

**CITY OF HAWTHORNE, FLORIDA**

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

**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**REDDISH & WHITE**  
CERTIFIED PUBLIC ACCOUNTANTS

# CITY OF HAWTHORNE, FLORIDA

## TABLE OF CONTENTS

September 30, 2023

	<u>Page</u>
<b>Independent Auditor's Report</b>	1 - 3
<b>Management's Discussion and Analysis</b>	4 - 8
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Position – Proprietary Fund	15
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	16
Statement of Cash Flows – Proprietary Fund	17
Notes to Financial Statements	18 – 31
<b>Required Budgetary Comparison Schedules</b>	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual - General Fund	32
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Community Redevelopment Agency	33
<b>Additional Elements Required by the Rules of the Auditor</b>	
<b>General and Government Auditing Standards:</b>	
Schedule of Expenditures of Federal Awards	34
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>	35 – 36
Schedule of Findings	37 – 38
Independent Accountant's Examination Report	39
Independent Auditor's Management Letter	40 – 43
Impact Fee Affidavit	
Auditee's Response	

# REDDISH & WHITE

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 307 • 134 East Call Street • Starke, Florida 32091

Phone (904) 964-7555 • Fax (904) 964-3887

[www.reddishandwhite.com](http://www.reddishandwhite.com)

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and the City Commission  
City of Hawthorne, Florida  
Hawthorne, Florida

### Disclaimer of Opinions

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hawthorne, Florida (the City) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

We do not express an opinion on the financial statements of the City 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 balances, the interfund balances, and the net position balances. We were unable to obtain sufficient appropriate audit evidence because all of the funds were maintained 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 balances for each fund were 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 balances, the interfund balances, and the net position balances.

### Responsibility of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue

as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. However, because of the matter described in the Basis for Disclaimer of Opinions section of our report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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. Because of the significance of the matter disclosed in the Basis for Disclaimer of Opinion's paragraph, it is inappropriate to, and the auditor does not, express an opinion on the accompanying schedule of federal awards.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Reddish and White, CPAs*

Starke, Florida  
March 31, 2025

# City of Hawthorne, Florida

Management's Discussion and Analysis  
For the Year Ended September 30, 2023

---

## Overview of the Financial Statements

Within this section of the City of Hawthorne's (the City) annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2023. Please read it in conjunction with the City's financial statements which begin on page 9.

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

## Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to 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 City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by 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. Governmental activities include general government, public safety, public services, and culture and recreation. The business-type activities include the water services, sewer services, and sanitation operation, and the operations of the City cemetery.

## Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are required to be separately reported while all others are combined into a single, aggregated presentation.

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.

**Governmental funds** All of the City's basic governmental services are reported in governmental funds. These funds are reported using an accounting method called modified accrual accounting, 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 City'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 City's programs.

The City currently has two governmental funds, the General fund, and the Community Redevelopment fund (CRA fund). The CRA fund is considered a special revenue fund and was created to enhance the economic development within the City limits. The General fund encompasses the majority of the City's operations.

**Proprietary Funds** The City maintains a four proprietary funds. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses these funds as follows: (1) the Water fund to account for its water utility operations, (2) the Sewer fund to account for its wastewater utility operations, the Sanitation fund to account for its solid waste sanitation operations, and the Cemetery fund to account for the operations of the City's cemetery.

**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.

## Financial Highlights

- The City's net position increased by \$14,180 (or 0.1%) overall as a result of this year's operations. While the net position of the government activities increased by \$313,450 (or 3.4 %), the net position of the business-type activities decreased by \$299,270 (or 11.8 %).
- For the year, the City's \$1,120,563 in governmental expenditures were \$313,450 less than the \$1,434,013 in tax revenues, charges for services, and grants recognized.

## Financial Analysis of the City as a Whole

As of September 30, 2023 and 2022, The City's combined net position totaled \$11,669,646 and \$11,655,466, respectively. The capital assets are shown net of depreciation. The following table provides the details:

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Current assets	\$ 2,073,508	\$ 1,742,524	\$ 1,828,299	\$ 1,947,527	\$ 3,901,807	\$ 3,690,051
Capital assets	7,119,610	7,259,586	5,063,509	5,213,796	12,183,119	12,473,382
Other assets	1,185,263	1,078,760	(1,185,263)	(1,078,760)	-	-
<b>Total assets</b>	<b>10,378,381</b>	<b>10,080,870</b>	<b>5,706,545</b>	<b>6,082,563</b>	<b>16,084,926</b>	<b>16,163,433</b>
<b>Liabilities</b>						
Current liabilities	815,698	864,565	265,512	589,310	1,081,210	1,453,875
Long-term liabilities	120,897	87,969	2,635,304	2,388,254	2,756,201	2,476,223
<b>Total liabilities</b>	<b>936,595</b>	<b>952,534</b>	<b>2,900,816</b>	<b>2,977,564</b>	<b>3,837,411</b>	<b>3,930,098</b>
Deferred Inflows of Resources	-	-	577,869	577,869	577,869	577,869
<b>Net position</b>						
Net Investment in capital assets	7,119,610	7,130,062	2,187,466	2,599,127	9,307,076	9,729,189
Restricted	879,098	842,389	486,228	397,473	1,365,326	1,239,862
Unrestricted	1,443,078	1,155,885	(445,834)	(469,470)	997,244	686,415
<b>Total net position</b>	<b>\$ 9,441,786</b>	<b>\$ 9,128,336</b>	<b>\$ 2,227,860</b>	<b>\$ 2,527,130</b>	<b>\$ 11,669,646</b>	<b>\$ 11,655,466</b>

The following is a summary of the City's net change in net position for the years ended September 30, 2023 and 2022:

	Summary of Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Program Revenues:</b>						
Charges for Services	\$ 112,338	\$ 104,048	\$ 1,166,459	\$ 989,635	\$ 1,278,797	\$ 1,093,683
Grants and Contributions	180,959	124,039	-	1,331,418	180,959	1,455,457
<b>General:</b>						
Taxes	1,001,179	887,145	-	-	1,001,179	887,145
Other State-Shared	86,685	82,693	-	-	86,685	82,693
Other	52,852	11,315	4,208	3,678	57,060	14,993
<b>Total Revenues</b>	<b>1,434,013</b>	<b>1,209,240</b>	<b>1,170,667</b>	<b>2,324,731</b>	<b>2,604,680</b>	<b>3,533,971</b>
<b>Program Expenses</b>						
General Government	518,359	537,529	-	-	518,359	537,529
Economic Environment	68,906	37,841	-	-	68,906	37,841
Transportation	248,939	197,310	-	-	248,939	197,310
Culture and Recreation	284,359	235,606	-	-	284,359	235,606
Utilities	-	-	1,469,937	1,013,387	1,469,937	1,013,387
<b>Total Expenses</b>	<b>1,120,563</b>	<b>1,008,286</b>	<b>1,469,937</b>	<b>1,013,387</b>	<b>2,590,500</b>	<b>2,021,673</b>
Excess (Deficiency)	313,450	200,954	(299,270)	1,311,344	14,180	1,512,298
Beginning Net Position	9,128,336	8,927,382	2,527,130	1,215,786	11,655,466	10,143,168
<b>Ending Net Position</b>	<b>\$ 9,441,786</b>	<b>\$ 9,128,336</b>	<b>\$ 2,227,860</b>	<b>\$ 2,527,130</b>	<b>\$ 11,669,646</b>	<b>\$ 11,655,466</b>

## **Financial Analysis of the City's Funds**

The general fund is reported in the fund financial statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. The general fund reported ending fund balance of \$2,054,553.

The total ending fund balance of the general fund reflects an increase of \$447,933 or a 27.8% increase from the prior year's ending fund balance.

The proprietary funds net position reflects a decrease of \$299,270 or 11.8% from the prior year's net position.

## **General Fund Budgetary Highlights**

The City's actual revenues were more than budgeted revenues by over \$266,000. This was primarily due to excess intergovernmental program revenue.

Total actual expenditures of the City were less than budgeted expenditures by over \$5,274,000. This was primarily due to the CDBG and other grants budgeted but not expended.

## **Capital Asset and Debt Administration**

### **Capital Assets**

Governmental Funds – The City continues to make infrastructure improvements.

Proprietary Funds – The City continues to make improvements to the water plant. These projects are funded primarily by grants.

### **Debt Administration**

General Fund - The City continues to make the scheduled payments on the outstanding note payable. See note 7 to the financial statements for more information on the long-term obligations.

Proprietary Funds - The City continues to make the scheduled payments on the revenue bonds and notes payable outstanding. See the note 7 to the financial statements for more information on the long-term obligations.

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

The State of Florida, by Constitution, does not have a state personal income tax and, therefore, the State operates primarily using sales, gasoline, and corporate income taxes. Local governments primarily rely on property and a limited array of permitted other taxes (sales, gasoline, utilities services, etc.) and fees (franchise, traffic fines, occupational license, etc.) to finance governmental activities. There are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from both the state and federal governments.

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

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

---

**CITY OF HAWTHORNE, FLORIDA**

STATEMENT OF NET POSITION  
SEPTEMBER 30, 2023

	Governmental Activites	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 643,966	\$ 518,606	\$ 1,162,572
Investments in Time Certificates of Deposits	-	32,527	32,527
Accounts Receivable, Net	68,304	85,844	154,148
Prepaid Expenses	-	31,629	31,629
Due from Other Governments	22,317	-	22,317
Lease Receivable	-	577,869	577,869
Restricted Assets:			
Cash and Cash Equivalents	1,305,623	440,830	1,746,453
Investments in Time Certificates of Deposits	-	110,793	110,793
Accounts Receivable, Net	-	29,250	29,250
Prepaid Expenses	33,297	-	33,297
Capital Assets Not Being Depreciated:			
Land	4,656,816	114,570	4,771,386
Construction in Progress	43,392	2,468,350	2,511,742
Derpeciable Capital Assets, Net	2,419,402	2,480,589	4,899,991
Bond Costs, net of accumulated amortization	-	951	951
Internal Balances	1,185,263	(1,185,263)	-
<b>TOTAL ASSETS</b>	<b>\$ 10,378,381</b>	<b>\$ 5,706,545</b>	<b>\$ 16,084,926</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	\$ 54,225	\$ 36,628	\$ 90,853
Restricted Liabilities:			
Deposits	5,134	94,644	99,778
Unearned Revenue	689,061	-	689,061
Long Term Obligations, Current Portion	67,277	134,240	201,517
Long Term Obligations, Noncurrent Portion	120,897	2,635,304	2,756,201
<b>TOTAL LIABILITIES</b>	<b>936,595</b>	<b>2,900,816</b>	<b>3,837,411</b>
Deferred Inflows of Resources	-	577,869	577,869
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>936,595</b>	<b>3,478,685</b>	<b>4,415,280</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	7,119,610	2,187,466	9,307,076
Restricted for:			
Utilities	-	486,228	486,228
Economic Development	698,034	-	698,034
Infrastructure	181,064	-	181,064
Unrestricted	1,443,077	(445,834)	997,243
<b>TOTAL NET POSITION</b>	<b>9,441,786</b>	<b>2,227,860</b>	<b>11,669,646</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 10,378,381</b>	<b>\$ 5,706,545</b>	<b>\$ 16,084,926</b>

See accompanying notes to the financial statements.

**CITY OF HAWTHORNE, FLORIDA**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Functions/Programs							
Government Activities:							
General Government	\$ 518,359	\$ 23,973	\$ 22,363	\$ -	\$ (472,023)	\$ -	\$ (472,023)
Transportation	248,939	11,745	54,789	-	(182,405)	-	(182,405)
Economic Environment	68,906	-	103,807	-	34,902	-	34,902
Culture and Recreation	284,359	76,620	-	-	(207,739)	-	(207,739)
Total Governmental Activities	<u>1,120,563</u>	<u>112,338</u>	<u>180,959</u>	<u>-</u>	<u>(827,266)</u>	<u>-</u>	<u>(827,266)</u>
Business-type Activities:							
Water	661,985	374,223	-	-	-	(287,762)	(287,762)
Sanitation	294,162	300,604	-	-	-	6,442	6,442
Sewer	513,790	491,632	-	-	-	(22,158)	(22,158)
Cemetery	-	-	-	-	-	-	-
Total Business-type Activities	<u>1,469,937</u>	<u>1,166,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(303,478)</u>	<u>(303,478)</u>
Total Primary Government	<u>2,590,500</u>	<u>1,278,797</u>	<u>180,959</u>	<u>-</u>	<u>(827,266)</u>	<u>(303,478)</u>	<u>(1,130,744)</u>
General Revenues:							
Taxes:							
Property					414,407	-	414,407
Discretionary Sales Surtax					173,866	-	173,866
Franchise Fees and Utility Taxes					148,476	-	148,476
Half Cent Sales Tax					102,813	-	102,813
Local Option Gas Tax					98,489	-	98,489
Communication Services Tax					63,128	-	63,128
State Revenue Sharing					86,685	-	86,685
Investment Income					-	3,895	3,895
Miscellaneous					52,852	313	53,165
Total General Revenues					<u>1,140,716</u>	<u>4,208</u>	<u>1,144,924</u>
Change in Net Assets					313,450	(299,270)	14,180
Net Position, Beginning of Year					<u>9,128,336</u>	<u>2,527,130</u>	<u>11,655,466</u>
Net Position, Ending of Year					<u>\$ 9,441,786</u>	<u>\$ 2,227,860</u>	<u>\$ 11,669,646</u>

See accompanying notes to the financial statements.

**CITY OF HAWTHORNE, FLORIDA**

BALANCE SHEET - GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2023

	General Fund	CRA Fund	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 643,966	\$ -	\$ 643,966
Cash and Cash Equivalents - Restricted	879,098	488,949	1,368,047
Prepaid Expenses	33,297	-	33,297
Accounts Receivable, Net	68,304	-	68,304
Due from Other Governments	22,317	-	22,317
Due from Other Funds	1,669,987	104,991	1,774,978
<b>Total Assets</b>	<b><u>\$3,316,969</u></b>	<b><u>\$ 593,940</u></b>	<b><u>\$ 3,910,909</u></b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable and Accrued Expenses	\$ 22,859	\$ 15,750	\$ 38,609
Due to Other Funds	545,362	73,603	618,965
Unearned Revenue	689,061	-	689,061
Deposits	5,134	-	5,134
<b>Total Liabilities</b>	<b><u>1,262,416</u></b>	<b><u>89,353</u></b>	<b><u>1,351,769</u></b>
<b>FUND BALANCES</b>			
Non-Spendable	1,703,284	104,991	1,808,275
Restricted	181,064	399,596	580,660
Assigned	35,993	-	35,993
Unassigned	134,213	-	134,213
<b>Total Fund Balances</b>	<b><u>2,054,553</u></b>	<b><u>504,587</u></b>	<b><u>2,559,140</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$3,316,969</u></b>	<b><u>\$ 593,940</u></b>	<b><u>\$ 3,910,909</u></b>

See accompanying notes to the financial statements.

**CITY OF HAWTHORNE, FLORIDA**

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2023

---

Total Fund Balance - Total Governmental Funds \$ 2,559,145

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

Capital assets of \$9,008,014 net of accumulated  
depreciation of \$1,888,404, are not financial resources  
and, therefore, are not reported in the funds. 7,119,610

Long-term liabilities are not due and payable in the current  
period and accordingly, are not reported in the  
governmental funds. (236,970)

Total Net Position of Governmental Activities \$ 9,441,786

See accompanying notes to the financial statements.

---

**CITY OF HAWTHORNE, FLORIDA**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	CRA Fund	Total
Revenues			
Taxes	\$ 818,968	\$ 85,678	\$ 904,646
Licenses and Permits	6,214	-	6,214
Intergovernmental Programs	372,280	-	372,280
Charges for Services	92,557	-	92,557
Fines and Forfeitures	11,745	-	11,745
Miscellaneous Revenue	43,917	29,284	73,201
Interfund Charges	30,000	-	30,000
Total Revenues	<u>1,375,680</u>	<u>114,962</u>	<u>1,490,643</u>
Expenditures			
Current:			
General Government	410,558	45,925	456,483
Transportation	183,180	-	183,180
Economic Environment	53,764	-	53,764
Culture and Recreation	196,522	-	196,522
Capital Outlay:			
Economic Environment	-	2,363	2,363
Debt Service:			
General Government	26,810	-	26,810
Culture and Recreation	56,913	-	56,913
Total Expenditures	<u>927,746</u>	<u>48,288</u>	<u>976,033</u>
Revenues Over (Under) Expenditures	<u>447,933</u>	<u>66,674</u>	<u>514,610</u>
Other Financing Sources (Uses)			
Net Proceeds from Line of Credit	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Financing Uses	447,933	66,674	514,610
Fund Balance, Beginning of Year	<u>1,606,620</u>	<u>437,913</u>	<u>2,044,536</u>
Fund Balance, End of Year	<u>\$2,054,553</u>	<u>\$ 504,587</u>	<u>\$ 2,559,145</u>

See accompanying notes to the financial statements.



**CITY OF HAWTHORNE, FLORIDA**

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS  
SEPTEMBER 30, 2023

	Major Funds			Non-major Fund	Total
	Water	Sanitation	Sewer	Cemetery	
<b>Assets</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 131,607	\$ 93,294	\$ 291,049	\$ 2,656	\$ 518,606
Investments	-	-	-	32,527	32,527
Accounts Receivable	-	36,005	49,839	-	85,844
Lease Receivable, Current Portion	-	-	5,143	-	5,143
Prepaid Expenses	14,086	-	17,543	-	31,629
Due from Other Funds	60,000	50,052	60,000	-	170,052
<b>Restricted Assets:</b>					
Cash and Cash Equivalents	368,492	-	72,338	-	440,830
Investments - Restricted	110,793	-	-	-	110,793
Accounts Receivable - Restricted	29,250	-	-	-	29,250
Due from Other Governments - Restricted	-	-	-	-	-
<b>Total Current Assets</b>	<b>714,228</b>	<b>179,351</b>	<b>495,912</b>	<b>35,183</b>	<b>1,424,674</b>
<b>Capital Assets:</b>					
Land	-	-	114,570	-	114,570
Construction in Progress	2,468,350	-	-	-	2,468,350
Depreciable Capital Assets, Net	541,339	-	1,939,251	-	2,480,589
<b>Total Capital Assets</b>	<b>3,009,689</b>	<b>-</b>	<b>2,053,821</b>	<b>-</b>	<b>5,063,509</b>
<b>Other Assets</b>					
Due from Other Funds, noncurrent portion	1,156,800	-	136,437	-	1,293,237
Bond Costs, net of accumulated amortization	-	-	951	-	951
Lease Receivable, noncurrent portion	-	-	572,726	-	572,726
<b>Total Other Assets</b>	<b>1,156,800</b>	<b>-</b>	<b>710,114</b>	<b>-</b>	<b>1,866,914</b>
<b>Total Assets</b>	<b>\$ 4,880,717</b>	<b>\$ 179,351</b>	<b>\$ 3,259,847</b>	<b>\$ 35,183</b>	<b>\$ 8,355,098</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>					
<b>Current Liabilities</b>					
Accounts Payable	\$ 4,237	\$ 22,467	\$ 9,925	\$ -	\$ 36,629
Compensated Absences	1,333	86	6,652	-	8,071
Due to Other Funds	60,000	13,125	120,000	40,703	233,828
<b>Restricted Liabilities:</b>					
Accounts Payable	-	-	-	-	-
Customer Deposits	94,644	-	-	-	94,644
Bond Payable, Current Portion	20,000	-	72,900	-	92,900
Notes Payable, Current Portion	33,269	-	-	-	33,269
<b>Total Current Liabilities</b>	<b>213,483</b>	<b>35,678</b>	<b>209,477</b>	<b>40,703</b>	<b>499,341</b>
<b>Other Liabilities</b>					
Due to Other Funds, Net of Current Portion	1,644,098	-	770,626	-	2,414,724
Bond Payable, Long-term Portion	147,400	-	1,360,000	-	1,507,400
Notes Payable, Long-term Portion	1,127,904	-	-	-	1,127,904
<b>Total Other Liabilities</b>	<b>2,919,402</b>	<b>-</b>	<b>2,130,626</b>	<b>-</b>	<b>5,050,028</b>
<b>Total Liabilities</b>	<b>3,132,885</b>	<b>35,678</b>	<b>2,340,103</b>	<b>40,703</b>	<b>5,549,369</b>
<b>Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>577,869</b>	<b>-</b>	<b>577,869</b>
<b>Fund Net Position</b>					
Net Investment in Capital Assets	1,681,115	-	506,351	-	2,187,466
Restricted	413,891	-	72,338	-	486,228
Unrestricted (Deficit)	(347,174)	143,673	(236,814)	(5,520)	(445,835)
<b>Total Fund Net Position</b>	<b>1,747,832</b>	<b>143,673</b>	<b>341,875</b>	<b>(5,520)</b>	<b>2,227,860</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Net Position</b>	<b>\$ 4,880,717</b>	<b>\$ 179,351</b>	<b>\$ 3,259,847</b>	<b>\$ 35,183</b>	<b>\$ 8,355,098</b>

See accompanying notes to the financial statements.

**CITY OF HAWTHORNE, FLORIDA**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND  
NET POSITION - PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Major Funds			Non-major Fund	Total
	Water	Sanitation	Sewer	Cemetery	
Operating Revenues					
Charges for Services	\$ 354,609	\$ 300,604	\$ 428,396	\$ -	\$ 1,083,609
Lease Income	-	-	29,186	-	29,186
Other Operating Revenue	19,614	-	34,050	-	53,664
<b>Total Operating Revenues</b>	<b>374,223</b>	<b>300,604</b>	<b>491,632</b>	<b>-</b>	<b>1,166,459</b>
Operating Expenses					
Personal Services	95,889	20,029	172,535	-	288,452
Grants	389,527	-	-	-	389,527
Depreciation	20,773	-	129,512	-	150,285
Contract Services	39,451	265,698	30,125	-	335,274
Materials, Supplies, and Other Operating Exp	67,755	8,436	130,710	-	206,901
<b>Total Operating Expenses</b>	<b>613,395</b>	<b>294,162</b>	<b>462,882</b>	<b>-</b>	<b>1,370,440</b>
Operating income (Loss)	(239,172)	6,442	28,749	-	(203,981)
Non Operating Revenues and Expenses					
Grant Revenue	-	-	-	-	-
Interest Expense	(48,589)	-	(50,907)	-	(99,497)
Other Income	313	-	-	-	313
Investment Income	3,340	-	-	555	3,895
<b>Total Non Operating Revenues and Expenses</b>	<b>(44,937)</b>	<b>-</b>	<b>(50,907)</b>	<b>555</b>	<b>(95,289)</b>
Net Increase (Decrease) in Fund Net Position	(284,109)	6,442	(22,158)	555	(299,270)
Fund Net Position, Beginning of Year	2,031,941	137,231	364,033	(6,075)	2,527,130
Fund Net Position, End of Year	<u>\$ 1,747,832</u>	<u>\$ 143,673</u>	<u>\$ 341,875</u>	<u>\$ (5,520)</u>	<u>\$ 2,227,860</u>

See accompanying notes to the financial statements.

**CITY OF HAWTHORNE, FLORIDA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

	Major Funds			Non-major Fund	Total
	Water	Sanitation	Sewer	Cemetery	
Cash Flows from Operating Activities					
Receipts from Customers	\$ 405,037	\$ 293,059	\$ 489,773	\$ -	\$ 1,187,869
Payments to Suppliers of Goods and Services	(514,091)	(275,020)	(177,688)	-	(966,799)
Payments for Personnel Services	(95,889)	(20,029)	(172,535)	-	(288,452)
Other	-	-	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>(204,943)</u>	<u>(1,990)</u>	<u>139,551</u>	<u>-</u>	<u>(67,382)</u>
Cash Flows from Noncapital Financing Activities					
Interfund Transfers	57,340	9,948	9,966	0	77,254
Cash Flows from Capital and Related Financing Activities					
Principal Payments on Bonds	(18,900)	-	(69,800)	-	(88,700)
Purchase of Capital Assets	(326,300)	-	-	-	(326,300)
Interest payments on revenue bonds	(48,589)	-	(50,907)	-	(99,497)
Net Proceeds from Notes Payable and Line of Credit	350,074	-	-	-	350,074
Proceeds from Capital Grant	343,730	-	-	-	343,730
Net Cash Provided by (Used by) Capital and Related Financing Activities	<u>300,015</u>	<u>-</u>	<u>(120,707)</u>	<u>-</u>	<u>179,307</u>
Cash Flows from Investing Activities					
Increase in Investments	(3,557)	-	-	-	(3,557)
Interest Received	3,340	-	-	555	3,895
Other	314	-	-	-	314
Net Cash Provided (Used) by Investing Activities	<u>97</u>	<u>-</u>	<u>-</u>	<u>555</u>	<u>652</u>
Net Increase (Decrease) in Cash and Cash Equivalents	152,509	7,958	28,809	555	189,832
Cash and Cash Equivalents, Beginning of Year	347,590	85,336	334,578	2,101	769,605
Cash and Cash Equivalents, End of Year	<u>\$ 500,099</u>	<u>\$ 93,294</u>	<u>\$ 363,387</u>	<u>\$ 2,656</u>	<u>\$ 959,437</u>
Cash and Cash Equivalents, Unrestricted	\$ 131,607	\$ 93,294	\$ 291,049	\$ 2,656	\$ 518,607
Cash and Cash Equivalents, Restricted	368,491	-	72,338	-	440,830
	<u>\$ 500,099</u>	<u>\$ 93,294</u>	<u>\$ 363,387</u>	<u>\$ 2,656</u>	<u>\$ 959,436</u>
Reconciliation of Operating Income to Net Cash					
Provided by Operating Activities:					
Operating Income (Loss)	\$ (239,172)	\$ 6,442	\$ 28,749	\$ -	\$ (203,981)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation Expense	20,773	-	129,511	-	150,285
Change in Current Assets and Current Liabilities					
Accounts Receivable, Net	29,024	(7,545)	(1,858)	-	19,620
Prepaid Expenses	(9,406)	-	(12,080)	-	(21,485)
Accounts Payable	(7,952)	(887)	(4,772)	-	(13,611)
Customer Deposits	1,790	-	-	-	1,790
Other	-	-	-	-	-
Net Cash Provided (Used) By Operating Activities	<u>\$ (204,943)</u>	<u>\$ (1,990)</u>	<u>\$ 139,550</u>	<u>\$ -</u>	<u>\$ (67,382)</u>

See accompanying notes to the financial statements.

**City of Hawthorne, Florida**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2023**

---

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the City of Hawthorne, Florida conform to generally accepted accounting principles for governmental entities. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. The following is a summary of significant accounting policies:

**Reporting Entity**

The City of Hawthorne, Florida (the City) was created under the provisions of the Laws of Florida, Chapter 8271 (1919). The City is a Florida municipality governed by an elected five-member City Commission. The commissioners select one among themselves to serve as the major. The City provides services to its citizens including water, sanitation, and sewer service, refuse collection, parks and recreation, streets, public safety, and other general governmental activities.

In determining the financial reporting entity, the City complies with the provisions of GASB, and includes all component units of which the City is either able to impose its will on the entity or a financial benefit or burden exists. The Hawthorne Community Redevelopment Agency (the CRA) meets this criterion since the commissioners of the City also serve as the commissioners of the CRA and the City maintains operational responsibility for the CRA's activities.

In 1993, the CRA was established by the City pursuant to Ordinance 94-1, to carry out the community redevelopment purposes of Florida Statute, Chapter 163. Although legally separate, the CRA is considered a blended component unit of the City and is accounted for as a special revenue fund. Separate financial statements for the CRA are prepared and are available by contacting the City.

**Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Town. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### **Fund Financial Statements**

Separate financial statements are provided for governmental funds and for proprietary funds. Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures / expenses. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the financial reporting entity are described below.

### **Governmental Funds**

The City reports two governmental funds, the General Fund and the CRA Fund. The General Fund is the City's primary operating fund. It accounts for all resources traditionally associated with governments, except those required to be accounted for in another fund. The CRA fund, a component unit of the City, is considered part of the primary government and is accounted for as a special revenue fund.

### **Proprietary Funds**

The City reports four proprietary funds: the Water fund, the Sanitation fund, the Sewer Fund, and the Cemetery Fund. All of these funds are considered a major fund except for the Cemetery Fund. These major funds account for the activities of the City's water, solid waste (sanitation), and wastewater (sewer) utilities, respectively. The non major fund accounts for the activities of the City's cemetery.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this period, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. The revenues susceptible to accrual are taxes, franchise fees, and intergovernmental revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt expenditures and compensated absences which are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for services. Operating expenses for the proprietary funds include personnel services, contract services, administrative expenses, and depreciation on capital assets.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### **Deposits and Investments**

For purposes of the statement of cash flows, highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The cash balances consist of cash on hand, checking accounts, savings accounts, money market accounts, and time certificates of deposit with an original maturity of three months or less.

Florida Statutes require state and local government units to deposit monies with financial institutions classified as qualified public depositories, a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral for their deposits of public funds. This pool is provided as additional assurance to the federal depository insurance (FDIC) and allows for additional assessments against the member institutions providing full insurance for public deposits. The City had deposits with only qualifying institutions as of September 30, 2023.

Investments consist of time certificate of deposits with an original maturity of one year.

### **Accounts Receivable and Due from Other Governments**

Customer accounts receivable are recorded at their net realizable value and reduced by an allowance for uncollectible accounts of zero.

Due from Other Governments represent amounts due from the federal, state or local governments, State of Florida, or Alachua County for shared revenues or costs.

### **Prepays**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **Restricted Assets**

Certain resources are set aside for debt reserves, customer deposits, and other purposes. These resources are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants, City ordinances or state and federal regulations.

### **Capital Assets**

Governmental fund capital assets include land, buildings and improvements, vehicles, furniture and equipment. Capital assets used in governmental fund-type operations are reported in the statement of net position rather than in the general fund balance sheet. All purchased capital assets are valued at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Capital assets are defined as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated acquisition cost at the date of contribution.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

These capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Governmental Fund Assets</u>	<u>Years</u>
Buildings and Improvements	20 – 40
Vehicles and Equipment	5 - 10

Enterprise fund capital expenditures made for revenue-producing assets, which are employed in operations that are accounted for in the proprietary funds, are capitalized at historical costs, and are depreciated using the straight-line method over their estimated useful lives as follows:

<u>Enterprise Fund Assets</u>	<u>Years</u>
Water Plant	25 - 30
Sewer Plant	25 - 30
Machinery and Equipment	5 - 7

### **Compensated Absences**

Accumulated unpaid vacation time, compensatory time, and sick time amounts accrue in the enterprise funds, and appear as increases in salary expenses in the proprietary financial statements. In the governmental funds, these costs are recognized when payments are made to employees or when costs mature as a result of an employee resignation or retirement. All vacation, compensatory, and sick pay accrues when incurred in the government-wide financial statements.

### **Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities. Bond premiums and discounts, if any, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of bond premium or discount.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources, while the payments to reduce the outstanding long-term obligations are recorded as expenditures when incurred.

### **Deferred Inflows of Resources**

Deferred Inflows of resources represent an acquisition of net assets that applies to future periods and will not be recognized as an inflow or resources until that future time. Deferred inflows has a negative effect on net position, similar to liabilities. The City reports deferred inflows of resources related to the receipt of future lease payments.

### **Interfund Transactions**

During the course of normal operations, the City has numerous transactions between funds for goods provided or services rendered. These transactions are eliminated on the government-wide financial statements.

## Note 1 - Summary of Significant Accounting Policies (continued)

### Net Position

Equity is classified as net position in the government-wide financial statements and in the proprietary financial statements and displayed in 3 components:

- **Net investment in capital assets** – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, leases, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted net position** – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The restricted amounts are the same as the restricted fund balance below.
- **Unrestricted net position** – consist of all other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

### Fund Balance

Governmental fund balances are reported in five components: non-spendable, restricted, committed, assigned, and unassigned.

- **Non-Spendable**—This component 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 items, inventories, and advances to other funds. On the general fund balance sheet, the advances to other fund balance reported is offset by a non-spendable fund balance classification, which indicates it does not constitute “available spendable resources” even though it is a component of net current position.
- **Restricted** - This component of fund balance consists of amounts that are constrained either: a) externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments), or b) by law through constitutional provisions or enabling legislation.
- **Committed** - This component of fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (e.g., ordinance or resolution) of the organization’s governing authority (the City Commission). These committed amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by taking the same type of action (e.g., ordinance or resolution) employed to constrain those amounts.
- **Assigned** – This component of fund balance consists of amounts that the City intends to use for a specific purpose as determined by the City Commission in accordance with the City’s fiscal policies. In addition, residual balances in capital projects and debt service funds are considered assigned for the general purpose of the respective fund, as approved by the City Commission through the budget process.
- **Unassigned** - This classification represents amounts that do not belong in any of the previous classifications, that is, the residual classification of the governmental fund.

## **Note 1 - Summary of Significant Accounting Policies (concluded)**

### **Use of Restricted and Unrestricted Assets**

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use, it is the City's policy to use committed resources first, then assigned, and then unassigned as needed.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **Subsequent Events**

The City has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through March 31, 2025, the date the financial statements were made available. See note 6 for subsequent events disclosed.

## **Note 2 – Budgeting**

The City's procedures in preparing and adopting the annual budget are as follows:

- The City Clerk is responsible for preparing a proposed operating budget for the upcoming year prior to September 30 that includes estimated revenues, proposed expenditures, and other financing sources and uses.
- Public hearings are held to obtain taxpayer comments and suggestions. The budget is enacted through passage of a resolution.
- Budgets are adopted on a basis consistent with generally accepted accounting principles. Appropriations lapse at the end of the year. The general fund budget presented was based upon the original budget. Budget appropriations may not be legally exceeded on a total fund basis.

## **Note 3 - Property Taxes**

Under Florida law, the assessment of all properties and the collection of all county, municipal, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. Florida Statutes permit cities to levy property taxes at a rate of up to 10 mills for general operations. The tax levy rate for the tax year ended September 30, 2023, was 5.8594 mills.

The tax levy of the Town is established by the City Commission prior to October 1 of each year, and the County Property Appraiser incorporates the City's millage into the total tax levy, which includes the County, various other municipalities, and County School Board tax requirements.

All property is reassessed according to its fair market value January 1 of each year. Each assessment roll is submitted to the Executive Director of the Florida Department of Revenue for

### **Note 3 - Property Taxes (concluded)**

review to determine if the rolls meet all of the appropriate requirements of Florida Statutes.

All taxes are levied on November 1 of each year, or as soon thereafter, as the assessment roll is certified and delivered to the County Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount.

On or prior to June 1 following the tax year, tax certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold tax certificates are estimated to be immaterial.

Delinquent taxes on personal property bear interest of 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations.

The City does not accrue its portion of the County-held tax sale certificates or personal property tax warrants because such amounts are estimated to be immaterial.

### **Note 4 - Deferred Compensation Plan**

Effective January 2000, the City adopted a deferred compensation plan in accordance with Internal Revenue Code, Section 457. Contributions to the plan by the City for the benefit of the participants is discretionary and decided on a year-by-year basis. The City contributes 6% of the regular employee's base compensation and 7.5% of the compensation of the city manager to the plan. For the year ended September 30, 2023, the City contributed \$29,277 to the plan.

### **Note 5 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. Insurance against losses are provided through the Florida Municipal Insurance Trust for the following types of risk:

- Workers' Compensation and Employer's Liability
- General and Automobile Liability
- Real and Personal Property Damage
- Public Officials' Liability
- Accidental Death and Dismemberment

The City's coverage for workers' compensation is under a retroactively rated policy. Premiums are accrued based on the ultimate cost to-date of the City's experience for this type of risk. There have been no significant reductions in insurance coverage and settlements have not exceeded insurance coverage during the last three years.

## Note 6 – Subsequent Events

The City was awarded the following grants after September 30, 2023:

- In October 2023, the City was awarded a \$50,000 grant from the Florida Department of Environmental Protection for HAP recreation upgrade.

## Note 7 - Capital Assets

### Governmental Activities

Capital asset activity for the governmental activities for the year ended September 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not being depreciated:				
Land	\$ 4,656,816	\$ -	\$ -	\$ 4,656,816
Construction in Progress	43,392	-	-	43,392
Total	<u>4,700,208</u>	<u>-</u>	<u>-</u>	<u>4,700,208</u>
Capital Assets being depreciated:				
Buildings and Improvements	3,992,393	-	-	3,992,393
Vehicle and Equipment	315,412	-	-	315,412
Total	<u>4,307,805</u>	<u>-</u>	<u>-</u>	<u>4,307,805</u>
Less accumulated depreciation for:				
Buildings and Improvements	(1,477,226)	(126,106)	-	(1,603,332)
Vehicles and Equipment	(271,201)	(13,869)	-	(285,070)
Total Accumulated Depreciation	<u>(1,748,427)</u>	<u>(139,976)</u>	<u>-</u>	<u>(1,888,403)</u>
Total Being Depreciated, Net	<u>2,559,378</u>	<u>(139,976)</u>	<u>-</u>	<u>2,419,402</u>
Total Capital Assets, Net	<u>\$ 7,259,586</u>	<u>\$ (139,976)</u>	<u>\$ -</u>	<u>\$ 7,119,610</u>

For the year ended September 30, 2023, depreciation expense on governmental fund capital assets charged to function/programs were as follows:

General Government	\$ 33,694
Transportation	31,806
Culture and Recreation	<u>74,476</u>
Total	<u>\$ 139,976</u>

## Note 7 - Capital Assets (concluded)

### Business-Type Activities

Capital asset activity for the business-type activities for the year ended September 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital Assets not being depreciated:				
Land	\$ 114,570	\$ -	\$ -	\$ 114,570
Construction in Progress	2,468,350	-	-	2,468,350
Total	2,582,920	-	-	2,582,920
Capital Assets being depreciated:				
Water Plant and Improvements	1,824,704	-	-	1,824,704
Sewer Plant and Improvements	8,760,609	-	-	8,760,609
Machinery and Equipment	212,397	-	-	212,397
Total	10,797,710	-	-	10,797,710
Less accumulated depreciation for:				
Water Plant and Improvements	(1,262,592)	(20,773)	-	(1,283,365)
Sewer Plant and Improvements	(6,714,208)	(119,782)	-	(6,833,990)
Machinery and Equipment	(190,034)	(9,730)	-	(199,764)
Total Accumulated Depreciation	(8,166,834)	(150,285)	-	(8,317,119)
Total Being Depreciated, Net	2,630,876	(150,285)	-	2,480,591
Total Capital Assets, Net	\$ 5,213,796	\$ (150,285)	\$ -	\$ 5,063,511

For the year ended September 30, 2023, depreciation expense was \$150,285.

## Note 8 - Long-Term Obligations

A summary of changes in long-term obligations for the year ended September 30, 2023 follows:

	Beginning Balance	Increases	Decreases	Final Balance	Due Within One Year
<b>Governmental Activities</b>					
Compensated Absences	\$ 46,259	\$ -	\$ (16,259)	\$ 30,000	\$ 15,000
Notes Payable	107,349	-	(50,639)	56,710	52,277
Line of Credit	22,175	-	(22,175)	-	-
Total	<u>\$ 175,783</u>	<u>\$ -</u>	<u>\$ (89,073)</u>	<u>\$ 86,710</u>	<u>\$ 67,277</u>
<b>Business-type Activities</b>					
Compensated Absences	\$ 18,234	\$ 2,143	\$ (12,306)	\$ 8,071	\$ 8,071
Notes Payable	811,099	-	(35,679)	775,420	33,269
Bonds Payable	1,689,000	-	(88,700)	1,600,300	92,900
Total	<u>\$ 2,518,333</u>	<u>\$ 2,143</u>	<u>\$ (136,685)</u>	<u>\$ 2,383,791</u>	<u>\$ 134,240</u>

### Governmental Activities

#### Notes Payable

The City has a \$200,000 notes payable to a local financial institution, payable in monthly installments of \$4,444, including interest at 3.15% per annum. The note is secured by an assignment of a first priority lien upon and pledge of the City's Wild Spaces Public Places local option sales tax and non-ad valorem revenues. Final payment is due October 1, 2024.

\$56,710

The following is a schedule of the annual debt service requirements for this note payable as of September 30, 2023:

Year	Principal	Interest	Total
2024	52,277	1,051	53,328
2025	4,433	11	4,444
Total	<u>\$56,710</u>	<u>\$1,062</u>	<u>\$57,772</u>

#### Line of Credit

In June 2022, the City obtained a \$1,165,000 line of credit with a local financial institution. The proceeds were used as a bridge loan to pay for the waterline replacement project costs prior to the City receiving reimbursement from the state pursuant to grants entered into with the state. The line of Credit includes interest at 5.0 % per annum, payable monthly. The principal was due on June 21, 2023. The balance of the line of credit as of September 30, 2023, was \$0.

## Note 8 - Long-Term Obligations (continued)

### Business-type Activities

#### Notes Payable

In April, 2014, the City obtained a \$75,000 promissory note with the National Rural Water Association. Terms of the note include monthly payments of \$724, including interest at 3% per annum. Final payment is due May 1, 2024. \$ 5,729

In February 2019, the City entered into a \$674,200 loan. Of this amount, \$337,100 was forgiven. The total loan was \$345,381 which included \$1,539 in capitalized interest and \$6,742 in service fee charges. Terms include semiannual payments of \$10,114 including interest at 1.590% per annum. Final payment is due August 15, 2030. 300,272

In March 2021, the City entered into a \$2,545,000 revolving fund loan agreement (DW 010411) with the State of Florida, Department of Environmental Protection. The agreement includes forgiveness of \$1,874,312 of the loan for a remaining loan balance of \$670,688 once all of the loan proceeds have been received by the City. \$1,826,895 has been received with \$1,345,450 forgiven. Terms of the loan include semi-annual payments of \$11,885 which began on February 15, 2023 and continue for a thirty year period with final payment due August 15, 2053. 469,419

Total \$ 775,420

The following summarizes the scheduled payments for notes payable the next 5 years and thereafter as of September 30, 2023:

Year	Principal	Interest	Total
2024	\$31,948	\$17,844	\$49,792
2025	26,765	17,233	43,998
2026	27,327	16,671	43,998
2027	27,901	16,096	43,997
2028	29,719	14,746	44,465
2029 - 2033	151,889	69,969	221,858
2034 - 2038	160,567	51,331	211,898
2039 - 2043	133,266	34,132	167,398
2044 - 2048	98,656	19,975	118,631
2049 - 2052	87,382	6,814	94,197
Total	<u>\$775,420</u>	<u>\$264,811</u>	<u>\$1,040,231</u>

## Note 8 - Long-Term Obligations (concluded)

### Bonds Payable

\$450,000 Water Revenue Bond, Series 1991 were issued during the fiscal year ended September 30, 1991. These bonds are payable in annual installments averaging \$30,000 and including interest at 5.875% per annum. The revenues of the water system after deduction of the costs of operation and maintenance are pledged for the payment of these bonds. In addition, to the scheduled payments of interest and principal, the City is required to deposit \$2,990 per year into a reserve account until a minimum balance of \$29,900 which has been achieved. Final payment is due September 1, 2030. \$ 167,400

\$1,262,500 Sewer Revenue Bond, Series 1993, 1993A, and 1993B were issued during the fiscal year ended September 30, 1994. These bonds are payable in annual installments averaging \$57,000 including interest at 5% per annum. The revenues of the sewer system after deduction of the costs of operation and maintenance are pledged for payment of these bonds. In addition, to the scheduled payments of interest and principal, the City is required to deposit \$7,494 per year into a reserve account until the account reaches a minimum balance of \$74,905, which has been achieved. Final payment is due September 1, 2033. 577,900

\$1,187,300 Water and Sewer Revenue Bond, Series 2004 were issued during the fiscal year ended September 30, 2004. These bonds are payable in annual installments averaging \$65,700 including interest at 4.5% per annum. The revenues of the sewer and water system are pledged for payment of these bonds. Final payment is due September 1, 2043. 855,000

Total \$ 1,600,300

The following summarizes the scheduled payments for the bonds payable the next 5 years and in increments of 5 years thereafter as of September 30, 2023:

Year	Principal	Interest	Total
2024	\$92,900	\$77,205	\$170,105
2025	98,400	72,520	170,920
2026	103,000	67,559	170,559
2027	108,000	62,363	170,363
2028	113,540	69,164	182,704
2029 - 2033	512,620	298,710	811,330
2034 - 2038	289,240	98,639	387,879
2039 - 2043	236,850	42,410	279,260
2044 - 2047	45,750	2,059	47,809
Total	<u>\$1,600,300</u>	<u>\$790,629</u>	<u>\$2,390,929</u>

### Note 9 - Other Postemployment Benefit (OPEB) Obligation

Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the City are eligible to participate in the City's healthcare program. The City subsidizes the premium rates paid by retirees by allowing them to participate in the healthcare program at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, the current and future claims are expected to result in higher health insurance costs on average than those of active employees. City management estimates this liability to be immaterial. Accordingly, no OPEB liability has been recorded in the City's financial statements.

### Note 10 - Interfund Receivables and Payables

Amounts due to and from other funds in the fund financial statements represent goods and services paid for and grant revenues received by the General Fund for the benefit of the Enterprise Funds 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.

### Note 11 – Commitments

The following is a summary of the outstanding grant commitments as of September 30, 2023:

Grant	Effective Date	Ext Compl Date	Grant Award	Remaining Commitment
Johnson St Revital. DEO	Dec-24	Apr-26	\$332,743	\$332,743
Disaster Recov Infrac				
Repair Prog CDBG	Jul-20	Sep-23	1,165,000	1,165,000
Drinking Water State				
Revolving Fund DEO	May-19	Sep-23	2,545,000	979,971
CDBG Coronavirus	Mar-22	Sep-24	3,538,035	3,538,035
ARPA Dept Treas	Mar-21	Dec-24	762,299	739,600
Total			<u>\$8,343,077</u>	<u>\$6,755,349</u>

### Note 12 – Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor(s) cannot be determined at this time although the Town expects amounts, if any, to be immaterial.

### Note 13 – Leases

The City currently leases parcels of land to two commercial entities.

The first lease was entered into in February 1995 and subsequently amended in May 2017, to extend the term of the lease by adding five additional five-year extensions. Terms of the lease include current monthly payments of \$487 through January 2025, with a 5% increase every five years. The total amount received under the terms of this lease was \$5,844 for the year ended September 30, 2023.

\$116,966

The second lease was entered into in May 2014 and includes six additional five-year extensions. Terms of the lease include current monthly payments of \$1,621 through March 2026, with a 12.5% increase every five years. The total amount received under the terms of this lease was \$19,447 for the year ended September 30, 2023.

460,913

Total

\$577,869

In implementing GASB 87, Leases, effective October 1, 2021, the City recognized a \$582,835 lease receivable and a related deferred inflows of resources for the same amount for these two leases. The lease values were based on a 3.5% incremental borrowing rate as of October 1, 2021, and with expected lease maturity dates of January 2050 for the first lease and March 2051 for the second lease. During the year, \$4,966 was applied to the lease receivable balance (and deferred inflows of resources) balance and the City recognized \$23,820 in related interest income.

The lessee of this second lease is permitting a third party to share its radio tower (on the parcel leased). This third party is paying the City \$325 per month on a month-to-month basis.

---

**REQUIRED BUDGETARY SUPPLEMENTAL SCHEDULES**

**CITY OF HAWTHORNE, FLORIDA**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCES - BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 896,561	\$ 896,561	\$ 818,968	\$ (77,593)
Licenses and Permits	3,277	3,277	6,214	2,936
Intergovernmental Programs	72,692	72,692	372,280	299,588
Charges for Services	94,086	94,086	92,557	(1,529)
Fines and Forfeitures	11,000	11,000	11,745	745
Miscellaneous Revenue	1,120	1,120	43,917	42,797
Interfund Charges	30,000	30,000	30,000	-
<b>Total Revenues</b>	<b>1,108,736</b>	<b>1,108,736</b>	<b>1,375,680</b>	<b>266,943</b>
<b>Expenditures</b>				
Current:				
General Government	5,323,854	5,323,854	410,558	4,913,296
Transportation	219,886	219,886	183,180	36,706
Economic Environment	-	-	53,764	(53,764)
Culture and Recreation	312,943	312,943	196,522	116,421
Debt Service:				
General Government	25,728	25,728	26,810	(1,082)
Culture and Recreation	53,329	53,329	56,913	(3,584)
<b>Total Expenditures</b>	<b>5,935,739</b>	<b>5,935,739</b>	<b>927,746</b>	<b>5,007,993</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(4,827,003)</b>	<b>(4,827,003)</b>	<b>447,933</b>	<b>5,274,936</b>
<b>Other Financing Sources (Uses)</b>				
Net Proceeds from Line of Credit	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Financing Uses</b>	<b>(4,827,003)</b>	<b>(4,827,003)</b>	<b>447,933</b>	<b>5,274,936</b>
<b>Fund Balance, Beginning of Year</b>	<b>1,282,792</b>	<b>1,282,792</b>	<b>1,606,620</b>	
<b>Fund Balance, End of Year</b>	<b>\$ (3,544,211)</b>	<b>\$ (3,544,211)</b>	<b>\$ 2,054,553</b>	

See accompanying notes to the financial statements.

**CITY OF HAWTHORNE, FLORIDA**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCES - BUDGET AND ACTUAL - COMMUNITY REDEVELOPMENT FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Tax Increment Revenues	\$ 82,432	\$ 82,432	\$ 85,678	\$ 3,246
Repayment on Note Receivable				
Principal	17,396	17,396	17,396	-
Interest	8,332	8,332	8,332	-
Investment revenue	212	212	3,556	3,344
Miscellaneous Revenue	-	-	-	-
Total Revenues	<u>108,372</u>	<u>108,372</u>	<u>114,962</u>	<u>6,590</u>
Expenditures				
Current				
General Government	38,175	38,175	45,925	(7,750)
Capital Outlay				
Economic Environment	<u>70,197</u>	<u>70,197</u>	<u>2,363</u>	<u>67,834</u>
Total Expenditures	<u>108,372</u>	<u>108,372</u>	<u>48,288</u>	<u>60,084</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>66,674</u>	<u>66,674</u>
Fund Balance, Beginning of Year	<u>426,921</u>	<u>426,921</u>	<u>437,913</u>	
Fund Balance, End of Year	<u>\$ 426,921</u>	<u>\$ 426,921</u>	<u>\$ 504,587</u>	

See accompanying notes to the financial statements.

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

**CITY OF HAWTHORNE, FLORIDA**

Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended September 30, 2023

---

Federal / Pass Through Entity Federal Program	Assistance Listing #	Contract / Grant Number	Award / Financial Assistance	Federal Expenditures
U.S. Department of Housing and Urban Development Through the State of Florida, Department of Economic Opportunity CDBG Disaster Recovery Infrastructure Repair Program (CDBG-DR)	14.228	IR005	\$ 1,165,000	\$ 58,800
U.S Environmental Protection Agency Through the State of Florida, Department of Environmental Protection Capitalization Grants for Drinking Water State Revolving Loan Fund FS98452221-0	66.468	DW010411	2,545,000	576,347
			<u>\$ 3,710,000</u>	<u>\$ 635,147</u>

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal grant activity and state grant activity of the City of Hawthorne, Florida and is presented on the accrual basis of accounting.

**NOTE 2 - DE MINIMUS COST RATE**

The City has elected not to implement the 10% de minimis cost rate.

---

# REDDISH & WHITE

CERTIFIED PUBLIC ACCOUNTANTS

P.O Box 307 • 134 East Call Street • Starke, Florida 32091  
Phone (904) 964-7555 • Fax (904) 964-3887  
[www.reddishandwhite.com](http://www.reddishandwhite.com)

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

To the Honorable Mayor and the City Commission  
City of Hawthorne, Florida  
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, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hawthorne, Florida, (the City) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated March 31, 2025.

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

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

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items: 2023-001, 2023-002, 2023-003, and 2023-004 to be material weaknesses.

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

As part of obtaining reasonable assurance about whether City'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*.

### **City's Response to Findings**

The City's response to the findings identified in our audit are described in the last page of this report labeled auditee's response. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Reddish and White, CPAs*

Starke, Florida  
March 31, 2025

# CITY OF HAWTHORNE, FLORIDA

Schedule of Findings  
For the Year Ended September 30, 2023

---

## Section I. Summary of Auditor's Results

1. The auditors' report expresses a disclaimer of opinion on the City of Hawthorne, Florida's basic financial statements prepared in accordance with Generally Accepted Account Principles (GAAP).
2. Four material weaknesses were identified.
3. No significant deficiencies were identified.
4. No instance of noncompliance material to the financial statements of the City of Hawthorne, Florida which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
5. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in the Schedule.

## Section II. Findings Related to the Financial Statements which are required to be Reported in Accordance with *Government Auditing Standards*

There were four findings as follows:

Finding 2023-001: Maintaining Equity by Fund

The City maintains one general ledger for all funds without tracking equity by fund in the QuickBooks accounting software.

This methodology results in:

- a) The potential for a one sided entry to a fund,
- b) The inability to print a balance sheet by fund without performing additional steps outside of the accounting software QuickBooks, and
- c) The inability to reconcile the equity accounts to the prior year audited balances, and
- d) It also results in difficulty in reviewing one fund's general ledger detail (audit trail) since there are so many other accounts involved that are not pertinent to a given fund.

Recommendations 2023-001: We recommend (1) the City should not use any one equity account for more than one fund, and (2) the City should maintain a separate general ledger for the two governmental funds, the General Fund and the CRA Fund.

Schedule of Findings (concluded)

**Section II. Findings Related to the Financial Statements which are required to be Reported in Accordance with Government Auditing Standards (concluded)**

Finding 2023-002: Accounting for Governmental Funds on the Accrual Basis

The General Fund and the CRA Fund were accounted for using the accrual basis of accounting. Government accounting standards require that governmental funds be accounted for using the modified accrual basis of accounting.

Recommendations 2023-002: we recommend (1) the City maintain a separate general ledger for each of the governmental funds (especially since they are accounted for under a different basis of accounting as the enterprise funds), (2) not including notes receivable, fixed asset accounts, or long-term liability related accounts in the general ledger when accounting under the modified accrual basis of accounting.

Finding 2023-003: Improve the Bank Reconciliation Process

During the year we noted that material duplicate entries went undetected, there were several uncleared deposits that were over one month old, and many of the bank accounts were not being reconciled in a timely manner.

Recommendation 2023-003: Improve the bank reconciliation process by (1) investigating any material uncleared disbursements in a timely manner (and be mindful on which duplicate entry to void when correcting for a duplicate entry), (2) reviewing any uncleared deposits more than 30 days old, and (3) by performing the reconciliation of the bank accounts within 30 days of receipt of the bank statement.

Finding 2023-004: Monitoring the Increases in the Interfund balances

The interfund balances between the various funds continue to increase. Upon further review by the City's external accountant, it was determined that these increases are not correct.

Recommendation 2023-004: – The City should perform a review, at least annually, of the transactions in the interfund balances and any significant increases need to be analyzed. Further, activity for the large interfund balances should be reviewed for possible misstatements.

---

# REDDISH & WHITE

CERTIFIED PUBLIC ACCOUNTANTS

P.O Box 307 • 134 East Call Street • Starke, Florida 32091

Phone (904) 964-7555 • Fax (904) 964-3887

[www.reddishandwhite.com](http://www.reddishandwhite.com)

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

To the Honorable Mayor and the  
City Commission  
City of Hawthorne, Florida

We have examined the City of Hawthorne, Florida's compliance with the requirements of Section 218.415, Florida Statutes during the fiscal year ended September 30, 2023. Management is responsible for the City of Hawthorne, Florida's compliance with those requirements. Our responsibility is to express an opinion on the City of Hawthorne, Florida's compliance based on our examination.

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

In our opinion, the City of Hawthorne, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2023.

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 and White, CPAs*

Starke, Florida  
March 31, 2025

# **REDDISH & WHITE**

CERTIFIED PUBLIC ACCOUNTANTS

P.O Box 307 • 134 East Call Street • Starke, Florida 32091

Phone (904) 964-7555 • Fax (904) 964-3887

[www.reddishandwhite.com](http://www.reddishandwhite.com)

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

Honorable Mayor and the City Commission  
City of Hawthorne, Florida  
Hawthorne, Florida

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

We were engaged to audit the financial statements of the City of Hawthorne, Florida, as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated March 31, 2025. In our audit report, we issued a disclaimer of an opinion. We were unable to obtain sufficient appropriate audit evidence because all of the funds were maintained 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 balances for each fund were 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 balances, the interfund balances, and the net position balances.

### **Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Florida Auditor General.

### **Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports which are dated March 31, 2025, should be considered in conjunction with this management letter.

## Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.

Tabulation of Uncorrected Audit Findings		
Current Year Finding No.	2021-22 FY Finding No.	2020-21 FY Finding No.
2023-001	2022-001	n/a
2023-002	2022-002	n/a
2023-003	2022-003	n/a
2023-004	2022-005	n/a

## Official Title and Legal Authority

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

## Financial Condition and Management

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

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

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

### Recommendation 2023-005: Multiple Utility Funds

By maintaining multiple utility funds, additional time and effort is spent allocating receivables and payables and tracking interfund transactions between the Water fund, Sewer fund, and the Sanitation funds. Also, in many instances, the receivable and payable detail did not agree with the related general ledger balance. That is, there were errors in assigning the appropriate fund (class in QuickBooks) to a transaction.

We recommend combining these 3 funds into one fund, a Utility Fund, to streamline the accounting process. The level of detail on the income statement by these departments should still be maintained but the balance sheet accounts would no longer require separate accounting.

Recommendation 2023-006: processing invoices received from vendors for payment.

During the audit we noted that the City generates an invoice to assist in processing invoices for payment received from vendors.

We recommend avoiding this step and just entering the invoice in the AP system. If the invoice is for multiple funds, then attach a preprinted worksheet that illustrates the allocation to each fund. The account number(s) should be written on the invoice by the person who approves the invoice for payment.

### **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 Hawthorne Community Redevelopment Agency reported:

- a. The total number of district employees compensated in the last pay period of the Agency's fiscal year as 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 as 0.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$0.
- d. All compensation earned or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$18,113.
- 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 as 0.
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as \$66,674.

### **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 and White, CPAs*

Starke, Florida  
March 31, 2025


**AFFIDAVIT OF IMPACT FEE COMPLIANCE**

STATE OF FLORIDA  
COUNTY OF ALACHUA

BEFORE ME, the undersigned authority, personally appeared Robert Thompson who, being duly sworn, deposes and says on oath that:

- 1) I am the Chief Financial Officer of the City of Hawthorne, Florida which is a local governmental entity of the State of Florida.
- 2) The governing body of the City of Hawthorne adopted Ordinance No. 2006-04 implementing an impact fee or authorized City of Hawthorne to receive and expend proceeds of an impact fee implemented by City Commission.
- 3) The City of Hawthorne, Florida has complied with Section 163.31801, Florida Statutes regarding accounting and reporting of impact fees collections and expenditures for fiscal year ended September 30, 2023.

FURTHER AFFIANT SAYETH NAUGHT.




---

signature of chief financial officer

STATE OF FLORIDA  
COUNTY OF ALACHUA

SWORN TO AND SUBSCRIBED before me this 31 day of March, 2025.



*Lakesha Hawkins McGruder*  
 NOTARY PUBLIC

Print Name Lakesha Hawkins McGruder

Personally known  or produced identification \_\_\_\_\_

Type of identification produced: \_\_\_\_\_

My Commission Expires: 08-18-2025



City of \_\_\_\_\_  
**HAWTHORNE**  
Florida

6875 SE 221<sup>st</sup> Street Hawthorne, Florida 32640  
(352) 481-2432

March 31, 2025

Dear Sirs,

I would like to take this opportunity to respond to the internal control comments made by the auditors in the City of Hawthorne, Florida's audit report for the fiscal year ended September 30, 2023. The following is our response to the comment included in the audit report.

**Finding 2023-001: Maintaining Equity by Fund**

The City maintains one general ledger for all funds without tracking equity by fund in the QuickBooks accounting software.

This methodology results in:

- a) The potential for one sided entries to a fund,
- b) The inability to print a balance sheet by fund without performing additional steps outside of the accounting software QuickBooks, and
- c) The inability to reconcile the equity accounts to the prior year audited balances, and
- d) It also results in difficulty in reviewing one fund's general ledger detail (audit trail) since there are so many other accounts involved that are not pertinent to a given fund.

**Recommendations 2023-001:** We recommend (1) the City should not use any one equity account for more than one fund, and (2) the City should maintain a separate general ledger for the two governmental funds, the General Fund and the CRA Fund.

**Response 2023-001:**

The City will separate the General Ledger by Fund (CRA, General Fund and Enterprise Fund) in subsequent years.

**Finding 2023-002 Accounting for Governmental Funds on the Accrual Basis**



City of \_\_\_\_\_  
**HAWTHORNE**  
Florida

6875 SE 221<sup>st</sup> Street Hawthorne, Florida 32640  
(352) 481-2432

The General Fund and the CRA Fund were accounted for using the accrual basis of accounting. Government accounting standards require that governmental funds be accounted for using the modified accrual basis of accounting.

Recommendations 2023-002: We recommend (1) the City maintain a separate general ledger for each of the governmental funds (especially since they are accounted for under a different basis of accounting as the enterprise funds), (2) not including notes receivable, fixed asset accounts, or long-term liability related accounts in the general ledger when accounting under the modified accrual basis of accounting.

**Response 2023-002:**

The City will separate the General Ledger by Fund (CRA, General Fund and Enterprise Fund) in subsequent years. Additional training for staff will take place on a different accounting basis to resolve this issue.

**Finding 2023-003: Improve the Bank Reconciliation Process**

During the year we noted that material duplicate entries went undetected, there were several uncleared deposits that were over one month old, and many of the bank accounts were not being reconciled in a timely manner.

Recommendation 2023-003: Improve the bank reconciliation process by (1) investigating any material uncleared disbursements in a timely manner (and be mindful on which duplicate entry to void when correcting for a duplicate entry), (2) reviewing any uncleared deposits more than 30 days old, and (3) by performing the reconciliation of the bank accounts within 30 days of receipt of the bank statement.

**Response 2023-003:**

Bank reconciliations are current through February 28, 2025. The City Manager is reviewing bank reconciliations for questionable uncleared items. All bank reconciliations are required to be completed and reviewed within 30 days of the closing period.

**Finding 2023-004: Monitoring the Increases in the Interfund balances**

The interfund balances between the various funds continue to increase. Upon further review by the City's external accountant, it was determined that these increases are not correct.



City of \_\_\_\_\_  
**HAWTHORNE**  
**Florida**

6875 SE 221<sup>st</sup> Street Hawthorne, Florida 32640  
(352) 481-2432

Recommendation 2023-004: – The City should perform a review, at least annually, of the transactions in the interfund balances and any significant increases need to be analyzed. Further, activity for the large interfund balances should be reviewed for possible misstatements.

Response 2023-004:

The City will develop a policy for interfund reimbursement and reconcile each account during the monthly closing review process.

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

Sincerely,

Robert Thompson  
City Manager