

**COMMUNITY REDEVELOPMENT AGENCY**

**CITY OF HAWTHORNE, FLORIDA**

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

**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2022**

REDDISH AND WHITE  
CERTIFIED PUBLIC ACCOUNTANTS

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

**TABLE OF CONTENTS  
SEPTEMBER 30, 2022**

	Page
<b>Independent Auditor’s Report</b>	1 - 3
<b>Required Supplementary Information:</b> Management’s Discussion and Analysis	4 - 7
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements</b>	
Statement of Net Position	8
Statement of Activities	9
<b>Fund Financial Statements</b>	
<b>Governmental Funds Financial Statements</b>	
Balance Sheet	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Notes to Financial Statements	14 - 19
 <b>Additional Elements of Report Prepared in Accordance with Government Auditing Standards, and the Rules of the Auditor General:</b>	
Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20 – 21
Independent Accountant’s Report on Compliance with Section 218.415, Florida Statutes	22
Independent Accountant’s Report on Compliance with Section 163.387, Florida Statutes	23 – 24
Independent Auditor’s Management Letter	25 – 27
Communication with those Charged with Governance	28 - 30
 Auditee Response	

# **REDDISH & WHITE**

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Disclaimer of Opinion**

We were engaged to audit the accompanying financial statements of the governmental activities and the major fund of the Community Redevelopment Agency (the Agency), a component unit of the City of Hawthorne, Florida (the City) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements as listed in the table of contents.

We do not express an opinion on the financial statements of the Agency referred to above. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

### **Basis for Disclaimer of Opinions**

We were unable to obtain sufficient appropriate audit evidence regarding the fund balance, the interfund balances, and the net position balance. We were unable to obtain sufficient appropriate audit evidence because the Agency fund was maintained with all of the other funds of the City in one general ledger with no internal controls to prevent from posting one side (debit or credit) of a transaction to one fund and the other side of the same transaction to another fund. In addition, the individual fund balance for the Agency was not maintained separately, that is, one general ledger account was used for all of the City funds. As a result, we were unable to obtain sufficient appropriate audit evidence regarding the fund balance, the interfund balances, and the net position balance.

### **Responsibility of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on these financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

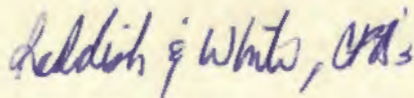
### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an

essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2024, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Agency's internal control over financial reporting and compliance.



Starke, Florida  
March 30, 2024

## Management's Discussion and Analysis

Within this section of the Community Redevelopment Agency of the City of Hawthorne, Florida (the Agency) annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the Agency for the fiscal year ended September 30, 2022. This discussion and analysis of the Agency's financial performance provides an overview of the Agency's financial activities for the fiscal year ended September 30, 2022. Please read it in conjunction with the Agency's financial statements that follow.

### Financial Highlights

- As of September 30, 2022, the assets of the Agency exceeded its liabilities by \$685,252 (net position). The Agency's net position increased by \$36,353 as a result of this year's operations.
- During the year, the Agency expended \$43,391 in the planning phase of the SE 221 Street project.

### Overview of the Financial Statements

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

### Government-wide Financial Statements

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

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

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

Both government-wide financial statements distinguish governmental activities of the Agency that are principally supported by ad-valorem taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or

a significant portion of their costs through user fees and charges. The governmental activities in the Agency are primarily economic development.

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

### **Fund Financial Statements**

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

### **Governmental funds**

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

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

### **Notes to the Financial Statements**

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

## Financial Analysis of the Agency as a Whole

The Agency's net position increased by \$36,353 from the prior year. The capital assets are shown net of depreciation. The following table provides the details for the years ended September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Current and other assets	\$685,464	\$729,852
Capital assets	<u>43,391</u>	<u>0</u>
Total assets	<u>728,855</u>	<u>729,852</u>
Long-term debt	43,603	50,953
Current liabilities	<u>0</u>	<u>30,639</u>
Total liabilities	<u>43,603</u>	<u>81,952</u>
Net position:		
Net Investment in capital assets	43,391	0
Restricted	641,861	410,502
Unrestricted	<u>0</u>	<u>237,758</u>
Total net position	<u>\$685,252</u>	<u>\$648,260</u>

The following is a summary of the Agency's increase in net position for the years ended September 30, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
<b>Revenues</b>		
Tax Incremental Financing	\$79,398	\$ 72,681
Investment	<u>10,272</u>	<u>9,186</u>
Total	<u>89,670</u>	<u>81,867</u>
<b>Expenditures</b>		
General Government	38,175	0
Economic Environment	<u>15,142</u>	<u>102,187</u>
Total	<u>53,317</u>	<u>102,187</u>
Change in net position	<u>\$ 38,353</u>	<u>\$(20,320)</u>

## Financial Analysis of the Agency's General Fund

The Agency's governmental fund is reported in the fund financial statements with a short-term, inflow and outflow of spendable resource focus. This information may be useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. For the year ended September 30, 2022, the fund reported an excess of revenues over expenditures of \$10,994. The revenue and expenditures were consistent with the prior year. The reporting of the principal payments on the note receivable as revenue in the current year of \$18,033, accounts for the change in the presentation.



## **Fund Budgetary Highlights**

The Agency's budget was not amended for the year. The tax increment revenues were over \$6,700 more than budgeted. As a result, the total revenues were over \$8,700 more than budgeted.

The Agency incurred \$7,775 more in general government operating expenditures than budgeted, due to the lack of budgeting for the audit fees of \$9,000. This was offset by expending less on capital projects by \$9,975. As a result, an overall favorable variance on the expenditures of \$2,200 resulted.

As a result, the Agency actual results ended up approximately \$10,992 more favorable than the final budgeted amounts.

## **Capital Asset and Debt Administration**

The Agency incurred approximately \$43,391 in planning fees related to the SE 221 Street improvement project. These costs are considered construction in progress as they will be added to the construction costs in determining the total cost of the project.

The Agency does not have any long-term debt.

## **Economic Environment and Next Year's Budgets and Rates**

The Agency's budget for the following year is not expected to change significantly from the current year budget. The Agency will continue to plan projects and improvements that align with its redevelopment priorities. Additionally, the City and the Agency will continue to partner to encourage private sector development in the designated downtown area.

## **Contacting the Agency's Financial Management**

This financial report is designed to provide users with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City's office at (352) 481-2432.

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

STATEMENT OF NET POSITION  
SEPTEMBER 30, 2022

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Assets

Current Assets

Cash and Cash Equivalents	\$426,525
Due from Water Fund	54,991
Note Receivable	203,948
Capital Assets	<u>43,391</u>

Total Assets \$728,855

Liabilities and Net Position

Liabilities

Accounts Payable and Accrued Liabilities	\$0
Due to General Fund	<u>43,603</u>

Total Liabilities 43,603

Net Position

Net Investment in Capital Assets	43,391
Restricted for Redevelopment	<u>641,861</u>

Total Net Position 685,252

Total Liabilities and Net Position \$728,855

See accompanying notes to the financial statements.

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

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Government Activities:					
General Government	\$38,175	\$0	\$0	\$0	(\$38,175)
Economic Environment	15,142	0	0	0	(15,142)
Total Governmental Activities	<u>53,317</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(53,317)</u>
General Revenues:					
					79,398
					10,272
					0
Total General Revenues					<u>89,670</u>
Change in Net Assets					36,353
Net Position, Beginning of Year, Restated					<u>648,899</u>
Net Position, Ending of Year					<u>\$685,252</u>

See accompanying notes to the financial statements.

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

BALANCE SHEET  
SEPTEMBER 30, 2022

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Assets	
Current Assets	
Cash and Cash Equivalents	\$426,525
Due from Water Fund	<u>54,991</u>
Total Assets	<u><u>\$481,516</u></u>
Liabilities and Fund Balances	
Liabilities	
Current Liabilities	
Accounts Payable and Accrued Expenses	\$0
Due to General Fund	<u>43,603</u>
Total Liabilities	<u>43,603</u>
Fund Balance	
Nonspendable	54,991
Restricted	<u>382,922</u>
Total Fund Balance	<u>437,913</u>
Total Liabilities and Fund Balance	<u><u>\$481,516</u></u>

See accompanying notes to the financial statements.

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

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

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Total Fund Balance - Total Governmental Funds	\$437,913
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$43,391, net of accumulated depreciation of \$0, are not financial resources and, therefore, are not reported in the funds.	43,391
The long term note receivable is not considered a financial resource under the modified accrual basis of accounting and, therefore, is not reported in the funds.	<u>203,948</u>
Total Net Position of Governmental Activities	<u><u>\$685,252</u></u>

See accompanying notes to the financial statements.

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

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Tax Increment Revenues	\$72,681	\$72,681	\$79,398	\$6,717
Repayment on Note Receivable				
Principal	16,676	16,676	18,033	1,357
Interest	9,054	9,054	9,840	786
Investment revenue	500	500	432	(68)
Total Revenues	98,911	98,911	107,703	8,792
Expenditures				
Current				
General Government	30,400	30,400	38,175	(7,775)
Capital Outlay				
Economic Environment	68,509	68,509	58,534	9,975
Total Expenditures	98,909	98,909	96,709	2,200
Revenues Over (Under) Expenditures	2	2	10,994	10,992
Fund Balance, Beginning of Year, Restated	426,919	426,919	426,919	
Fund Balance, End of Year	\$426,921	\$426,921	\$437,913	

See accompanying notes to the financial statements.

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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Net Change in Fund Balances - Total Governmental Funds	\$10,994
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.	43,391
Governmental funds report the principal portion of the repayment of the note receivable as revenue. However, in the statement of net position, the repayments of the principal are recorded as a reduction of the note receivable asset balance.	<u>(18,032)</u>
Change in Net Position of Governmental Activities	<u><u>\$36,353</u></u>

See accompanying notes to the financial statements.

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# **COMMUNITY REDEVELOPMENT AGENCY**

## **City of Hawthorne, Florida**

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

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Financial Reporting Entity**

In 1993, the Community Redevelopment Agency (the Agency) was established by the City of Hawthorne (the City) pursuant to Ordinance 94-1, to carry out the community redevelopment purposes of Florida Statute, Chapter 163. A subsequent amendment was made to the Agency through Ordinance 94-8. The City Commission plus two appointed citizens serves as the Agency Board and the City maintains operational responsibility for the Agency's activities. Although legally separate, the Agency is appropriately blended as a governmental fund type component unit into the primary government of the City.

The accounting policies of the Agency conform to generally accepted accounting principles in the United States of America (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.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

The statement of activities demonstrates the degree to which the direct expenses of a given functional category are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function category. Program revenues may 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 functional category. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements focus on the short-term results of operations and financing decisions at a specific fund level. There is only one governmental fund for the Agency, that encompasses all of the activities of the Agency, the Community Redevelopment Agency Fund (the Agency Fund). The fund financial statements present sources (revenue and financing sources) and uses (expenditures and other financing sources) of available resources during the period. Revenues are recognized as soon as they are both measurable and available.



## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except for debt service expenditures, which are recognized when due.

Tax increment financing revenue is considered to be measurable and have been recognized as revenues of the current year, if available.

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

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

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

The revenues susceptible to accrual are taxes, and intergovernmental revenues. Expenditures generally are recorded when the related fund liability is incurred.

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

### **Deposits and Investments**

As of September 30, 2022, the cash and cash equivalent balance consists of a checking and savings account.

All monies collected by the City are required to be deposited in accordance with the laws of the State of Florida. Section 218.415 (17), Florida Statutes, authorizes the City to invest in the Local Government Surplus Funds Trust, direct obligations of the United States Government, obligations unconditionally guaranteed by the United States Government, time deposits and savings accounts of Florida Qualified Depositories, obligations of Federal Farm Credit Banks, and obligations of the Federal National Mortgage Association.

All cash and investments in time certificates of deposits of the City are covered by Federal depository insurance or by collateral held by the City’s custodial bank which is pledged to a state trust fund that provides security in accordance with the Florida Security for Deposits Act, Chapter 280, for amounts held in excess of the FDIC coverage. The Florida Security for Public Deposits Act establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

### **Receivables**

The Note Receivable is recorded at the estimated net realizable value. Accordingly, it has been adjusted for all known doubtful accounts.

### **Interfund Balances**

Amounts due to and from other funds in the fund financial statements represent goods and services paid for or received by the one fund for the benefit of another fund in the current or previous years. The outstanding balances between the funds result from the time lag between the dates: that (1) the interfund goods and services are provided, or reimbursable expenditures occur; (2) transactions are recorded in the accounting system; and (3) payments between the funds are made.

### **Capital Assets**

Capital assets consists solely of construction in progress within the designated redevelopment area. Capital assets incurred by the Agency are reported in the governmental activities in the government-wide financial statements. The Agency utilizes the City's capitalization policy with a cost in excess of \$1,500 and an estimated useful life greater than one year. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. The normal maintenance and repairs that do not add to the value of the capital asset or materially extend the asset life are not capitalized but are expensed as incurred.

### **Compensated Absences**

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

### **Fund Equity Classifications**

#### **Government-wide, Proprietary, and Trust Fund Statements**

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

**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, 2022, represents \$641,861 restricted for economic development.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

### Fund Financial Statements

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

**Nonspendable fund balance** – This classification of fund balance consists of amounts that cannot be spent because: a) they are not expected to be converted to cash, or b) they are legally or contractually required to remain intact. Examples of this classification are prepaid expenses and advances to other funds. On the Agency balance sheet, the due from water fund receivable balance reported is offset by a non-spendable fund balance classification, which indicates it does not constitute available spendable resources.

**Restricted fund balance** – this classification represents amounts restricted to specific purposes that are either *externally imposed by creditors, grantors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation*. This definition is the same as the definition of restricted net position used in government-wide financial reporting. Restricted fund balance as of September 30, 2022, is restricted for economic development.

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

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

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

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

### 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.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

### Subsequent Events

The Agency has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through March 30, 2024, the date the financial statements were made available. There were no subsequent events disclosed.

## NOTE 2 – TAX INCREMENTAL FINANCING REVENUE

The Agency is funded primarily through the tax-increment financing revenue. This revenue is determined each year and the funding amount is 95% of the difference between the ad valorem taxes levied in the base year (1980) within the district boundaries and the amount of a valorem taxes which is levied in the most recent assessment roll. The City and Alachua County are required to fund this amount annually without regard to tax collections or other obligations.

## NOTE 3 – RISK MANAGEMENT

The Agency (through the City) is adequately insured for general liability and directors and officer's insurance through the purchase of a commercial insurance policy. The amounts of settlements have not exceeded insurance coverage in any of the past three years.

## NOTE 4 – NOTE RECEIVABLE

The following schedule summarizes the changes in the Agency's note receivable for the year ended September 30, 2022:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
\$285,000 Note Rec	\$221,980	\$0	(\$18,032)	\$203,948	\$17,396
Total	\$221,980	\$0	(\$18,032)	\$203,948	\$17,396

In April 2017, the Agency (as payee) entered into a \$285,000 interlocal agreement with the City. The agreement includes monthly payments of \$2,144, including interest at 4.25%. Final payment is due on June 1, 2032. The proceeds were used by the City to acquire a building to be used as the city hall.

The following summarizes the scheduled payments for the next five years and thereafter as of September 30, 2022:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$17,396	\$8,332	\$25,728
2024	18,150	7,578	25,728
2025	18,937	6,791	25,728
2026	19,758	5,970	25,728
2027	20,614	5,114	25,728
2028-2032	<u>109,093</u>	<u>11,411</u>	<u>120,504</u>
Total	<u>\$203,948</u>	<u>\$45,196</u>	<u>\$249,144</u>

## NOTE 5 – PRIOR PERIOD ADJUSTMENTS

The beginning net position and the beginning fund balance was increased by \$639 due to an unlocated difference in the prior period. The beginning fund balance was also decreased by \$221,980 due to an error in recognizing the long term receivable, as follows:

	<u>Fund Balance</u>	<u>Net Position</u>
Beginning balance, as originally reported	\$648,260	\$648,260
Unlocated difference	639	639
Incorrectly including the long-term receivable	<u>(221,980)</u>	<u>0</u>
Beginning balance, restated	<u>\$426,919</u>	<u>\$648,899</u>

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

# REDDISH & WHITE

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We were engaged to audit, 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 the major fund of the Community Redevelopment Agency (the Agency), a component unit of the City of Hawthorne, Florida (the City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise Agency's basic financial statements, and have issued our report thereon dated March 30, 2024.

### **Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described below that we consider to be a material weakness.

### **Finding 2022-001 Improper Accounting for the Long Term Note Receivable**

Condition: The long-term note receivable should not be reflected on the balance sheet under the modified accrual basis of accounting. The principal portion of the payments should be classified as revenue instead of reducing the note receivable balance.

Recommendation: Establish internal controls to ensure that the note receivable is removed from the balance sheet (for fund accounting) and the principal payments received are classified as revenue.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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*.

### **Agency's Response to the Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Agency's response to the findings identified in our audit. The Agency's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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.

*Ruddick & White, CPAs*

Starke, Florida  
March 30, 2024



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

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

We have examined the Community Redevelopment Agency's (the Agency) compliance with the requirements of Section 218.415, Florida Statutes during the fiscal year ended September 30, 2022. 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, 2022.

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

*Reddish & White, CPA's*

Starke, Florida  
March 30, 2024

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## INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 163.387(6) and (7), FLORIDA STATUTES

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

We have examined the 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, 2022, as required by Section 10.556 (10)(a), *Rules of the Auditor General*. Management is responsible for the Agency's compliance with those requirements. Our responsibility is to express an opinion on the Agency's compliance based on our examination.

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

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

In our opinion, except for the non-compliance noted below, the Agency complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2022.

### **2022-002 Budget Submission**

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

*Condition:* The budget was not submitted to the Alachua County Board of County Commissioners (BOCC) within the required ten (10) day period.

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

*Recommendation:* We recommend the Agency review its internal controls and establish processes to ensure the budget and any related amendments are submitted to the BOCC within ten days of adoption.

### **2022-003 Status of Unspent Funds at Year End**

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

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

*Condition:* Moneys remaining in the Agency trust fund on the last day of the Agency's fiscal year totaled \$425,525. Our review of the Agency records and discussions with City personnel disclosed that the Agency did not include any of the unspent funds as a carryover in the following year budget, and they did not demonstrate that the moneys remaining in the Agency trust fund were appropriated to a specific project or otherwise disposed of in accordance with State law.

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

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

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.

*Rebecca G. White, CPA*

Starke, Florida  
March 30, 2024

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## **INDEPENDENT AUDITOR'S MANAGEMENT LETTER**

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

### **Report on the Financial Statements**

We were engaged to audit the financial statements of the Community Redevelopment Agency of the City of Hawthorne, Florida (the Agency), a component unit of the City of Hawthorne, Florida (the City) as of and for the fiscal year ended September 30, 2022 and have issued our report thereon dated March 30, 2024. In our audit report, we issued a disclaimer of an opinion. We were unable to obtain sufficient appropriate audit evidence because the Agency fund was maintained with the other City funds in one general ledger with no internal controls to prevent from posting one side (debit or credit) of a transaction to one fund and the other side of the same transaction to another fund. In addition, the individual fund balance for the Agency was not maintained separately, that is, one general ledger account was used for all of the funds. As a result, we were unable to obtain sufficient appropriate audit evidence regarding the fund balance, the interfund balance, and the net position balance.

### **Auditor's Responsibility**

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

### **Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of 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 March 30, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

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

### **Official Title and Legal Authority**

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

### **Financial Condition and Management**

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

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

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

Recommendation 2022-004: We recommend accounting for the Agency fund in a separate general ledger from the other funds of the City.

### **Special District Component Units**

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

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

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

- a. The total number of district employees compensated in the last pay period of the Agency's fiscal year was 0. The Agency has no employees but pays an administrative fee to the City to cover 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 employee independent contractors, whether paid or accrued, regardless of contingency was \$51,392.
- e. Each construction project with a total costs of at least \$65,000 approved by the Agency that is scheduled to begin on or after October 1 of the fiscal year being reported, together with total expenditures for such project - none.
- 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. This budget variance was \$10,992.

#### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

#### **Purpose of This Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the House of Representatives, the Florida Auditor General, and granting agencies, the city council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Reddish & White, CPAs*

Starke, Florida  
March 30, 2024

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## **Communication with Those Charged with Governance**

March 30, 2024

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

We were engaged to audit the financial statements of the governmental activities and each major fund of the Community Redevelopment Agency of the City of Hawthorne, Florida (the Agency), a component unit of the City of Hawthorne, Florida (the City) as of and for the year ended September 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated December 14, 2023. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### **Qualitative Aspects of Accounting Practices**

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

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

There were no sensitive estimates affecting the Agency's financial statements.

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

### **Difficulties Encountered During the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit. However, there were significant delays in getting started on the audit and in obtaining answers to our audit questions once we began the 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 which were as follows:

- 1) A \$221,980 adjustment to remove the note receivable from the balance sheet,
- 2) a \$18,032 adjustment to reclassify the principal payments on the note receivable to revenue,
- 3) a \$25,350 adjustment to combine two interfund accounts, and
- 4) a \$471,546 adjustment to combine the equity accounts into one account.

### **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 March 30, 2024.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the government unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the government unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



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

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

Very truly yours,

*Deborah S. White, CPA's*



City of Hawthorne  
PO Box 1270  
Hawthorne, FL 32640  
March 30, 2024

Dear Sirs,

I would like to take this opportunity to respond to the comments made by the auditors in the audit of the Community Redevelopment Agency (the Agency) for the fiscal year ended September 30, 2022. The following are responses to the comments included in the audit report.

#### Finding 2022-001 Improper Accounting for the Long Term Note Receivable

**Condition:** The long-term note receivable should not be reflected on the balance sheet under the modified accrual basis of accounting. The principal portion of the payments should be classified as revenue instead of reducing the note receivable balance.

**Recommendation:** Establish internal controls to ensure that the note receivable is removed from the balance sheet (for fund accounting) and the principal payments received are classified as revenue.

#### Response 2022-001:

The City has established proper Internal Control for making sure future loan repayments from the City to the CRA is handle properly as Revenue instead reduction of Asset.

#### 2022-002 Budget Submission

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

**Condition:** Although the Agency's budget was posted publicly to the City's website, the budget was not submitted to the Alachua County Board of County Commissioners (BOCC) within the required ten (10) day period, nor was the BOCC notified that the budget had been posted online.

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

**Recommendation:** We recommend the Agency review its internal controls and establish processes to ensure the budget and any related amendments are submitted to the BOCC within ten days of adoption.

Response 2022-002:

Proper procedures will be followed in the future. Staff will be educated on proper procedures.

Finding 2022-003 Status of Unspent Funds at Year End

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

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

Condition: Moneys remaining in the Agency trust fund on the last day of the Agency's fiscal year totaled \$425,525. Our review of the Agency records and discussions with City personnel disclosed that the Agency did not include any of the unspent funds as a carryover in the following year budget, and they did not demonstrate that the moneys remaining in the Agency trust fund were appropriated to a specific project or otherwise disposed of in accordance with State law.

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

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

Response 2022 - 003:

Unused Trust Funds will be appropriated to a specific redevelopment project in the future. CRA Board will be educated to this issue and determine the proper uses for the trust funds.

If you have any questions concerning my response to the audit comments, please contact our office at (352) 481-2432.

Sincerely,



John Martin  
City Manager