

**KEYSTONE HEIGHTS AIRPORT AUTHORITY
KEYSTONE HEIGHTS, FLORIDA**

**AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

FOR THE YEARS ENDED SEPTEMBER 30, 2024 and 2023

KEYSTONE HEIGHTS AIRPORT AUTHORITY
KEYSTONE HEIGHTS, FLORIDA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Keystone Heights Airport Authority
Starke, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of the Keystone Heights Airport Authority, a component unit of the City of Keystone, Heights, Florida, as of and for the year ended September 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Keystone Heights Airport Authority'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 the business-type activities and each major fund of the Keystone Heights Airport Authority, as of September 30, 2024 and 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Keystone Heights Airport Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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 Keystone Heights Airport Authority'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 Keystone Heights Airport Authority'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 Keystone Heights Airport Authority'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 on pages 6-9 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 October 24, 2025, on our consideration of the Keystone Heights Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Keystone Heights Airport Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Keystone Heights Airport Authority's internal control over financial reporting and compliance.

Reddish & White, CPA's

Starke, Florida

October 24, 2025

KEYSTONE HEIGHTS AIRPORT AUTHORITY

Management's Discussion and Analysis

For the Years Ended September 30, 2024 and 2023

The intent of the management's discussion and analysis is to provide highlights of the Keystone Heights Airport Authority's financial activities for the fiscal year ended September 30, 2024 and 2023. Readers are encouraged to read this section in conjunction with the accompanying financial statements.

Overview of Keystone Heights Airport Authority's (Authority) Operations

The Authority was established by the City of Keystone Heights, Florida (City) to oversee the operation and administration of the Keystone Heights Airport. The Authority is considered a dependent special district, a component unit of the City. The operating activities of the Authority are classified as "proprietary". Consequently, these activities are accounted for similar to a private business and utilize the full accrual method basis of accounting. The major activities of the Authority include the lease of airplane hangars and land, the sale of aviation fuel, and the occasional sale of timber.

Basic Financial Statements

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the Authority's basic financial statements include a statement of net position, a statement of revenue, expenses, and changes in net position, and a statement of cash flows.

The statement of net position includes the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). The difference between the assets and liabilities is shown as net position. This statement also provides the basis of evaluating the capital structure of the Authority and assessing its liquidity and financial flexibility.

The statement of revenues, expenses, and changes in net position accounts for the current year's revenues and expenses. The statement measures the success of the Authority's operations over the past year and determines whether the Authority has recovered its costs through user fees and other charges.

The final required financial statement is the statement of cash flows. This statement reports cash receipts, cash disbursements, and net changes in cash resulting from operations and other activities during the reporting period.

The notes to the basic financial statements provide a description of the accounting policies used to prepare the financial statements and present disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

Financial Highlights

- As of September 30, 2024, the assets of the Authority exceeded its liabilities by \$14,422,910. This included \$13,493,710 in capital assets net of related debt.
- Capital projects completed this year included the design phase of the taxi-lane rehabilitation project and the runway lighting project. The Authority began the

construction phase of the hangar taxi-lane rehabilitation project and the runway lighting project, both of which are financed principally by capital grants.

- The Authority's unrestricted net position increased \$175,162 from the prior year, primarily due to the net income for the year. As of September 30, 2024, unrestricted net position totaled \$836,959.

Financial Analysis of the Authority as a Whole

The following table provides the summary of significant balances for the years ended September 30, 2024, 2023, and 2022. The capital assets are shown net of depreciation.

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current assets	956,322	995,072	682,726
Capital assets	13,493,710	13,502,900	11,859,184
Other assets	1,507,178	1,614,812	1,107,478
Total assets	<u>15,957,210</u>	<u>16,112,784</u>	<u>13,649,388</u>
Current liabilities	25,815	195,591	22,096
Long-term liabilities	-	12,654	18,950
Total liabilities	<u>25,815</u>	<u>208,245</u>	<u>41,046</u>
Deferred inflows of resources	<u>1,508,485</u>	<u>1,662,899</u>	<u>1,211,878</u>
Total liabilities and deferred inflows of resources	<u>1,534,300</u>	<u>1,871,144</u>	<u>1,252,924</u>
Net position			
Invested in capital assets, net of related debt	13,493,710	13,483,942	11,801,725
Restricted for capital projects	92,241	95,901	107,871
Unrestricted	836,959	661,797	486,868
Total net position	<u>14,422,910</u>	<u>14,241,640</u>	<u>12,396,464</u>

The Authority has a favorable current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations.

Note that 85% of the Authority's net assets are classified as capital assets. The Authority uses these capital assets to provide services to its tenants and customers. These capital assets are funded in large part from grants from various government agencies.

The following is a summary of the Authority's increase (decrease) in net position for the years ended September 30, 2024, 2023, and 2022.

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating Revenue			
Fuel Sales	\$884,172	\$1,135,560	\$1,046,507
Rental Income	406,164	354,843	340,550
Timber Sales	-	-	84,112
Interest from Leases	58,223	56,711	42,633
Miscellaneous	38,079	51,424	25,054
Total	<u>1,386,638</u>	<u>1,598,538</u>	<u>1,538,856</u>
Operating Expenses			
Cost of Fuel Sold	625,830	868,195	831,618
Depreciation Expense	725,355	661,848	674,308
Amortization Expense	14,261	17,112	17,112
Administrative Expense	227,835	211,740	204,974
Cost of Timber Sold	-	0	86,999
Other Operating Expense	341,116	380,223	341,856
Total	<u>1,934,397</u>	<u>2,139,118</u>	<u>2,156,867</u>
Operating Income (Loss)	(547,759)	(540,580)	(618,011)
Nonoperating Revenues			
Investment Income	-	-	1,011
Insurance Proceeds	399	554	3,331
CARES Act	-	-	32,000
Capital Grants	730,427	2,320,316	323,429
Total	<u>730,826</u>	<u>2,320,870</u>	<u>359,771</u>
Nonoperating Expenses			
Interest Expense	(1,797)	(5,583)	(4,523)
Change in Net Position	<u>\$181,270</u>	<u>\$1,774,707</u>	<u>(\$262,763)</u>

Financial Highlights of the Authority's Operations

Fuel Sales

The volume of fuel sales decreased 22%. The related profit margin on fuel sales increased to 29% from 24% in the prior year.

Lease Rental Income

The rental income continues to increase as the capacity and occupancy continues to increase.

Capital Assets

There was one capital project in progress at year end.

The west side service road perimeter fence and gate improvement project has begun with a cost of \$15,402. The total project costs are projected to total \$200,000 and was 8% complete at September 30, 2024.

The Authority's equipment purchases during the fiscal year included an access control system.

Long Term Debt

As mentioned above, the Authority is able to obtain grants from various government authorities for the vast majority of its capital projects. During the year ended September 30, 2024, the Authority paid the scheduled monthly payments on its previously existing debt obligations. As a result, the principal balance was reduced by \$18,958. See Note 8 to the financial statements for more information regarding these loans.

Economic Environment and Next Year's Rates

The Authority's rental income from the Hangars is expected to increase a small percentage. The fuel sales are expected to not significantly change. The Authority does not anticipate the sales of any timber for the next year.

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Authority's administrative office at (352) 473-0031.

KEYSTONE HEIGHTS AIRPORT AUTHORITY
CITY OF KEYSTONE HEIGHTS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024 AND 2023

	2024	2023
Assets		
Cash and Cash Equivalents	\$705,529	\$551,394
Cash and Cash Equivalents - Restricted	87,800	82,748
Investments	4,477	4,310
Accounts Receivable, Net	7,450	6,542
Lease Receivables, Current Portion	107,634	103,794
Due from Other Governments - Restricted	4,441	180,763
Inventory	38,991	65,521
Total Current Assets	<u>956,322</u>	<u>995,072</u>
Lease Receivables, Noncurrent Portion	1,436,709	1,544,343
Total Noncurrent Assets	<u>1,436,709</u>	<u>1,544,343</u>
Capital Assets		
Land	11,210	11,210
Other Assets, Net of Accumulated Depreciation	13,467,097	10,917,895
Construction in Progress	15,403	2,559,534
Fuel Truck Lease, Net of Accumulated Amortization	-	14,261
Capital Assets	<u>13,493,710</u>	<u>13,502,900</u>
Other Assets		
Timber	70,469	70,469
Other Assets	<u>70,469</u>	<u>70,469</u>
Total Assets	<u>\$15,957,210</u>	<u>\$16,112,784</u>
Liabilities		
Accounts Payable	\$8,699	\$5,502
Accounts Payable - Restricted	-	167,610
Accrued Expenses and Other	13,146	11,955
Deposits	3,970	4,220
Long Term Obligations, Current Portion	-	6,304
Total Current Liabilities	<u>25,815</u>	<u>195,591</u>
Long Term Obligations, Noncurrent Portion	-	12,654
Total Noncurrent Liabilities	<u>-</u>	<u>12,654</u>
Total Liabilities	<u>25,815</u>	<u>208,245</u>
Deferred Inflow of Resources		
Related to leases	<u>1,508,485</u>	<u>1,662,899</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	13,493,710	13,483,942
Restricted for Capital Projects	92,241	95,901
Unrestricted	<u>836,959</u>	<u>661,797</u>
Total Net Position	<u>14,422,910</u>	<u>14,241,640</u>
Total Liabilities and Net Position	<u>\$15,957,210</u>	<u>\$16,112,784</u>

See accompanying notes to the financial statements.

KEYSTONE HEIGHTS AIRPORT AUTHORITY
CITY OF KEYSTONE HEIGHTS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Operating Revenues		
Fuel Sales	\$884,172	\$1,135,560
Rental Income	406,164	354,843
Interest from Leases	58,223	56,711
Miscellaneous	38,079	51,424
Total Operating Revenues	<u>1,386,638</u>	<u>1,598,538</u>
Operating Expenses		
Depreciation	725,355	661,848
Amortization	14,261	17,112
Bad Debt Expense	269	-
Cost of Fuel Sold	625,830	868,195
Administrative Expense	227,835	211,740
Repairs and Maintenance	77,285	101,072
Insurance	100,693	93,089
Utilities	25,371	32,082
Taxes	22,763	21,132
Accounting and Auditing	39,800	24,700
Other Professional Fees	20,572	29,544
Office Supplies and Expense	31,687	29,294
Credit Card Service Fees	11,277	12,141
Special Events	-	14,780
Advertising	3,295	5,387
Utility Feasibility	8,104	17,002
Total Operating Expenses	<u>1,934,397</u>	<u>2,139,118</u>
Operating Income (Loss)	<u>(547,759)</u>	<u>(540,580)</u>
Nonoperating Revenues and Expenses		
Insurance Proceeds	399	554
Interest Expense	(1,797)	(5,583)
Total Nonoperating Revenues and Expenses	<u>(1,398)</u>	<u>(5,029)</u>
Income (Loss) before Capital Grants	(549,157)	(545,609)
Capital Grants	<u>730,427</u>	<u>2,320,316</u>
Net Income (Loss)	181,270	1,774,707
Net Position, Beginning of Year	14,241,640	12,396,464
Prior Period Adjustment	<u>-</u>	<u>70,469</u>
Net Position, End of Year	<u>\$14,422,910</u>	<u>\$14,241,640</u>

See accompanying notes to the financial statements.

KEYSTONE HEIGHTS AIRPORT AUTHORITY
CITY OF KEYSTONE HEIGHTS
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
Cash Flows from Operating Activities		
Receipts from Customers	\$1,334,862	\$1,582,576
Payments to Suppliers of Goods and Services	(1,104,830)	(1,070,345)
Payments for Administrative Costs	(226,644)	(213,202)
Net Cash Provided by (Used by) Operating Activities	<u>3,388</u>	<u>299,029</u>
Cash Flows from Capital and Related Financing Activities		
Property, Plant, and Equipment Acquisitions	(730,427)	(2,308,594)
Principal Payments on Capital Debt	(18,958)	(6,050)
Proceeds from Capital Grants and CARES Act	906,749	2,154,098
Interest Paid	(1,797)	(5,583)
Net Cash Provided by (Used by) Capital and Related Financing Activities	<u>155,567</u>	<u>(166,129)</u>
Cash Flows from Investing Activities		
Insurance Proceeds	399	554
Reinvestment of Interest	(167)	(24)
Net Cash Provided by (Used by) Investing Activities	<u>232</u>	<u>530</u>
Net Increase (Decrease) in Cash and Cash Equivalents	159,187	133,430
Cash and Cash Equivalents, Beginning of Year	<u>634,142</u>	<u>500,712</u>
Cash and Cash Equivalents, End of Year	<u>\$793,329</u>	<u>\$634,142</u>
Unrestricted Cash and Cash Equivalents	\$705,529	\$551,394
Restricted Cash and Cash Equivalents	87,800	82,748
Total Cash and Cash Equivalents	<u>\$793,329</u>	<u>\$634,142</u>
Reconciliation of Operating Income to Net Cash Provided by (Used by) Operating Activities		
Operating Income (Loss)	(\$547,759)	(\$545,609)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used by) Operating Activities:		
Depreciation and Amortization Expense	739,615	664,878
Change in Current Assets and Current Liabilities		
Accounts Receivable, Net	(906)	(1,806)
Lease Receivables	103,794	(463,148)
Inventory	26,530	20,444
Accounts Payable	(164,413)	171,711
Accrued Expenses and Other	1,191	(1,462)
Deferred Inflows of Resources, Leases	(154,414)	451,021
Deposits	(250)	3,000
Net Cash Provided by (Used by) Operating Activities	<u>\$3,388</u>	<u>\$299,029</u>

See accompanying notes to the financial statements.

KEYSTONE HEIGHTS AIRPORT AUTHORITY
CITY OF KEYSTONE HEIGHTS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The Keystone Airport Authority (hereafter referred to as the Authority) was established by the City of Keystone Heights, Florida (the City) under City Ordinance 91-194 to oversee the operation and administration of the Keystone Heights Airport. The Authority is considered a dependent special district, a component unit of the City. The Authority is included in the City’s basic financial statements as a component unit. The Authority has seven (7) members who are appointed by the City council for three (3) year terms.

Basis of Accounting – The accounting policies of the Authority conform to the generally accepted accounting policies as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting. The following is a summary of the more significant accounting policies.

The financial statements are presented on the accrual basis of accounting. The Authority follows all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Financial Statement Presentation – The principal activities of the Authority are the sale of fuel, and the rental of airplane hangars and parcels of land. The operating expenses include the cost of sales, administrative expenses, depreciation of related capital assets, and other costs normally incurred in operating activities. Other revenues recognized and other expenses incurred are generally included as nonoperating revenues and expenses.

Accounts Receivable –The Authority’s policy does not require collateral when granting credit to its customers. The Organization uses historical information about the customers’ ability to pay when determining the allowance for doubtful accounts. The accounts receivable have been adjusted for all known doubtful accounts.

Inventory – Inventory consists of aviation fuel and timber, valued at the lower of cost or market. Timber is classified as an other asset.

Capital Assets – Property, plant, and equipment are recorded at historical cost. Donated capital assets are recorded at the estimated fair market value on the date of receipt. Assets capitalized have a useful life greater than one year and have an original cost of \$1,500 or greater. Maintenance and repairs on capital assets are charged to expense as incurred. Construction in progress is not depreciated until placed in service. The provision for depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

<u>Capital Assets</u>	<u>Years</u>
Buildings, Runways, and Improvements	10 - 40
Equipment and Vehicles	5 - 10

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

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. As of September 30, 2024, the restricted net position totaling \$92,241 consists of amounts constrained for capital projects.

Unrestricted net position – consist of all other net positions that do not meet the definition of restricted or net investment in capital assets.

The Authority’s policy is to first apply restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted resources are available.

NOTE 2 – CASH DEPOSITS AND INVESTMENTS

The cash equivalents consist of checking accounts and time certificates of deposit with an original maturity of ninety days or less. Investments consist of time certificates of deposit with an original maturity of greater than ninety days. The investments are recorded at fair market value.

All monies collected by the Authority are required to be deposited in accordance with the laws of the State of Florida. Section 218.415 (17), Florida Statutes, authorizes the Authority 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 Authority are covered by Federal depository insurance or by collateral held by the Authority’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 Authority has not adopted a formal deposit and investment policy that limits the Authority’s allowable deposits and investments. However, the Authority limits its investments to time certificate of deposits with maturities ranging from three months to one year.

NOTE 3 – RISK MANAGEMENT

The Authority is exposed to various risks including risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; deficient performance of contractors, and natural disasters. The Authority is insured to cover these type of losses through the following types of insurance coverage: (1) workers’ compensation and employer’s liability, (2) general liability and automobile liability, (3) real and personal property damage, (4) automobile physical damage, and (5) bonding of contractors. No claims exceeded coverage in each of the last three years.

NOTE 4 – LEASES RECEIVABLE

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

	Lease Receivables	
	2024	2023
In October 2019, the Authority entered into a warehouse lease, as lessor, receivable in monthly installments of \$2,410 for an initial term of 5 years. There are two options to renew for additional periods of 5 years each and an implicit borrowing rate of 3.50%	\$ 243,711	\$ 263,721
In May 2020, the Authority entered into a warehouse lease, as lessor, receivable in monthly installments of \$5,175 for an initial term of 5 years. There are two options to renew for additional periods of 5 years each and an implicit borrowing rate of 3.50%	523,345	566,314
In November 2020, the Authority entered into a warehouse lease, as lessor, receivable in monthly installments of \$1,800 for an initial term of 10 years. There are two options to renew for additional periods of 5 years each and an implicit borrowing rate of 3.50%	265,362	277,443
In January 2023, the Authority entered into a warehouse lease, as lessor, receivable in monthly installments of \$4,153 for an initial term of 5 years. There are two options to renew for additional periods of 5 years each and an implicit borrowing rate of 4.00%	511,925	540,659
Total	<u>\$ 1,544,343</u>	<u>\$ 1,648,137</u>
Less Current Portion	<u>(107,634)</u>	<u>(103,794)</u>
Noncurrent Portion	<u>\$ 1,436,709</u>	<u>\$ 1,544,343</u>

During the year, the Authority recognized \$138,624 in lease revenue and \$57,062 in interest income from these leases.

As of September 30, 2024, 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>
2025	107,634	54,829	162,463
2026	111,617	50,845	162,462
2027	115,749	46,714	162,462
2028	120,032	42,430	162,463
2029	124,475	36,166	160,642
2030- 2034	694,993	119,089	814,082
2035- 2039	246,918	23,054	269,972
2040- 2043	22,924	477	23,401
	<u>1,544,343</u>	<u>373,603</u>	<u>1,917,946</u>

NOTE 5 – LEASES PAYABLE

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 Airport 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, 2024, the Authority recognized \$14,261 in amortization expense and \$658 in interest expense as a result of this lease. The lease term ended in July 2024.

At September 30, 2024 the Authority has no outstanding lease payable.

NOTE 6– 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 expenses which may be disallowed by the grantor(s) cannot be determined at this time although the Authority expects amounts, if any, to be immaterial.

In May 2024, the Authority signed a \$200,000 agreement for construction services for the design and construction phase of the west side service road perimeter fence and gate improvement project. As of September 30, 2024, \$15,402 of expenses have been incurred and the Authority has an outstanding commitment of \$184,598 related to this contract.

In August 2024, the Authority signed a \$950,000 agreement for construction services for the design and construction phase of the fuel farm expansion and rehabilitation project. As of September 30, 2024, no expenses have been incurred and the Authority has an outstanding commitment of \$950,000 related to this contract.

NOTE 7 – DEFERRED INFLOWS OF RESOURCES

The \$1,508,485 balance in deferred inflows of resources balance as of September 30, 2024 consists of \$1,508,485 related to long term leases as lessor (see note 4 and 5).

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2024, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Depreciated:				
Land	\$ 11,210	\$ -	\$ -	\$ 11,210
Construction in Progress	<u>2,559,534</u>	<u>15,402</u>	<u>(2,559,533)</u>	<u>15,403</u>
Total	<u>2,570,744</u>	<u>15,402</u>	<u>(2,559,533)</u>	<u>26,613</u>
Capital Assets Depreciated:				
Buildings and Improvements	19,747,437	3,274,557	-	23,021,994
Vehicles and Equipment	<u>307,733</u>	<u>-</u>	<u>-</u>	<u>307,733</u>
Total	<u>20,055,170</u>	<u>3,274,557</u>	<u>-</u>	<u>23,329,727</u>

NOTE 8 – CAPITAL ASSETS (concluded)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Lease Assets Amortized:				
Fuel Truck Lease	48,485	-	-	48,485
Total	48,485	-	-	48,485
Less Accumulated Depreciation and Accumulated Amortization:				
Buildings and Improvements	(8,965,493)	(706,386)	-	(9,671,879)
Vehicles and Equipment	(171,782)	(18,969)	-	(190,751)
Fuel Truck Lease	(34,224)	(14,261)	-	(48,485)
Total	(9,171,499)	(739,616)	-	(9,911,115)
Total Capital Assets being Depreciated, Net	10,932,156	2,534,941	-	13,467,097
Capital Assets, Net	\$ 13,502,900	\$ 2,550,343	\$ (2,559,533)	\$ 13,493,710

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

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

NOTE 9 – NOTES PAYABLE

The following is a summary of the note payable as of September 30, 2024 and 2023, respectively:

	2024	2023
Note payable to a local bank, payable in monthly installments of \$517 including interest at 3.99%, starting in 2021 and adjusted every 36 months thereafter to 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 lease rents on hangars; final payment due December 2029	\$ -	\$ 18,958
Total	-	18,958
Less Current Portion	-	(6,304)
Noncurrent Portion	\$-	\$ 12,654

	Balance 10/1/2023	Additions	Reductions	Balance 9/30/2024	Due Within One Year
Long-Term Liabilities					
Notes Payable	\$18,958	\$-	\$18,958	\$-	\$-

NOTE 10 – SUBSEQUENT EVENTS

The Authority has evaluated subsequent events and transactions through October 24, 2025, the date the financial statements were made available. There were no subsequent events identified requiring disclosure.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

The 2023 beginning fund balance was increased by \$70,469 with a corresponding increase in the timber inventory for amounts previously recognized as sold.

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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 Board of Directors of
Keystone Heights Airport Authority
Starke, 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 business-type activities, and each major fund of the Keystone Heights Airport Authority, a component unit of the City of Keystone Heights, Florida, as of and for the year ended September 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise Keystone Heights Airport Authority's basic financial statements, and have issued our report thereon dated October 24, 2025.

Report on Internal Control over Financial Reporting

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

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

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

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

Reddish & White, CPA's

Starke, Florida

October 24, 2025

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INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT

To the Board of Directors of
Keystone Heights Airport Authority
Starke, Florida

We have examined Keystone Heights Airport Authority's compliance with the requirements of Section 218.415, Florida Statutes during the fiscal year ended September 30, 2024 and 2023. Management is responsible for Keystone Heights Airport Authority's compliance with those requirements. Our responsibility is to express an opinion on Keystone Heights Airport Authority'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 Keystone Heights Airport Authority's compliance with those requirements and performing such other procedures as we consider 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 Keystone Heights Airport Authority's compliance with specified requirements.

In our opinion, the Keystone Heights Airport Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2024 and 2023.

This report 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, Federal and other granting agencies, the Board members and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Reddish & White, CPA's

Starke, Florida

October 24, 2025

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Board of Directors of
Keystone Heights Airport Authority
Starke, Florida

Report on the Financial Statements

We have audited the financial statements of the Keystone Heights Airport Authority, as of and for the fiscal year ended September 30, 2024 and 2023, and have issued our report, thereon dated October 24, 2025.

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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated October 24, 2025, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Keystone Heights Airport Authority discloses this information 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 Keystone Heights Airport Authority 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 Keystone Heights Airport Authority did not meet any of these conditions described in Section 218.503(1), Florida Statutes.

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Special District Component Units

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

The Authority is considered a component unit of the City of Keystone Heights, Florida. 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 Airport Authority reported:

- a. The total number of district employees compensated in the last pay period of the district's fiscal year as 6.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 2.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$227,835.

- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$10,510.
- e. Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenses for such project – Runway lighting project, total expenses were \$510,259 and reconstruction of hangar 42 J taxi lanes, total expenses were \$185,565.
- 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 Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Reddish & White, CPA's
Starke, Florida
October 24, 2025

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Directors of
Keystone Heights Airport Authority
Starke, Florida

We have audited the financial statements of the business-type activities and each major fund of Keystone Heights Airport Authority for the year ended September 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 13, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Keystone Heights Airport Authority are described in Note 1 to the financial statements.

We noted no transactions entered into by Keystone Heights Airport Authority 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 estimates affecting the Keystone Heights Airport Authority's financial statements are:

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 statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Material adjustments needed were primarily to convert your accounting records from the cash basis to accrual basis and to adjust (1) record depreciation and amortization, (2) reclassify construction phase costs to construction in progress, (3) record receivables and accounts payable for grant projects and (4) record lease receivable and deferred inflows for a new lease. The following summarizes the material adjustments.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 October 24, 2025.

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 Keystone Heights Airport Authority'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 Keystone Heights Airport Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

Very truly yours,

Reddish & White, CPA's