KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT AGENCY

KEYSTONE HEIGHTS, FLORIDA

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2025

KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT AGENCY

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SEPTEMBER 30, 2025

Powell and Jones CPA

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Keystone Heights Community Redevelopment Agency (CRA), a component unit of the City of Keystone Heights, Florida (the City) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the CRA, as of September 30, 2025, 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 CRA, 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 CRA'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 CRA'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 CRA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 23, 2026, on our consideration of the CRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the CRA's internal control over financial reporting and compliance.

Powell & Jones

Powell and Jones CPA
Lake City, Florida
June 23, 2026

KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT AGENCY

Management's Discussion and Analysis
For the Year Ended September 30, 2025

Within this section of the Keystone Heights Community Redevelopment Agency (CRA) annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the CRA for the year ended September 30, 2025. This discussion and analysis of the CRA's financial performance provides an overview of the CRA's financial activities for the year ended September 30, 2025. Please read it in conjunction with the CRA's financial statements that follow.

Financial Highlights

- As of September 30, 2025, the assets of the CRA exceeded its liabilities by $736,531 (net position). The CRA's net position increased by $158,348 as a result of this year's operations.
- During the year, the CRA spent 23,439 on capital projects

Overview of the Financial Statements

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

Government-wide Financial Statements

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

The first of these government-wide statements is the Statement of Net Position. This is the CRA-wide statement of financial position presenting information that includes all of the CRA'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 CRA as a whole is improving or deteriorating.

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

Both government-wide financial statements distinguish governmental activities of the CRA that are principally supported by ad-valorem taxes.

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

Fund Financial Statements

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

Governmental funds

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

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

Notes to the Financial Statements

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

Financial Analysis of the CRA as a Whole

The CRA's net position increased by $158,348 from the prior year. The following table is a summary of the CRA's net position for September 30, 2025 and 2024:

	2025	2024
Assets:		
Current Assets	$ 370,076	$ 220,222
Capital Assets, Net	368,394	357,961
Total Assets	$ 738,470	$ 578,183
Liabilities:		
Accounts Payable	$ 1,939	$ -
Net Position:		
Net Investment in Capital Assets	368,394	357,961
Restricted	368,137	220,222
Total Net Position	$ 736,531	$ 578,183

The following is a summary of the CRA's increase in net position for the years ended September 30, 2025 and 2024.

	2025	2024
Revenues:		
Taxes	$ 209,456	$ 227,901
Interest	2,913	3,437
Miscellaneous Revenue	1,379	3,190
Total Revenues	$ 213,748	$ 234,528
Expenses:		
Economic Environment	$ (55,400)	$ (62,900)
Change in Net Position	$ 158,348	$ 171,628

Financial Analysis of the CRA's General Fund

The CRA's governmental fund is reported in the fund financial statements with a short term, inflow and outflow of spendable resource focus. This information may be useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. For the year ended September 30, 2025, the fund reported an excess of revenues over expenditures of $147,915. The approximate expenditures toward capital projects decreased from $243,272 last year to $23,439 this year.

Fund Budgetary Highlights

The CRA incurred $65,833 in expenditures for the year, which was under the total budget expenditures by $9,367. This was primarily due to the decrease in capital outlay expenditures.

The CRA's actual results ended up approximately $1,115 more favorable than budgeted.

Capital Asset and Debt Administration

The CRA incurred approximately $23,439 in expenditures related to capital projects. The CRA does not have any long-term debt.

Economic Environment and Next Year's Budgets and Rates

The CRA's budget for the following year includes $110,000 funding from the City as the incremental match required. The CRA budgeted a total of $490,142 in expenditures with $423,00 toward capital projects. The remaining budgeted expenditures are for operating and administrative costs. The CRA will continue to plan projects and improvements that align with its redevelopment priorities. Additionally, the City and the CRA will continue to partner to encourage private sector development in the designated downtown area.

Contacting the CRA's Financial Management

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

Basic Financial Statements

KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT AGENCY

STATEMENT OF NET POSITION
September 30, 2025

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	370,076
Other Assets		
Capital Assets, Net of Depreciation		368,394
TOTAL ASSETS	$	738,470
LIABILITIES		
Accounts Payable	$	1,939
NET POSITION		
Net Invested in Capital Assets		368,394
Restricted		370,076
TOTAL NET POSITION		738,470
TOTAL LIABILITIES AND NET POSITION	$	738,470

See accompanying notes to the financial statements.

KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2025

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position
Functions/Programs					
Government Activities:					
Economic Environment	$ 55,400	$ -	$ -	$ -	$ (55,400)
General Revenues:					
Tax Increment Revenues					209,456
Investment Income					2,913
Miscellaneous					1,379
Total General Revenues					213,748
Change in Net Assets					158,348
Net Position, Beginning of Year					578,183
Net Position, Ending of Year					$ 736,531

See accompanying notes to the financial statements.

KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT AGENCY

BALANCE SHEET
September 30, 2025

Assets		
Current Assets		
Cash and Cash Equivalents	$	370,076
Liabilities and Fund Balances		
Liabilities		
Accounts Payable	$	1,939
Fund Balances		
Restricted		368,137
Total Liabilities and Fund Balance	$	370,076

See accompanying notes to the financial statements.

KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT AGENCY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
September 30, 2025

Total Fund Balance - Total Governmental Funds	$	368,137
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets of $407,235, net of accumulated depreciation of $38,840, are not financial resources and, therefore, are not reported in the funds.		368,394
Total Net Position of Governmental Activities	$	736,531

See accompanying notes to the financial statements.

KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT AGENCY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
September 30, 2025

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Tax Increment Revenues	$ 220,000	$ 220,000	$ 209,456	$ (10,544)
Investment Revenue	2,000	2,000	2,913	913
Miscellaneous Revenue	-	-	1,379	1,379
Total Revenues	222,000	222,000	213,748	(8,252)
Expenditures				
Current				
Economic Environment	50,200	50,200	42,394	7,806
Capital Outlay				
Economic Environment	25,000	25,000	23,439	1,561
Total Expenditures	75,200	75,200	65,833	9,367
Revenues Over (Under) Expenditures	146,800	146,800	147,915	$ 1,115
Fund Balance, Beginning of Year	220,223	220,223	220,222	
Fund Balance, End of Year	$ 367,023	$ 367,023	$ 368,137	

See accompanying notes to the financial statements.

KEYSTONE HEIGHTS COMMUNITY REDEVELOPMENT AGENCY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
September 30, 2025

Net Change in Fund Balance - Total Governmental Funds	$	147,915
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 capital asset additions of $23,439 exceed depreciation of $13,006.		10,433
Change in Net Position of Governmental Activities	$	158,348

See accompanying notes to the financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

The CRA is governed by the same members of the City's council, which provides substantial funding for operations and adopts the annual budget for the CRA. The CRA's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Basis of Presentation

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

Deposits and Investments

Highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. As of September 30, 2025, the cash and cash equivalent balance consists of a checking account.

All monies collected by the CRA 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 CRA are covered by Federal depository insurance or by collateral held by the CRA'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 CRA has not adopted a formal deposit and investment policy that limits the CRA's allowable deposits and investments. However, the CRA limits its investments to time certificates of deposit with maturities ranging from three months to one year.

Receivables

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

Capital Assets

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

Capital assets are defined by the CRA 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 CRA are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Building and Improvements	30
Vehicles and Equipment	10

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

Fund Equity Classifications

Government-wide, Proprietary, and Trust Fund Statements

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

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

Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Restricted net position as of September 30, 2025, represents $368,137 restricted for economic development.

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

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

Fund Financial Statements

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

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

Restricted fund balance – this classification represents amounts restricted to specific purposes that are either externally imposed by creditors, grantors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. This definition is the same as the definition of restricted net position used in government-wide financial reporting. Restricted fund balance as of September 30, 2025, represents $368,137 restricted for economic development.

Committed fund balance – this classification represents amounts restricted for specific purposes by formal action of the government’s highest level of decision-making authority (i.e. ordinance). Assigned fund balance – this classification represents amounts constrained by the government’s intent to be used for specific purposes but are neither restricted nor committed.

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

The CRA'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 CRA has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 23, 2026, the date the financial statements were made available. No significant subsequent events have been identified.

NOTE 2 – TAX INCREMENTAL FINANCING REVENUE

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

NOTE 3 – COMMITMENTS AND CONTINGENCIES

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

NOTE 4 – RISK MANAGEMENT

The CRA 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 CRA (through the City) carries insurance. Insurance against losses are provided through the Florida League of Cities, Inc. for the following types of risk: general liability, real and personal property damage, and automobile liability, commercial crime, workers compensation, health insurance, public official. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Depreciated				
Buildings and Improvements	$ 344,811	$ 23,439	$ -	$ 368,250
Equipment	38,985	-	-	38,985
Total Capital Assets Depreciated	383,796	23,439	-	407,235
Less Accumulated Depreciation for:				
Buildings and Improvements	(13,815)	(9,108)	-	(22,923)
Equipment	(12,020)	(3,898)	-	(15,918)
Total Accumulated Depreciation	(25,835)	(13,006)	-	(38,841)
Total Capital Assets Being Depreciated, Net	$ 357,961	$ 10,433	$ -	$ 368,394

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

Powell and Jones CPA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Keystone Heights Community Redevelopment Agency (the Agency), a component unit of the City of Keystone Heights, Florida (the City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency's financial statements, and have issued our report thereon dated June 23, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Powell & Jones

Powell and Jones CPA
Lake City, Florida
June 23, 2026

Powell and Jones CPA

204 N. Marion Ave.
Lake City, FL 32055
Phone 386.755.4200

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

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

We have examined the Keystone Heights Community Redevelopment Agency's (CRA) compliance with the requirements of Section 218.415, Florida Statutes during the fiscal year ended September 30, 2025. Management is responsible for the Agency's compliance with those requirements. Our responsibility is to express an opinion on the Agency's compliance based on our examination.

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

In our opinion, the Agency complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2025.

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.

Powell & Jones

Powell and Jones CPA
Lake City, Florida
June 23, 2026

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204 N. Marion Ave.
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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 163.387(6) and (7), FLORIDA STATUTES

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

We have examined the Keystone Heights Community Redevelopment Agency's (the Agency) compliance with the requirements of Section 163.387 (6) and (7), Florida Statutes, as of and for the year ended September 30, 2025, as required by Section 10.556 (10)(a), Rules of the Auditor General. Management is responsible for the Agency's compliance with those requirements. Our responsibility is to express an opinion on the Agency's compliance based on our examination.

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

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

Powell & Jones

Powell and Jones CPA
Lake City, Florida
June 23, 2026

Powell and Jones CPA

204 N. Marion Ave.
Lake City, FL 32055
Phone 386.755.4200

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Keystone Heights Community Redevelopment Agency, a component unit of the City of Keystone Heights, Florida (the City) as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated June 23, 2026.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Florida Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards; and Independent Accountant's Reports on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports which are dated June 20, 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.

The findings in the preceding financial audit report were corrected.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information is disclosed in Note1 of the financial statements.

Financial Condition and Management

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

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

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

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the Keystone Heights Community Redevelopment Agency shall provide a statement as to whether a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, did or did not operate within the Keystone Heights Community Redevelopment Agency's geographical boundaries during the fiscal year ended September 30, 2025. The Keystone Heights Community Redevelopment Agency did not operate a PACE program.

Special District Component Units

Section 10.554(1)(i)5.c, Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes.

In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39 (3) (b), Florida Statutes.

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

a. The total number of district employees compensated in the last pay period of the Agency's fiscal year was 0. The Agency has no employees but receives administrative, engineering, and project management support from the City staff.

b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the Agency's fiscal year was 0.

c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency was $0.

d. All compensation earned or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency was $10,470.

e. Each construction project with total costs of at least $65,000 approved by the Agency that is scheduled to begin on or after October 1 of the fiscal year being reported, together with total expenditures for such project - No projects meet this criteria.

f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, 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.

Powell & Jones

Powell and Jones CPA
Lake City, Florida
June 23, 2026

Powell and Jones CPA

204 N. Marion Ave.
Lake City, FL 32055
Phone 386.755.4200

Communication with Those Charged with Governance

June 23, 2026

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

We have audited the financial statements of the governmental activities and each major fund of the Keystone Heights Community Redevelopment Agency (the Agency), a component unit of the City of Keystone Heights, Florida (the City) as of and for the year ended September 30, 2025. 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 June 23, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

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

The most sensitive estimate affecting the Agency's financial statements was:

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

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

Difficulties Encountered During the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 23, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the government unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants. Other Audit Findings or Issues We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the government unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

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

Very truly yours,

Powell & Jones

Powell and Jones CPA
Lake City, Florida
June 23, 2026

Prior Year Audit Findings and Corrections

2024-1: Status of Unspent Funds at Year End

Condition: Moneys remaining in the Agency trust fund on the last day of the Agency's fiscal year totaled $368,137. Our review of the Agency records and discussions with City personnel disclosed that the Agency did not demonstrate that the moneys remaining in the Agency trust fund were appropriated to a specific project or otherwise disposed of in accordance with State law.

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

Current Year Status: We appropriated all remaining funds to specific redevelopment projects pursuant to the 2025 Community Redevelopment Area Plan . This can be seen in the 2025/26 CRA Budget Lines.

This finding has been substantially corrected

2024-3: Budget Submission

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

Recommendation: We recommend the Agency submit its budget and any subsequent amendments to Clay County within 10 days of adoption. This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Current Year Status: We mailed the approved 2025/26 CRA Budget to Clay County Return Receipt in early October. We also mailed the Amended CRA Budget to Clay County in June.

This finding has been substantially corrected