



Sexton & Schnoll

CERTIFIED PUBLIC ACCOUNTANTS

**CITY OF HAWTHORNE, FLORIDA
COMMUNITY REDEVELOPMENT AGENCY**

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2020

**CITY OF HAWTHORNE, FLORIDA
COMMUNITY REDEVELOPMENT AGENCY
September 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the CRA Commission
City of Hawthorne, Florida Community Redevelopment Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hawthorne, Florida Community Redevelopment Agency (CRA), as of and for the years ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements as listed in the table of contents.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Hawthorne, Florida Community Redevelopment Agency, as of September 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hawthorne, Florida Community Redevelopment Agency's basic financial statements. The introductory section is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Matters (Continued)

Prior Year Information

Entity-wide financial statements were audited at the City-wide level by us and we report thereon, dated May 6, 2021. The accompanying balance sheet of City of Hawthorne, Florida Community Redevelopment Agency as of September 31, 2019, and the related statements of for the year then ended were not audited, reviewed, or compiled by us, and, accordingly, we do not express an opinion or any other form of assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2021, on our consideration of the City of Hawthorne, Florida Community Redevelopment Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hawthorne, Florida Community Redevelopment Agency's internal control over financial reporting and compliance.



SEXTON & SCHNOLL
Certified Public Accountants
November 16, 2021

**CITY OF HAWTHORNE COMMUNITY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

The management of the City of Hawthorne Community Redevelopment Agency (the CRA) offers readers of the CRA's financial statements this narrative overview and analysis of the financial activities of the CRA for the fiscal year ended September 30, 2020. This discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the CRA's financial activities and identify changes in the CRA's financial position. It is intended to be an easily readable analysis of the CRA's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

The CRA

The CRA was created under Chapter 163, Florida Statutes, and City of Hawthorne (the City) Ordinances No. 1893 (for Downtown district) and No. 2839 (for Vine Street district). The Governing Board of the CRA (the Board) is the City Commission and, therefore, the City exercises significant influence over its operations and fiscal management.

The CRA is considered a component unit of the City for financial reporting purposes and is included as a blended special revenue fund within the City's overall basic financial statements. These financial statements are presented for the purpose of complying with state law, specifically Florida Statute Section 163.387(8)(a), which requires separate audited financial statements for each Community Redevelopment Agency that has revenues or expenditures that exceed \$100,000.

Financial Highlights

- The assets of the CRA exceeded its liabilities at the close of the most recent fiscal year by \$668,580 (net asset).
- The CRA's fund balance decreased by \$20,962 as a result of 2020 operations.
- Revenues for fiscal year 2020 were \$84,047 while expenditures totaled \$104,009.
- For the period ended September 30, 2020, budgeted revenues exceeded actual revenues by \$7,888 while actual expenditures were \$7,534 less than budgeted expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the CRA's basic financial statements, which are comprised of the following four (4) components:

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements
- Required Supplementary Information

**CITY OF HAWTHORNE COMMUNITY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the CRA's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents financial information on 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 is improving or deteriorating.

The *Statement of Activities* presents information showing how the CRA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements listed above distinguish functions of the CRA that are principally supported by ad-valorem taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activity of the CRA is general government. The CRA currently has no business-type activities.

The government-wide financial statements include only the activities of the CRA. However, the CRA is considered a blended component unit of the City and, as such, the financial information of the CRA is also included in the City's Comprehensive Annual Financial Report for each fiscal year

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The CRA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the CRA's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the CRA's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund

**CITY OF HAWTHORNE COMMUNITY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Governmental Funds (Continued)

Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

General Fund

The General Fund is the primary operating fund of the CRA and accounts for all financial resources of the CRA.

Restricted Fund Balance

Fund Balance should be reported as restricted when constraints are placed on the use of resources, such as enabling legislation which authorizes the government to assess, levy, charge, or otherwise mandate payment of resources. All of the CRA's fund balance is considered restricted.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information (RSI)

Included in this section of the report is the Budgetary Comparison Schedule.

**CITY OF HAWTHORNE COMMUNITY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Government-Wide Financial Analysis

Statement of Net Assets

The following table reflects a summary of the Statement of Net Assets for the current and prior year as of September 30:

	City Of Hawthorne Community Redevelopment Agency	
	2020	2019
Cash and cash equivalents	\$ 402,589	\$ 302,144
Other assets	316,944	431,149
Total Assets	719,533	733,293
Other liabilities	50,953	43,753
Total Liabilities	50,953	43,753
Net assets:		
Restricted	397,447	257,492
Unrestricted	271,133	432,048
Total net assets	\$ 668,580	\$ 689,540

As noted earlier, net asset may serve over time as a useful indicator of the CRA's financial position. In the case of the CRA, assets exceeded liabilities by \$668,580 (net asset) as of the close of the most recent fiscal year, a decreased approximately by \$21,000 or 3.0% in comparison with the prior year.

The largest portion of the City's net assets reflects its CRA Receivable from the City (\$236,602) related to the Interlocal Agreement with the City.

**CITY OF HAWTHORNE COMMUNITY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Government-Wide Financial Analysis (Continued)

Statement of Activities

The following table reflects the Statement of Activities for the current and prior year for the fiscal year ended September 30:

	Total Government	
	2020	2019
Revenues:		
Program revenues		
Grants and contributions	\$ 28,498	\$ 29,572
General revenues		
State shared revenues	44,251	45,851
Interest	11,297	12,713
Total revenues	<u>84,047</u>	<u>88,136</u>
Expenses:		
Economic environment	<u>104,009</u>	<u>38,640</u>
Total expenses	<u>104,009</u>	<u>38,640</u>
Changes in net assets	(19,962)	49,496
Beginning net assets	689,540	640,044
Prior period adjustment	(998)	-
Ending net assets	<u>\$ 668,580</u>	<u>\$ 689,540</u>

Fiscal year 2020 activities decreased the CRA's net asset by approximately \$21,000 from the prior year. Expenses increased by approximately \$65,000 from additional work on redevelopment projects during the 2020 year.

Financial Analysis of the CRA's Funds

Governmental Funds

The focus of the CRA's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the CRA's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The CRA's fund balance of \$ 668,580 is for redevelopment projects within the CRA districts.

**CITY OF HAWTHORNE COMMUNITY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Budgetary Highlights

An annual budget is prepared for the CRA and approved by the Board. The CRA's FY budget for 2019-20 was adopted in September 2019. There were no changes made to the FY 2019-20 budget. A comparison to actual results can be reviewed in supplementary information beginning on page 22.

Capital Assets and Debt Administration

The CRA's capital assets are considered to be property of the City and, therefore, are included as capital assets in the City's government-wide financial statements. Capital asset activity for the year ended September 30, 2020, can be found in the City's audited financial statements.

At September 30, 2020, the CRA had no long-term debt. Throughout each fiscal year, the CRA provides funds to the City's General Fund to cover a portion of the long-term debt that was incurred to be used for redevelopment and infrastructure projects.

Economic Factors and Future Developments

The CRA will continue to plan projects and infrastructure improvements that align with its redevelopment priorities for the designated districts. The CRA will continue to implement the community's shared development goals through its redevelopment strategies and critical tasks.

Financial Contact

The CRA's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have any questions about the report or need additional financial information, please contact the City Manager at P.O. Box 1270, Hawthorne, Florida 32640.

CITY OF HAWTHORNE, FLORIDA COMMUNITY REDEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
September 30, 2020

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and Cash Equivalents	\$ 5,142	44,652
Prepaid Assets	-	67,355
CRA Receivable	236,603	266,953
Total Current Assets	<u>241,745</u>	<u>378,960</u>
Restricted Assets		
Cash and Cash Equivalents	397,447	257,492
Total Restricted Assets	<u>397,447</u>	<u>257,492</u>
Non-current Assets		
Deposits	-	16,500
Due from other funds	80,341	80,341
Total Non-current Assets	<u>80,341</u>	<u>96,841</u>
TOTAL ASSETS	<u>\$ 719,533</u>	<u>\$ 733,293</u>
<u>LIABILITIES AND NET ASSETS</u>		
Non-current Liabilities		
Due to other funds	50,953	43,753
Total Non-current Liabilities	<u>50,953</u>	<u>43,753</u>
TOTAL LIABILITIES	<u>50,953</u>	<u>43,753</u>
Net Assets		
Restricted net assets	397,447	257,492
Unrestricted net assets	271,133	432,048
TOTAL NET ASSETS	<u>\$ 668,580</u>	<u>\$689,540</u>

CITY OF HAWTHORNE COMMUNITY REDEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
For the Years Ended September 30, 2020 and 2019

Functions / Programs	Expenses	Program Revenue			Net Revenue (Expense) and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities 2020	2019
Governmental Activities						
General government	\$ -	\$ -	\$ 28,498	\$ -	\$ 28,498	\$ 29,572
Economic environment	104,009	-	-	-	(104,009)	(38,640)
Total governmental activities	<u>\$ 104,010</u>	<u>\$ -</u>	<u>\$ 28,498</u>		<u>\$ (75,510)</u>	<u>\$ (9,068)</u>
General Revenues						
State shared revenues					44,251	45,851
Interest					11,297	12,713
Total general revenue					<u>55,548</u>	<u>58,564</u>
Change in net assets					(19,962)	49,496
Net assets, beginning of year					689,540	640,044
Prior period adjustment					(998)	-
Net assets, end of year					<u>\$ 668,580</u>	<u>\$ 689,540</u>

**CITY OF HAWTHORNE, FLORIDA COMMUNITY REDEVELOPMENT AGENCY
GOVERNMENTAL FUND
BALANCE SHEET
September 30, 2020**

	2020	2019
Assets		
Cash and Cash Equivalents	\$ 402,589	\$ 302,144
Prepaid Assets	-	67,355
CRA Receivable	236,603	266,953
Deposits	-	16,500
Due from other funds	80,341	80,341
Total Assets	\$ 719,533	\$ 733,293
 Liabilities and Fund Balances		
Liabilities		
Due to other funds	50,953	43,753
Total Liabilities	50,953	43,753
 Fund Balances		
Restricted:		
Reserved Downtown development	397,477	257,492
Interfund receivable	80,341	80,341
Unrestricted net assets	190,792	351,707
Total Net Assets	\$ 668,580	\$ 689,540
 Total Liabilities and Fund Balance	 \$ 719,533	 \$ 733,293
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets		
Fund balance-Governmental Funds	\$ 668,580	\$ 689,540
 Amount reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	-	-
 Net assets of governmental activities	 \$ 668,580	 \$ 689,540

**CITY OF HAWTHORNE, FLORIDA COMMUNITY REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
For the Fiscal Years Ended September 30, 2020 and 2019**

	2020	2019
Revenue		
Intergovernmental revenue	\$ 72,749	\$ 75,423
Interest	11,297	12,713
Total Revenue	\$ 84,047	\$ 88,136
 Expenditures		
Economic environment	104,009	38,640
Total Expenditures	104,009	38,640
 Excess of revenues over expenditures	 (19,962)	 49,496
Net changes in fund balances	689,540	640,044
Prior period adjustment	(998)	-
Total Net Assets	\$ 668,580	\$ 689,540

**CITY OF HAWTHORNE, FLORIDA COMMUNITY REDEVELOPMENT AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Fiscal Years Ended September 30, 2020 and 2019**

	2020	2019
Net change in fund balances - total governmental funds	\$ (19,962)	\$ 49,496
 Amount reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives	-	-
Repayments of loan principal are expenditures in the governmental funds but the repayment reduces long-term liabilities in the statement of net assets.	-	-
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	-	-
 Change in net assets of governmental activities	 \$ (19,962)	 \$ 49,496

CITY OF HAWTHORNE, FLORIDA COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Hawthorne, Florida Community Redevelopment Agency (the CRA) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB Statement 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and interpretations), constitutes GAAP for governmental units.

A. Reporting Entity

The City of Hawthorne, Florida Community Redevelopment Agency (the "CRA") was created in 1993 by the City of Hawthorne City Council under Chapter 163, Part III, of the Florida Statutes. This dependent special district was established for the fostering of economic development within the downtown district, by City Ordinance 94-1. The governing board is the City Commission which also establishes the agency's budget. Because this component unit is part of the City's operations, it has been reported on a blended basis in the City's governmental financial statements.

The purpose of the Community Redevelopment Agency (CRA) is to bring the economic revitalization of an established target area, to create a re-investment environment that attracts private investors into the area, to promote improvements within the redevelopment area through renovation and restoration of buildings, as well as to encourage new construction.

B. Financial Statements

These financial statements are presented for the purpose of complying with state law, specifically Florida Statutes, Section 163.387(8)(a), which requires separate audited financial statements for each Community Redevelopment Agency that has revenues or expenditures that exceed \$100,000. Entity-wide financial statements are prepared at the City-wide level by the City and include the CRA. Copies of that report can be obtained from the City's Finance Department.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are resources when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF HAWTHORNE, FLORIDA COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Fund Financial Statements

The underlying accounting system of the CRA is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Tax increment financing revenue and interest associated with the current fiscal period is considered to be measurable and has been recognized as revenues of the current fiscal year, if available. When both restricted and unrestricted resources are available for use, it is the CRA's policy to use restricted resources first, and then unrestricted resources as they are needed. The

CRA reports the General Fund as a major governmental fund. The General Fund is used to account for all financial resources received by the CRA. The General Fund serves as the primary operating fund of the CRA. The CRA does not have any non-major funds.

Governmental Funds. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the CRA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the CRA.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of available spendable resources. Governmental funds operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

E. Assets, Liabilities and Net Position

Cash and Investments - Cash includes amounts in demand deposits as well as short-term money market investment accounts. Investments, consisting of certificates of deposit, are stated at cost which approximates market value. All such deposits and investments are insured and collateralized as required by state law.

CITY OF HAWTHORNE, FLORIDA COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities and Net Position (Continued)

Cash Equivalents - For purposes of the statement of cash flows, the CRA considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. As of September 30, 2020, the CRA's cash consisted solely of checking, savings, and money market accounts; it has no other cash equivalents.

Allowance for Doubtful Accounts - No allowances for doubtful accounts as at September 30, 2020. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered collectible as reported at September 30, 2020.

Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivables/payables." Any residual balances outstanding between the governmental activities and business-type activities are reported in the CRA's government-wide financial statements as "due to/from other funds." All other receivables are shown net of an allowance for doubtful accounts. Any receivables in excess of 180 days would comprise the trade accounts receivable allowance for doubtful accounts. As of the balance sheet date, there were no such accounts.

Restricted Assets - Certain net assets of the CRA are classified as restricted assets on the statement of net assets because their use is limited either by constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributions, or laws or regulations of other governments. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted net assets and then from unrestricted net assets.

Capital Assets - Capital assets include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, rights-of-way, and similar items). The CRA's capital assets are considered to be property of the City and, therefore, are included as capital assets in the City's government-wide financial statements. Capital asset activity for the year ended September 30, 2020, can be found in the City's audited financial statements. As the capital assets are retained by the City, the CRA contributes capital to the City's General Fund for capital outlay related to the CRA's redevelopment and infrastructure projects.

Net Position - The government-wide statements utilize a net position presentation. Restricted net position is unspent tax increment financing revenues that are restricted for future redevelopment projects. Unrestricted net position represents the net position of the CRA that is not restricted for any project or purpose.

Nature and Purpose of the Fund Balance - In the fund financial statements, the governmental fund reports fund classifications that comprise a hierarchy based primarily on the extent to which the CRA is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. Amounts that are restricted to specific purposes either by: a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through constitutional provisions or enabling legislation, are classified as

CITY OF HAWTHORNE, FLORIDA COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, Liabilities and Net Position (Continued)

restricted fund balances.

Amounts that can only be used for specific purposes pursuant to constraints imposed by the Board through an ordinance are classified as committed fund balances. Amounts that are constrained by the CRA's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Assignments are made by the Board or the CRA Manager. Non-spendable fund balances include amounts that cannot be spent because they are either: a) not in spendable form, or b) legally or contractually required to be maintained intact. Unassigned fund balance represents fund balance that is not restricted, committed, or assigned to specific purposes within the General Fund.

Unspent tax increment financing revenues are restricted for future redevelopment projects and are reported as restricted fund balance in the financial statements. Unassigned fund balance, if any, represents fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund.

G. Other Significant Accounting Policies

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 reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Contributions and Payments to City - Capital outlay is contributed by the CRA to the City's General Fund for capital outlay incurred for the CRA's redevelopment and infrastructure projects. The CRA also makes payments to the City's General Fund to cover a portion of the debt that was incurred and related to the CRA's redevelopment and infrastructure projects.

Payroll-Related Expenses and Liabilities - The employees that manage or are involved in day-to-day operations of the CRA are employees of the City. Per an agreement with the City, the CRA is charged an administrative fee related to those employees. Payroll-related activity for the year ended September 30, 2020, can be found in the City's audited financial statements.

H. Nature and Purpose of the Fund Balance

In the fund financial statements, the governmental fund reports fund classifications that comprise a hierarchy based primarily on the extent to which the CRA is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. Amounts that are restricted to specific purposes either by: a) constraints placed on the use of resources by creditors, grantors,

CITY OF HAWTHORNE, FLORIDA COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Nature and Purpose of the Fund Balance (Continued)

contributors, or laws or regulations of other governments, or b) imposed by law through constitutional provisions or enabling legislation, are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the Board through an ordinance or resolution are classified as committed fund balances.

Amounts that are constrained by the CRA's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Assignments are made by the Board or the City Manager. Non-spendable fund balances include amounts that cannot be spent because they are either: a) not in spendable form, or b) legally or contractually required to be maintained intact. Unassigned fund balance represents fund balance that is not restricted, committed, or assigned to specific purposes within the general fund.

Unspent tax increment financing revenues are restricted for future redevelopment projects and are reported as restricted fund balance in the financial statements. Unassigned fund balance, if any, represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund.

NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Statement of Net Position and Governmental Fund Balance Sheet

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position of governmental activities as reported in the governmentwide statement of net position.

Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances

The governmental fund statement of revenues, expenditures, and changes in fund balance includes no adjustments to the statements of activities for the current year.

NOTE 3. LEGAL COMPLIANCE-BUDGETS

The CRA follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the City Manager develops a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted by the City Commission through passage of an ordinance.
4. Any revision that alters the total expenditures of any fund or transfers budgeted amounts between departments within any fund must be approved by the City Commission.

CITY OF HAWTHORNE, FLORIDA COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 3. LEGAL COMPLIANCE-BUDGETS (Continued)

5. Budgets for all City funds are adopted on a basis consistent with relevant standards. Budgeted amounts are as originally adopted, or as amended by the City Commission.

Individual amendments were not material in relation to the original appropriations which were amended. The budget for the fiscal year 2019-2020 was adopted by the CRA Commission in September 2019.

NOTE 4. CASH AND INVESTMENTS

Deposits: The CRA maintains all of its cash in checking, certificates of deposit and money market accounts at local banking institutions. At September 30, 2020, the carrying amount of the CRA's bank balance was \$402,589. These balances were 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 for amounts held in excess of FDIC insurance coverage in accordance with the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.

Investments: Under state law, the CRA is allowed to invest surplus funds in guaranteed obligations of the U.S. government, interest bearing accounts of financial institutions which are legally secured, and the Local Government Surplus Funds Trust Fund. At year end, there were no such investments.

NOTE 5. TAX INCREMENT FINANCING

The CRA is primarily funded through tax increment financing revenue. The tax increment revenue is calculated by applying the adopted millage rate to the increase in current year taxable assessed valuations within the designated CRA districts, using the year in which they were established as the "base year".

Thereafter, any tax revenues due to increases in value in excess of the base are dedicated to the redevelopment area. The generated revenue is known as TIF and are funded each year from Alachua County and the City of Hawthorne.

NOTE 6. COMMUNITY REDEVELOPMENT AGENCY RECEIVABLE

In April 2017, the Community Redevelopment Agency entered an Interlocal Agreement with the City in the amount of \$285,000. The agreement carried 4.25% annual interest and is receivable over fifteen years in monthly installments of \$2,144. The agreement was made to purchase and improve a new building for City Hall.

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	15,981	9,747	25,728
2022	16,674	9,054	25,728
2023	17,396	8,332	25,728
2024	18,150	7,578	25,728
2025	18,937	6,791	25,728
2026 - 2030	107,729	20,910	128,639
2031 - 2032	41,736	1,856	43,321
	<u>\$ 236,602</u>	<u>\$ 63,998</u>	<u>\$ 300,600</u>

CITY OF HAWTHORNE, FLORIDA COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 7. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State and Federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the CRA expects such amounts, if any, to be immaterial.

NOTE 8. RISK MANAGEMENT

The CRA is exposed to various risks of loss related to theft of, damage to and destruction of assets; and injury or death on the job of all employees. These risks are primarily covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial or workers' compensation insurance coverage for the past three years.

NOTE 9. SUBSEQUENT EVENTS

In preparing these financial statements, the CRA has evaluated events and transactions for potential recognition or disclosure through November 16, 2021, the date the financial statements were available to be issued. No such events were noted.

**CITY OF HAWTHORNE COMMUNITY REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
For the Fiscal Year Ended September 30, 2020**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUE				
Intergovernmental revenue	\$ 76,495	\$ 76,495	\$ 72,749	\$ (3,746)
Interest	12,940	12,940	11,297	(1,643)
Other Revenue	22,107	22,107	-	(22,107)
Total Revenue	<u>111,542</u>	<u>111,542</u>	<u>84,047</u>	<u>(27,496)</u>
EXPENDITURES				
Current Expenditures				
Economic environment	<u>111,542</u>	<u>111,542</u>	<u>104,009</u>	<u>(7,534)</u>
Total expenditures	<u>111,542</u>	<u>111,542</u>	<u>104,009</u>	<u>(7,534)</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(19,962)</u>	<u>(19,962)</u>
Net changes in fund balances	-	-	(19,962)	(19,962)
Fund balances, beginning of year	-	-	689,540	689,540
Prior period adjustment	-	-	(998)	(998)
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 668,580</u>	<u>\$ 668,580</u>

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

To the Honorable Mayor
And Members of the CRA Commission
City of Hawthorne, Florida Community Redevelopment Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hawthorne, Florida Community Redevelopment Agency, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Hawthorne, Florida's basic financial statements, and have issued our report thereon dated November 16, 2021.

Internal Control over Financial Reporting

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

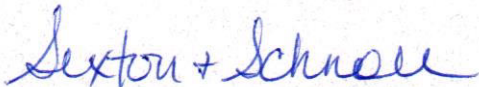
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hawthorne, Florida Community Redevelopment 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 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.



Sexton & Schnoll
Certified Public Accountants
November 16, 2021

Management Letter

To the Honorable Mayor and
Members of the CRA Commission
City of Hawthorne, Florida Community Redevelopment Agency

We have audited the basic financial statements of the City of Hawthorne, Florida Community Redevelopment Agency (the CRA) as of and for the year ended September 30, 2020 and have issued our report thereon dated May 6, 2021.

We have issued our Independent Auditor's Report and 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*, dated May 6, 2021. Disclosures in those reports and schedules, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards* issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which governs the conduct of local governmental entity audits performed in the State of Florida and require that the following be addressed in this letter:

This letter includes the following information, which is not included in the aforementioned auditors' reports or schedules.

- 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 report. These requirements are addressed in the schedule of findings that accompanies this letter.
- Section 10.554(1)(i)2 *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the Investment of Public Funds. The CRA complied with Section 218.415, *Florida Statutes*, regarding the investment of public funds.
- Section 10.554(1)(i)3 *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. Accordingly, we recommend that accounting staff pay close attention to reviewing old balances in the inter-fund accounts and making appropriate accounting adjustments.
- Section 10.554(1)(i)4 *Rules of the Auditor General*, requires that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse that have an effect on the determination of financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)5 *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both qualitative and quantitative factors: (1) violations of provisions of contracts or grant agreements, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6 *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 annual financial audit report for the CRA includes the accounts and transactions of its Community Redevelopment Agency, which is considered a blended component unit pursuant to Chapter 163 of the Florida Statutes.
- Section 10.554(1)(i)7(a) *Rules of the Auditor General*, requires a statement to be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. The CRA reported no conditions described in Section 218.503(1), Florida Statutes that result in a financial emergency.

Pursuant to Section 10.554(1)(i)7(c) and 10.556(7) *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the CRA's financial condition, and our financial condition assessment was based in part on representation made by management and the review of financial information provided to us by same.

Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.554.

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.

Rural Economic and Community Development Requirements - We are providing the following additional information relative to our examination of the financial statements of the City of Hawthorne, Florida Community Redevelopment Agency, for the year ended September 30, 2020, as provided in the audit requirements for USDA-Rural Development borrowers.

- Generally accepted auditing procedures were performed in this audit.
- Financial statements have been prepared on a comparative basis.
- Internal control was evaluated and is discussed in the prior sections of this audit report.
- Accounting records and physical control over assets were adequate.
- The accounting records of the CRA have been adjusted to agree with the audited financial statements.
- The CRA's funds are in banking institutions that are Qualified Public Depositories as described in Chapter 280 of the Florida Statutes.
- A summary of the CRA's insurance coverage is shown in the annual report to USDA-Rural Development.

- The CRA is exempt from Federal Income Tax.
- We found nothing to indicate that financial compliance with loan agreements had not occurred.
- As of September 30, 2020, the City of Hawthorne, Florida Community Redevelopment Agency had sufficient restricted cash to comply with its Bond Covenants.

CONCLUSION

We have reviewed each of our specific findings with appropriate officials or employees and have provided them with documentation as requested. We very much enjoyed the challenges and experiences associated with this year's audit of the CRA. We wish to thank Ellen Vause and Wendy Sapp, CRA Manager and staff for the assistance and courtesy afforded us.



Sexton & Schnoll
Certified Public Accountants
November 16, 2021



Schedule of Findings and Response

To the Mayor and
Members of the CRA Commission
City of Hawthorne, Florida Community Redevelopment Agency

We have audited the basic financial statements of the City of Hawthorne, Florida Community Redevelopment Agency (the CRA) as of and for the year ended September 30, 2020, and have issued our report thereon dated November 16 2021, which was unqualified.

We have issued our Independent Auditor's Report and 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*, dated November 16, 2021. Disclosures in these reports, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards* issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida and require that the following be addressed in this letter:

Current Year Finding- Financial Statements:

2020-1: CRA classifications

Criteria: There is an improper coding within the CRA accounts. In some cases, non-CRA transactions have been recorded as CRA transactions, and the reverse is also true.

Condition: In most cases, balances carried forward from prior year transactions.

Effect: Account balances are not accurate.

Cause: Some transactions are not recorded accurately.

Recommendation: Maintain proper recording to ensure that CRA books are accurate and complete.



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the CRA Commission
City of Hawthorne, Florida Community Redevelopment Agency

We have examined the City of Hawthorne, Florida Community Redevelopment Agency's Compliance with Section 218.415, Florida Statutes, regarding the investment in the public funds during the year ended September 30, 2020. Management is responsible for the CRA's compliance with those requirements. Our responsibility is to express an opinion on the CRA'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 the CRA'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 CRA's compliance with the specified requirements.

In our opinion, CRA complied, in all material respects, with aforementioned requirements for the year ended September 30, 2020.

This report is intended solely for the information and use of the CRA and the Auditor General, State of Florida, and it not intended to be and should not be used by anyone other than these specified parties.

Sexton & Schnoll
Certified Public Accountants
November 16, 2021