financial statements.

CITY OF KEYSTONE HEIGHTS, FLORIDA
EMPLOYEE PENSION FUND
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2022

| | |
|------------------------------------|-------------------------|
| Assets | |
| Investments | \$203,588 |
| Contribution Receivable | <u>0</u> |
| Total Assets | <u><u>\$203,588</u></u> |
| Liabilities and Net Position | |
| Liabilities | <u>\$0</u> |
| Net Position | |
| Held in Trust for Pension Benefits | <u>203,588</u> |
| Total Net Position | <u><u>\$203,588</u></u> |

See accompanying notes to the financial statements.

CITY OF KEYSTONE HEIGHTS, FLORIDA
EMPLOYEE PENSION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | |
|----------------------------------------|-------------------------|
| Additions | |
| Contributions: | |
| Employer | \$9,269 |
| Employees | 9,270 |
| Net Investment Income (loss) | <u>(57,396)</u> |
| Total Additions | <u>(38,857)</u> |
| Deductions | |
| Benefit Payments | <u>0</u> |
| Total Deductions | <u>0</u> |
| Change in Net Position | <u>(38,857)</u> |
| Net Position Held in Trust for Pension | |
| Benefits, Beginning of Year | <u>242,445</u> |
| Net Position Held in Trust for Pension | |
| Benefits, End of Year | <u><u>\$203,588</u></u> |

See accompanying notes to the financial statements.

CITY OF KEYSTONE HEIGHTS

Notes to the Financial Statements
For the Year Ended September 30, 2022

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 Airpark Authority. The Keystone Heights Airpark 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 last year, 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 unit 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, 2022, represents \$642,116 restricted (by enabling legislation) for infrastructure improvements including the repayment of any related outstanding debt in the CIP fund, and \$145,707 restricted for economic development in the CRA fund. As of September 30, 2022, the \$240,634 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 \$44,188 as of September 30, 2022 is comprised of \$1,602 assigned for the recapitalization in the CIP fund and \$42,586 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 May 20, 2023, 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 CIP fund's actual expenditures were \$104,685 in excess of 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 contribution for the year was \$7,196. 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, 2022.

In implementing GASB 87, Leases, effective October 1, 2021, the City recognized a \$505,840 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, \$138 was applied to the lease receivable balance (and deferred inflows of resources) balance and the City recognized \$17,702 in related interest income.

The Authority leases land, hangars, and hangar space at the Airpark to various individuals and businesses primarily through lease agreements with a term of one year. In addition, the Authority has entered into 3 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%, 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 | 283,042 |
| 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 | 607,807 |
| 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 | <u>289,111</u> |
| Total | 1,179,960 |
| Less Current Portion | <u>(72,482)</u> |
| Non Current Portion | <u>\$1,107,478</u> |

During the year, the Authority recognized \$69,992 in lease revenue and \$42,633 in interest income from these leases.

As of September 30, 2022, 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> |
|-------------|---------------------|-------------------|---------------------|
| 2023 | \$ 72,482 | \$ 40,143 | \$ 112,625 |
| 2024 | 75,060 | 37,565 | 112,625 |
| 2025 | 77,729 | 34,896 | 112,625 |
| 2026 | 80,494 | 32,131 | 112,625 |
| 2027 | 83,357 | 29,268 | 112,625 |
| 2028-2032 | 463,421 | 99,703 | 563,124 |
| 2033-2037 | 264,377 | 25,623 | 290,000 |
| 2038-2042 | <u>63,040</u> | <u>3,559</u> | <u>66,599</u> |
| | <u>\$ 1,179,960</u> | <u>\$ 302,888</u> | <u>\$ 1,482,848</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, 2022, the Authority recognized \$17,112 in amortization expense and \$1,433 in interest expense as a result of this lease. The following is a summary as of September 30, 2022, of the required principal and interest payments for the next two years:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|------------------|-----------------|------------------|
| 2023 | \$ 17,156 | \$ 844 | \$ 18,000 |
| 2024 | 14,762 | 243 | 15,005 |
| | <u>\$ 31,918</u> | <u>\$ 1,087</u> | <u>\$ 33,005</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 November 2021, the Authority signed a \$57,595 agreement for engineering services for the design phase of the runway lighting project. As of September 30, 2022, \$43,306 of expenditures have been incurred and the Authority has an outstanding commitment of \$14,289 related to this contract.

NOTE 8 – DEFERRED INFLOWS OF RESOURCES

The \$505,702 balance in deferred inflows of resources for the City as of September 30, 2022, relates entirely to the long term cell tower lease as lessor.

The \$1,211,878 balance in deferred inflows of resources as of September 30, 2022 for the Authority, consists of \$1,179,960 related to long term leases as lessor and \$31,918 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, 2022, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---------------------------------------|---------------------------|---------------------------|-------------------|---------------------------|
| Governmental activities: | | | | |
| Capital Assets not being depreciated: | | | | |
| Land | \$644,312 | \$0 | \$0 | \$644,312 |
| Construction in Progress | 0 | 0 | 0 | 0 |
| Total | <u>644,312</u> | <u>0</u> | <u>0</u> | <u>644,312</u> |
| Capital Assets being depreciated: | | | | |
| Buildings and Improvements | 6,463,853 | 418,404 | 0 | 6,882,257 |
| Vehicles and Equipment | 585,983 | 9,800 | (10,641) | 585,142 |
| Infrastructure | 9,005,490 | 7,034 | 0 | 9,012,524 |
| Total | <u>16,055,326</u> | <u>435,238</u> | <u>(10,641)</u> | <u>16,479,923</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and Improvements | (4,137,074) | (322,477) | 0 | (4,459,551) |
| Vehicles and Equipment | (359,532) | (38,088) | 10,641 | (386,979) |
| Infrastructure | (7,167,289) | (333,900) | 0 | (7,501,189) |
| Total Accumulated Depreciation | <u>(11,663,895)</u> | <u>(694,465)</u> | <u>10,641</u> | <u>(12,347,719)</u> |
| Total Being Depreciated, Net | <u>4,391,431</u> | <u>(259,227)</u> | <u>0</u> | <u>4,132,204</u> |
| Total Capital Assets, net | <u><u>\$5,035,743</u></u> | <u><u>(\$259,227)</u></u> | <u><u>\$0</u></u> | <u><u>\$4,776,516</u></u> |

For the year ended September 30, 2022, depreciation expense was charged to government activities of the primary government as follows:

| | |
|------------------------|-------------------------|
| general government | \$ 16,681 |
| transportation | 368,871 |
| culture and recreation | 71,219 |
| physical environment | <u>237,694</u> |
| Total | <u><u>\$694,465</u></u> |

NOTE 9 - CAPITAL ASSETS – (continued)

Capital asset activity for the business-type activities for the year ended September 30, 2022 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---------------------------------------|------------------------------|------------------|------------------|---------------------------|
| Business-Type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$0 | \$0 | \$0 | \$0 |
| Construction in Progress | 0 | 0 | 0 | 0 |
| | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Capital Assets being depreciated: | | | | |
| Buildings and Improvements | 163,225 | 0 | 0 | 163,225 |
| Equipment | 44,007 | 0 | 0 | 44,007 |
| Total | <u>207,232</u> | <u>0</u> | <u>0</u> | <u>207,232</u> |
| Less Accumulated Depreciation for | | | | |
| Buildings and Improvements | (71,007) | (2,449) | | (73,456) |
| Equipment | (41,111) | (827) | | (41,938) |
| | <u>(112,118)</u> | <u>(3,276)</u> | <u>0</u> | <u>(115,394)</u> |
| Capital Assets being depreciated, net | <u>95,114</u> | <u>(3,276)</u> | <u>0</u> | <u>91,838</u> |
| Total Capital Assets, Net | <u>\$95,114</u> | <u>(\$3,276)</u> | <u>\$0</u> | <u>\$91,838</u> |

For the year ended September 30, 2022, \$3,276 in depreciation expense was incurred.

NOTE 9 – CAPITAL ASSETS (concluded)

Capital asset activity for the Authority for the year ended September 30, 2022 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|------------------------------------------------------------------------|----------------------|-------------------|------------------|---------------------|
| Capital Assets Not Depreciated: | | | | |
| Land | \$11,210 | \$0 | \$0 | \$11,210 |
| Construction in Progress | 18,368 | 223,429 | (1,800) | 239,997 |
| Total | 29,578 | 223,429 | (1,800) | 251,207 |
| Capital Assets Depreciated: | | | | |
| Buildings and Improvements | 19,524,710 | 225,434 | (2,707) | 19,747,437 |
| Vehicles and Equipment | 221,964 | 118,850 | (22,137) | 318,677 |
| Total | 19,746,674 | 344,284 | (24,844) | 20,066,114 |
| Lease Assets Amortized: | | | | |
| Fuel Truck Lease | 0 | 48,485 | 0 | 48,485 |
| Less Accumulated Depreciation and Accumulated Amortization: | | | | |
| Buildings and Improvements | (7,668,664) | (656,585) | 0 | (8,325,249) |
| Vehicles and Equipment | (166,493) | (17,724) | 19,956 | (164,261) |
| Fuel Truck Lease | 0 | (17,112) | 0 | (17,112) |
| Total | (7,835,157) | (691,421) | 19,956 | (8,506,622) |
| Total Capital Assets being Depreciated, net | 11,911,517 | (298,652) | (4,888) | 11,607,977 |
| Capital Assets, Net | \$11,941,095 | (\$75,223) | (\$6,688) | \$11,859,184 |

NOTE 10 – LONG-TERM OBLIGATIONS

The long-term obligation activity for the year ended September 30, 2022 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|--------------------------------------|----------------------|--------------|------------------|-------------------|------------------------|
| Primary Government | | | | | |
| Governmental Activities | | | | | |
| Compensated Absences | \$29,912 | \$174 | \$0 | \$30,086 | \$4,500 |
| Total Governmental Activities | \$29,912 | \$174 | \$0 | \$30,086 | \$4,500 |
| Component Unit | | | | | |
| Note Payable | \$28,908 | \$0 | (\$3,900) | \$25,008 | \$6,058 |
| Total Component Unit | \$28,908 | \$0 | (\$3,900) | \$25,008 | \$6,058 |

NOTE 10 – LONG-TERM DEBT (concluded)

A summary of the City’s long- term debt as of September 30, 2022 is as follows:

Component Unit

Note payable to a bank, payable in monthly installments of \$517 including interest at 3.99%. This rate will be repriced again every 36 months thereafter at 2.6% over the Federal Home Loan Bank of Atlanta’s 36 month fixed rate credit index; secured by a security agreement and assignment of rents, final payment due in December 2029.

\$25,008

As of September 30, 2022, annual debt service requirements to maturity for the outstanding long-term obligations above are as follows:

| Year | Component Unit | |
|-------|-----------------|----------------|
| | Principal | Interest |
| 2023 | \$6,058 | \$888 |
| 2024 | 6,305 | 642 |
| 2025 | 6,561 | 385 |
| 2026 | 6,084 | 118 |
| Total | <u>\$25,008</u> | <u>\$2,033</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 \$34,922 as a result of this agreement.

NOTE 12 – SUBSEQUENT EVENTS

The City and it’s component units have evaluated subsequent events and transactions through May 20, 2023, the date the financial statements were made available. The following subsequent event was identified.

In October 2021, the Airpark was awarded \$583,000 for the design and installation of runway lighting both from the Florida Department of Transportation. The amount was subsequently increased to \$785,000 in February 2023.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

The Authority’s beginning net position was increased by \$77,335 with a corresponding decrease in accounts payable for expenses related to the litigation settled in the prior year.

REQUIRED BUDGETARY SUPPLEMENTAL SCHEDULES

CITY OF KEYSTONE HEIGHTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|---------------------------------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | 590,824 | 652,075 | 666,698 | 14,623 |
| Licenses and Permits | 12,200 | 12,200 | 13,929 | 1,729 |
| Intergovernmental Programs | 215,803 | 605,461 | 555,644 | (49,817) |
| Charges for Services | 3,000 | 8,800 | 8,883 | 83 |
| Miscellaneous Revenue | 2,415 | 2,415 | 10,175 | 7,760 |
| Interfund Charges | 23,400 | (8,190) | (8,025) | 166 |
| Total Revenues | <u>847,642</u> | <u>1,272,762</u> | <u>1,247,304</u> | <u>(25,457)</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 537,991 | 510,840 | 495,698 | 15,142 |
| Public Safety | 43,150 | 47,150 | 39,685 | 7,465 |
| Transportation | 168,500 | 187,500 | 170,345 | 17,155 |
| Human Services | 6,000 | 6,000 | 4,221 | 1,779 |
| Culture and Recreation | 58,000 | 58,500 | 42,506 | 15,994 |
| Capital Outlay: | | | | |
| Economic Environment | 350,000 | 477,352 | 329,148 | 148,204 |
| Total Expenditures | <u>1,163,641</u> | <u>1,287,342</u> | <u>1,081,603</u> | <u>205,739</u> |
| Revenues Over (Under) Expenditures | <u>(315,999)</u> | <u>(14,581)</u> | <u>165,701</u> | <u>180,284</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers Out - CRA fund | (27,000) | (32,792) | (32,792) | 0 |
| Total Other Financing Sources | <u>(27,000)</u> | <u>(32,792)</u> | <u>(32,792)</u> | <u>0</u> |
| Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Financing Uses | (342,999) | (47,373) | 132,909 | 180,284 |
| Fund Balance, Beginning of Year, Restated | <u>840,622</u> | <u>840,622</u> | <u>840,622</u> | |
| Fund Balance, End of Year | <u>\$497,623</u> | <u>\$793,249</u> | <u>\$973,531</u> | |

See accompanying notes to the financial statements.

**KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT
AGENCY FUND**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------------------------------------------------------------------------------|------------------|-----------|-----------|---------------------------------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$60,000 | \$82,558 | \$82,558 | \$0 |
| County Grant | 0 | 87,415 | 41,415 | (46,000) |
| Investment revenue | 200 | 88 | 88 | 0 |
| Miscellaneous Revenue | 0 | 0 | 1,548 | 1,548 |
| Total Revenues | 60,200 | 170,061 | 125,609 | (44,452) |
| Expenditures | | | | |
| Current | | | | |
| Economic Environment | 58,550 | 46,377 | 46,377 | 0 |
| Capital Outlay | | | | |
| Economic Environment | 138,650 | 31,064 | 31,061 | 3 |
| Total Expenditures | 197,200 | 77,441 | 77,438 | 3 |
| Revenues Over (Under) Expenditures | (137,000) | 92,620 | 48,171 | (44,449) |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 27,000 | 32,792 | 32,792 | 0 |
| Total Other Financing Sources | 27,000 | 32,792 | 32,792 | 0 |
| Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Financing Uses | (110,000) | 125,412 | 80,963 | (44,449) |
| Fund Balance, Beginning of Year | 64,744 | 64,744 | 64,744 | |
| Fund Balance, End of Year | (\$45,256) | \$190,156 | \$145,707 | |

See accompanying notes to the financial statements.

CITY OF KEYSTONE HEIGHTS, FLORIDA

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

FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|-------------------------------------------|------------------|------------------|------------------|---------------------------------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$164,000 | \$164,000 | \$206,317 | \$42,317 |
| Investment revenue | 1,000 | 1,000 | 743 | (257) |
| Total Revenues | <u>165,000</u> | <u>165,000</u> | <u>207,060</u> | <u>42,060</u> |
| Current Expenditures: | | | | |
| General Government | 0 | 0 | 2,495 | (2,495) |
| Culture and Recreation | 0 | 0 | 1,868 | (1,868) |
| Capital Outlay | | | | |
| Transportation | 82,500 | 82,500 | 13,484 | 69,016 |
| Culture and Recreation | 0 | 0 | 169,338 | (169,338) |
| Total Expenditures | <u>82,500</u> | <u>82,500</u> | <u>187,185</u> | <u>(104,685)</u> |
| Revenues Over (Under) Expenditures | <u>82,500</u> | <u>82,500</u> | <u>19,875</u> | <u>(62,625)</u> |
| Fund Balance, Beginning of Year, Restated | <u>623,843</u> | <u>623,843</u> | <u>623,843</u> | |
| Fund Balance, End of Year | <u>\$706,343</u> | <u>\$706,343</u> | <u>\$643,718</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**

REDDISH & WHITE

CERTIFIED PUBLIC ACCOUNTANTS

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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 City of Keystone Heights, Florida, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise City of Keystone Heights, Florida's basic financial statements, and have issued our report thereon dated May 20, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City of Keystone Heights, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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, 2022-001 and 2022-002, to be material weaknesses.

Finding 2022-001 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 3 customers whose balances were

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 \$28,394.

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

Finding 2022-002: Improper Accounting of Separate General Ledgers for Two Bank Accounts.

Background: A bank account in the Capital Improvement (CIP) fund and a bank account (Lakes Restoration) in the General Fund are maintained in separate general ledgers. Annually their activity is posted to the fund in which it pertains to by the independent accountant. Our audit testing noted several errors in the account balances as a result of this methodology including incorrect bank balances, and incorrect classification of expenditures. By merging these bank accounts into their respective fund's general ledgers, the annual adjustments should be not as extensive and prone to error. In addition, this will enable the City to have more accurate and useful financial reporting.

Recommendation: Merge the two bank accounts into their respective fund's general ledgers as of the beginning of the year.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 2022-003: The Actual Expenditures Exceeded the Final Budgeted Expenditures of the CIP Fund

Background: The adjustments made for the end of the year balances by the independent accountant, were not reflected in the financial reports the city manager used in her final review of the budgeted expenditures to actual. As a result, the \$104,685 excess in actual expenditures over budgeted expenditures was not noted and therefore no action was taken to amend the budget.

Recommendation: Establish internal controls to ensure that all year-end accounting adjustments are determined and posted to the accounts in a timely manner (before the final internal review of actual versus budgeted expenditures).

City of Keystone Heights, Florida's Response to Findings

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. 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.

Ruddick & White, CPAs

Starke, Florida
May 20, 2023

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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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, 2022.

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, 2022.

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
May 20, 2023

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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, 2022, and have issued our report thereon dated May 20, 2023.

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 May 20, 2023, 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 are still considered unresolved.

| Tabulation of Uncorrected Audit Findings | | |
|-------------------------------------------------|-----------------------------|-----------------------------|
| Current Year Finding # | 2020-21 FY Finding # | 2019-20 FY Finding # |
| 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 note 1 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 2022-004 Improve the Account Coding of the Expenditure Accounts

Our audit disclosed instances of incorrect classification of expenditures, primarily related to capital outlay and to grant related expenditures.

The standardized chart of accounts for local governments should be referred to whenever adding accounts. Care should be taken in determining the correct coding for one-time events such as grants. When adding new accounts to a fund’s general ledger, be sure to identify which

department the expenditure relates to and, be sure to distinguish between operating expenditures and capital outlay expenditures for grant related expenditures.

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 1.
- 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 \$35,509.
- 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 - Streetscape Improvements project, total expenditures of \$75,000.
- 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 \$190,963.

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 \$190,285.
- d. All compensation earned or awarded to employee independent contractors, whether paid or accrued, regardless of contingency was \$18,307.
- 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 - Reconstruction

of Hangar Apron project, total expenditures were \$197,500; and the reconstruction of Hangar 42J Taxi Lanes project, total expenditures were \$180,122.

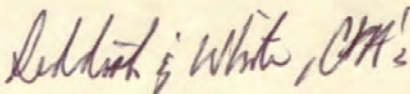
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, is not applicable.

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.



Starke, Florida
May 20, 2023

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Communication with Those Charged with Governance

May 20, 2023

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, 2022. 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 July 11, 2022. 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 \$32,792 adjustment to record the amount due to the CRA fund,
- 2) A \$447,869 adjustment to deferred revenue for the American Rescue Plan grant funds received but not expended,
- 3) A \$14,622 adjustment to accounts receivable, and
- 4) A \$45,426 adjustment to fund balance for the Lake fund accounting.

Cemetery Fund

- 1) A \$505,840 adjustment to lease receivable and a corresponding credit to the deferred inflows of resources for the long-term cell tower lease,
- 2) A \$17,702 reclassification of cell tower rent to interest income related to the cell tower lease, and
- 3) An update of the fund balances by a reclassification to the fund balance accounts of \$7,752.

CIP Fund

- 1) A \$21,133 reclassification of expenditures to the correct department, and
- 2) A \$13,771 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 May 20, 2023.

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.

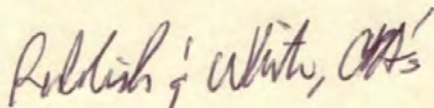
Other Audit Findings or Issues

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 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,





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



May 20, 2023

Dear Sirs,

I would like to take this opportunity to respond to the comment made by the auditors on page 43 in the City of Keystone Heights, Florida's audit report for the fiscal year ended September 30, 2022. The following is our response to the comment included in the audit report.

Finding 2022-001 Updating the Accounts Receivable At Year End

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. By not starting with an accurate listing by customer, the final annual accrual adjustments are made more difficult to determine. Our audit testing disclosed 3 customers whose balances were 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 \$28,394.

Recommendation 2022-001: Establish controls to ensure the detail by customer of the accounts receivable is properly maintained at year end.

Response 2022-001: Additional measures have been established to ensure the Accounts Receivable balance is properly reflected at year end under the accrual basis. A review of all customer balances at year end will be completed.

Finding 2022-002: Improper Accounting of Separate General Ledgers for Two Bank Accounts.

A bank account in the Capital Improvement (CIP) fund and a bank account (Lakes Restoration) in the General Fund are maintained in separate general ledgers. Annually their activity is posted to the fund in which it pertains to by the independent accountant. Our audit testing noted several errors in the account balances as a result of this methodology including incorrect bank balances, and incorrect classification of expenditures. By merging these bank accounts into their respective fund's general ledgers, the annual adjustments should not be as extensive and prone to error. In addition, this will enable the City to have more accurate and useful financial reporting.

Recommendation 2022-002: Merge the two bank accounts into their respective fund's general ledgers as of the beginning of the year.

Response 2022-002: The Bank accounts for Capital Improvement and Lakes Restoration have been fully merged into the General Fund general ledger. All activity for the year is being posted in the City's Main general ledger and no adjustments at year end will be necessary.



City of Keystone Heights

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



Finding 2022-003: The Actual Expenditures Exceeded the Final Budgeted Expenditures of the CIP Fund

The accounting adjustments made for the end of the year balances by the independent accountant, were not reflected in the financial reports the city manager used in her final review of the budgeted expenditures to actual. As a result, the \$104,685 excess in actual expenditures over budgeted expenditures was not noted and therefore no action was taken to amend the budget.

Recommendation 2022-003: Establish internal controls to ensure that all year-end accounting adjustments are determined and posted to the accounts in a timely manner (before the final internal review of actual versus budgeted expenditures).

Response 2022-003: All year end accounting adjustments will be made in order to have a final review of actual versus budgeted before year end.

Finding 2022-004: Improve the Account Coding of the Expenditure Accounts

Our audit disclosed instances of incorrect classification of expenditures, primarily related to capital outlay and to grant related expenditures.

Recommendation 2022-004: The standardized chart of accounts for local governments should be referred to whenever adding accounts. Care should be taken in determining the correct coding for one-time events such as grants. When adding new accounts to a fund's general ledger, be sure to identify which department the expenditure relates to and, be sure to distinguish between operating expenditures and capital outlay expenditures for grant related expenditures.

Response 2022-004: The standardized chart of accounts is being utilized to properly code income and expenditures. Special attention is being directed at establishing new accounts for unusual or one time occurrences to identify the correct account for coding.

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

Sincerely,


Lynnette Rutkowski
City manager