

**CITY OF HAWTHORNE, FLORIDA**  
**ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended September 30, 2024



**CITY COMMISSION**

Jacquelyn Randall, Mayor  
Patricia Bouie-Hutchinson, Vice Mayor  
Raymond Cue, Commissioner  
Tommie Howard, Commissioner  
Randy Martin, Commissioner

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## **INTRODUCTORY SECTION**

**CITY OF HAWTHORNE, FLORIDA  
LIST OF PRINCIPAL OFFICIALS  
September 30, 2024**

**MAYOR**

**Jacquelyn Randall**

**VICE MAYOR**

**Patricia Bouie-Hutchinson**

**CITY COMMISSION**

**Raymond Cue  
Tommie Howard  
Randy Martin**

**CITY MANAGER**

**Robert Thompson**

**CITY CLERK**

**Lakesha H. McGruder**

**FINANCIAL SECTION**



## **Powell and Jones CPA**

1359 S.W. Main Blvd.  
Lake City, FL 32025  
Phone 386.755.4200

### **INDEPENDENT AUDITOR'S REPORT**

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

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate of remaining fund information of the City of Hawthorne, Florida, (the City) as of and for the year ended September 30, 2024, 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 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.

#### **Emphasis of Matter – Prior Period Adjustments**

As discussed in Note 12 to the financial statements, the City identified errors in the prior-year financial statements and recorded prior-period adjustments to correct the reporting of long-term debt, interfund balances, and unearned revenue. Beginning net position and fund balances have been restated accordingly. Our opinion is not modified with respect to this matter.

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

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

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

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 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 December 10, 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 the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Powell & Jones". The signature is written in a cursive, flowing style.

Powell and Jones CPA  
Lake City, Florida  
December 10, 2025

**CITY OF HAWTHORNE, FLORIDA**  
Management's Discussion and Analysis

**Overview of the Financial Statements**

Within this section of the City of Hawthorne's (the City) annual financial report, the City's management provides a narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2024. This discussion should be read in conjunction with the City's financial statements, which begin on page 12.

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 additional information in this report 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 financial 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 the elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This city-wide statement of financial position presents 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 City's overall economic health extends beyond financial information and includes non-financial factors such as diversification of the taxpayer base and the condition of City infrastructure.

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 this statement is to show the extent to which the City's distinct activities or functions rely on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities 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. Business-type activities include water services, sewer services, sanitation operations, and the operation 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 other funds are combined into a single aggregated presentation.

Since the government-wide focus includes a 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 include 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 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 determine whether there are more or fewer financial resources available to 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 economic development within the City limits. The General Fund encompasses the majority of the City's operations.

### **Proprietary Funds**

The City maintains 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 water utility operations, (2) the Sewer Fund to account for wastewater utility operations, (3) the Sanitation Fund to account for solid waste sanitation operations, and (4) 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 financial statements, fund financial statements, and related disclosures.

### **Financial Highlights**

- The City's net position increased by \$1,377,039 (10.84%) overall as a result of current year operations. While the net position of governmental activities increased by \$197,598 (1.92%) and the net position of business-type activities increased by \$1,179,441 (48.73%).
- For the fiscal year, the City reported governmental expenditures of \$1,196,923, which were \$197,598 less than the \$1,394,521 in general revenues, charges for services, and grants recognized.

## City as a Whole

### Government-wide Financial Statements

A condensed version of the Statement of Net Position at September 30, 2024 and 2023, follows:

#### Net Position at September 30, 2024 and 2023

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
<b>Assets</b>						
Current assets	\$ 3,606,821	\$ 3,258,771	\$ 823,012	\$ 643,036	\$ 4,429,833	\$ 3,901,807
Capital assets	6,982,219	7,119,610	6,065,712	5,063,509	13,047,931	12,183,119
Total assets	<u>10,589,040</u>	<u>10,378,381</u>	<u>6,888,724</u>	<u>5,706,545</u>	<u>17,477,764</u>	<u>16,084,926</u>
Deferred outflows of resources	-	-	-	-	-	-
<b>Liabilities</b>						
Current liabilities	100,430	81,116	411,900	265,512	512,330	346,628
Long-term liabilities	13,180	19,433	2,312,570	2,442,941	2,325,750	2,462,374
Total liabilities	<u>113,610</u>	<u>100,549</u>	<u>2,724,470</u>	<u>2,708,453</u>	<u>2,838,080</u>	<u>2,809,002</u>
Deferred inflows of resources	-	-	564,590	577,869	564,590	577,869
<b>Net Position</b>						
Net investment in capital assets	6,982,219	7,119,610	3,610,745	2,187,466	10,592,964	9,307,076
Restricted	1,157,113	879,098	497,219	486,228	1,654,333	1,365,326
Unrestricted	2,336,098	2,279,124	(508,300)	(253,471)	1,827,797	2,025,653
Total net position	<u>\$ 10,475,430</u>	<u>\$ 10,277,832</u>	<u>\$ 3,599,664</u>	<u>\$ 2,420,223</u>	<u>\$ 14,075,094</u>	<u>\$ 12,698,055</u>

75% of the City's net position reflects its investment in capital assets (land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted assets of \$1,654,333 consist primarily of earmarked funds in the community development block grant program. The balance of unrestricted net position is \$1,827,797.

The City's net position increased by \$1,377,039 or 1.92% over the year.

The following schedule provides a summary of the changes in net position. The increase in Business-type Activities net position is due to sound budgetary management. The increase during the year through Governmental Activities net position is also primarily due to sound budgetary management.

A condensed version of the Statement of Activities follows:

**Summary of Change in Net Position**  
For the Fiscal Year Ended September 30, 2024 and 2023

	Summary of changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 185,638	\$ 112,338	\$ 1,249,798	\$ 1,166,459	\$ 1,435,436	\$ 1,278,797
Grants and contributions	34,745	866,751	1,151,595	-	1,186,340	866,751
General revenues						
Taxes	1,033,060	1,001,179	-	-	1,033,060	1,001,179
State shared revenues	82,609	86,685	-	-	82,609	86,685
Interest and other	58,469	52,852	10,141	4,208	68,610	57,060
Total revenues	<u>1,394,521</u>	<u>2,119,805</u>	<u>2,411,534</u>	<u>1,170,667</u>	<u>3,806,055</u>	<u>3,290,472</u>
<b>Expenses</b>						
General government	584,758	386,255	-	-	584,758	386,255
Transportation	214,934	248,939	-	-	214,934	248,939
Economic environment	82,443	68,906	-	-	82,443	68,906
Culture/recreation	314,788	266,209	-	-	314,788	266,209
Water, sewer, and garbage services	-	-	1,232,093	1,469,937	1,232,093	1,469,937
Total expenses	<u>1,196,923</u>	<u>970,309</u>	<u>1,232,093</u>	<u>1,469,937</u>	<u>2,429,016</u>	<u>2,440,246</u>
Change in net position	197,598	1,149,496	1,179,441	(299,270)	1,377,039	850,226
Beginning net position	10,277,832	9,128,336	2,420,223	2,527,130	12,698,055	11,655,466
Prior period adjustment	-	-	-	192,363	-	192,363
Ending net position	<u>\$ 10,475,430</u>	<u>\$ 10,277,832</u>	<u>\$ 3,599,664</u>	<u>\$ 2,420,223</u>	<u>\$ 14,075,094</u>	<u>\$ 12,698,055</u>

**Governmental activities:**

Taxes provided 74% of the revenues for Governmental Activities, while grants and contributions provided 3%. Most of the Governmental Activities resources were spent for Transportation (18%), Culture/recreation (26%) and General Government (49%).

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

The General Fund is reported in the fund financial statements using a short-term focus on inflows and outflows of spendable resources. This information is useful in assessing resources available at year-end in comparison with upcoming financing requirements. The Governmental Funds reported an ending fund balance of \$3,522,499.

The total ending fund balance of the Governmental Funds increased by \$277,567, or 8.55%, compared to the prior year's ending fund balance.

The proprietary funds' net position increased by \$1,179,441, or 48.73%, from the prior year.

**General Fund Budgetary Highlights**

The City's actual revenues exceeded budgeted revenues by more than \$30,182. This increase was primarily due to excess intergovernmental program revenues.

Total actual expenditures were less than budgeted expenditures by more than \$4,025,277. This variance was primarily attributable to Community Development Block Grant (CDBG) and other grant

expenditures that were budgeted but not expended during the fiscal year.

## **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 through grants.

### **Debt Administration**

General Fund – The City continues to make scheduled payments on the outstanding note payable. Refer to Note 7 to the financial statements for additional information regarding long-term obligations.

Proprietary Funds – The City continues to make scheduled payments on outstanding revenue bonds and notes payable. Refer to Note 7 to the financial statements for additional information regarding long-term obligations.

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

The State of Florida does not levy a state personal income tax; therefore, the State primarily operates using sales, gasoline, and corporate income taxes. Local governments rely primarily on property taxes and a limited array of other permitted taxes, such as sales, gasoline, and utility service taxes, as well as fees including franchise fees, traffic fines, and occupational licenses, to finance governmental activities.

Additionally, local governments receive a limited number of state-shared revenues and both recurring and non-recurring (one-time) grants from state and federal governments.

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

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have any questions about this report or require additional financial information, please contact the City Clerk's Office at (352) 481-2432.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF HAWTHORNE, FLORIDA**  
**STATEMENT OF NET POSITION**  
**September 30, 2024**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 815,382	\$ 611,573	\$ 1,426,955
Investment in CD	-	32,527	32,527
Accounts receivable - net	219,987	91,115	311,102
Prepaid Expenses	25,365	1,575	26,940
Lease receivables	-	580,385	580,385
Restricted assets:			
Cash and cash equivalents	1,408,310	497,219	1,905,529
Accounts receivable - net	-	34,651	34,651
Investment in CD	-	110,793	110,793
Internal Balances	1,137,777	(1,137,777)	-
<b>Capital assets Not being Depreciated:</b>			
Land	4,656,816	114,570	4,771,386
Construction in progress	43,392	3,619,945	3,663,337
Depreciable capital assets, net of accumulated depreciation	2,282,011	2,331,197	4,613,208
Bond costs, net of accumulated amortization	-	951	951
<b>Total assets</b>	<b><u>10,589,040</u></b>	<b><u>6,888,724</u></b>	<b><u>17,477,764</u></b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	63,155	162,384	225,539
Accrued liabilities	14,223	-	14,223
Unearned revenue	3,701	-	3,701
Deposits	3,243	98,235	101,478
Notes payable, current portion	-	43,997	43,997
Bonds payable, current portion	-	98,400	98,400
Compensated absences, current portion	16,108	8,884	24,992
<b>Total current liabilities</b>	<b><u>100,430</u></b>	<b><u>411,900</u></b>	<b><u>512,330</u></b>
<b>Noncurrent liabilities</b>			
Notes payable, net of current portion	-	903,570	903,570
Bonds payable, net of current portion	-	1,409,000	1,409,000
Compensated absences, net of current portion	13,180	-	13,180
<b>Total noncurrent liabilities</b>	<b><u>13,180</u></b>	<b><u>2,312,570</u></b>	<b><u>2,325,750</u></b>
<b>Total liabilities</b>	<b><u>113,610</u></b>	<b><u>2,724,470</u></b>	<b><u>2,838,080</u></b>
Deferred inflow of resources	-	564,590	564,590
<b>NET POSITION</b>			
Net investment in capital assets	6,982,219	3,610,745	10,592,964
Restricted for:			
Utilities	-	497,219	497,219
Economic development	804,732	-	804,732
Infrastructure	352,381	-	352,381
Unrestricted	2,336,098	(508,300)	1,827,797
<b>Total net position</b>	<b><u>\$ 10,475,430</u></b>	<b><u>\$ 3,599,664</u></b>	<b><u>\$ 14,075,094</u></b>

See notes to financial statements.

**CITY OF HAWTHORNE, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - type Activities	Total
<b>Governmental activities</b>							
General government	\$ 584,758	\$ 97,615	\$ 34,745	\$ -	\$ (452,398)	\$ -	\$ (452,398)
Transportation	214,934	18,835	-	-	(196,099)	-	(196,099)
Economic environment	82,443	-	-	-	(82,443)	-	(82,443)
Culture/recreation	314,788	69,188	-	-	(245,600)	-	(245,600)
<b>Total governmental activities</b>	<b>1,196,923</b>	<b>185,638</b>	<b>34,745</b>	<b>-</b>	<b>(976,540)</b>	<b>-</b>	<b>(976,540)</b>
<b>Business-type activities</b>							
Water services	407,426	421,073	-	1,151,595	-	1,165,242	1,165,242
Garbage and solid waste services	312,971	322,402	-	-	-	9,431	9,431
Sewer services	511,696	506,323	-	-	-	(5,373)	(5,373)
<b>Total business-type activities</b>	<b>1,232,093</b>	<b>1,249,798</b>	<b>-</b>	<b>1,151,595</b>	<b>-</b>	<b>1,169,300</b>	<b>1,169,300</b>
<b>Total government</b>	<b>\$ 2,429,016</b>	<b>\$ 1,435,436</b>	<b>\$ 34,745</b>	<b>\$ 1,151,595</b>	<b>(976,540)</b>	<b>1,169,300</b>	<b>192,760</b>
		<b>General revenues</b>					
		Property taxes			431,366	-	431,366
		Discretionary sales taxes			214,410	-	214,410
		Franchise fees and utility fees			158,387	-	158,387
		Half cent sales taxes			74,647	-	74,647
		Local option gas taxes			85,666	-	85,666
		Communication services tax			68,584	-	68,584
		State shared revenues			82,609	-	82,609
		Interest			2,034	421	2,455
		Miscellaneous			56,435	9,720	66,155
		<b>Total general revenues</b>			<b>1,174,138</b>	<b>10,141</b>	<b>1,184,279</b>
		Change in net position			<b>197,598</b>	<b>1,179,441</b>	<b>1,377,039</b>
		Net position at beginning of year, restated			10,277,832	2,420,223	12,698,055
		<b>Net position at the end of year</b>			<b>\$ 10,475,430</b>	<b>\$ 3,599,664</b>	<b>\$ 14,075,094</b>

See notes to financial statements.

**CITY OF HAWTHORNE. FLORIDA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
September 30, 2024**

	<u>General Fund</u>	<u>Community Redevelopment Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 815,382	\$ -	\$ 815,382
Cash - Restricted	753,051	655,259	1,408,310
Accounts receivable	219,987	-	219,987
Due from other funds	1,657,320	54,991	1,712,311
Interfund loans	-	168,085	168,085
Prepaid	25,365	-	25,365
<b>Total assets</b>	<b><u>3,471,105</u></b>	<b><u>878,335</u></b>	<b><u>4,349,440</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	63,155	-	63,155
Accrued liabilities	14,223	-	14,223
Unearned Revenue	3,701	-	3,701
Due to other funds	500,931	73,603	574,534
Interfund loans	168,085	-	168,085
Deposit payable	3,243	-	3,243
<b>Total liabilities</b>	<b><u>753,338</u></b>	<b><u>73,603</u></b>	<b><u>826,941</u></b>
<b>FUND BALANCES</b>			
Non-Spendable	1,514,600	223,076	1,737,676
Restricted	352,381	581,656	934,037
Assigned	24,702	-	24,702
Unassigned	826,084	-	826,084
<b>Total fund balances</b>	<b><u>2,717,767</u></b>	<b><u>804,732</u></b>	<b><u>3,522,499</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 3,471,105</u></b>	<b><u>\$ 878,335</u></b>	<b><u>\$ 4,349,440</u></b>

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

Net capital assets used in governmental activities are not available financial resources and, therefore, are not reported in the funds 6,982,219

Noncurrent liabilities are not due in the current period and, therefore, are not reported in the governmental funds (29,288)

**Net position of governmental activities** **\$ 10,475,430**

See notes to financial statements.

**CITY OF HAWTHORNE, FLORIDA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Fiscal Year Ended September 30, 2024**

	<b>General Fund</b>	<b>Community Redevelopment Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Taxes	\$ 1,001,688	\$ 100,561	\$ 1,102,249
Licenses and permits	2,034	-	2,034
Intergovernmental	129,218	-	129,218
Charges for services	97,615	-	97,615
Fines and forfeitures	18,835	-	18,835
Miscellaneous	38,379	13,756	52,135
<b>Total revenues</b>	<b>1,287,769</b>	<b>114,317</b>	<b>1,402,086</b>
<b>EXPENDITURES</b>			
<b>Current expenditures</b>			
General government:	550,843	420	551,263
Transportation	183,128	-	183,128
Economic environment	82,443	-	82,443
Culture/recreation	247,942	-	247,942
Debt service:			
General Government	25,728	-	25,728
Culture and Recreation	34,015	-	34,015
<b>Total expenditures</b>	<b>1,124,099</b>	<b>420</b>	<b>1,124,519</b>
<b>Excess of revenues over (under) expenditures</b>	<b>163,670</b>	<b>113,897</b>	<b>277,567</b>
Net change in fund balances	163,670	113,897	277,567
Fund balances at beginning of year, restated	2,554,097	690,835	3,244,932
<b>Fund balances at end of year</b>	<b>\$ 2,717,767</b>	<b>\$ 804,732</b>	<b>\$ 3,522,499</b>

See notes to financial statements.

**CITY OF HAWTHORNE, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended September 30, 2024**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 277,567</b>
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount depreciation of \$137,391.	(137,391)
Compensated absences are recorded recorded when paid in the governmental funds. This is the amount the compensated absences decreased during the year.	712
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes current financial resources. This amount is the effect of these differences in the treatment of long-term debt.	56,710
<b>Change In Net Position of Governmental Activities</b>	<b><u>\$ 197,598</u></b>

**See notes to financial statements.**

**CITY OF HAWTHORNE, FLORIDA  
PROPRIETARY FUND  
STATEMENT OF NET POSITION  
September 30, 2024**

	Major funds			Non-major funds	
	Water	Sanitation	Sewer	Cemetery	Total
<b>ASSETS</b>					
<b>Current assets</b>					
Cash	\$ 256,914	\$ 110,829	\$ 242,733	\$ 1,097	\$ 611,573
Accounts receivable	-	34,893	56,222	-	91,115
Investment in CD	-	-	-	32,527	32,527
Lease receivable, current portion	-	-	17,471	-	17,471
Prepaid expenses	1,575	-	-	-	1,575
Restricted assets:					
Cash and cash equivalents	386,521	-	110,698	-	497,219
Accounts receivable - net	34,651	-	-	-	34,651
Investment in CD	110,793	-	-	-	110,793
Total current assets	<b>790,454</b>	<b>145,722</b>	<b>427,124</b>	<b>33,624</b>	<b>1,396,924</b>
<b>Capital assets</b>					
Land	-	-	114,570	-	114,570
Construction in progress	3,619,945	-	-	-	3,619,945
Depreciable capital asset, net	520,566	-	1,810,631	-	2,331,197
Total capital assets	4,140,511	-	1,925,201	-	6,065,712
<b>Other assets</b>					
Due from other funds, net of current portion	1,153,908	32,046	59,015	-	1,244,969
Bond costs, net of accumulated amortization	-	-	951	-	951
Lease receivable, net of current portion	-	-	562,914	-	562,914
Total other assets	1,153,908	32,046	622,880	-	1,808,834
Total assets	<b>\$ 6,084,873</b>	<b>\$ 177,768</b>	<b>\$ 2,975,205</b>	<b>\$ 33,624</b>	<b>\$ 9,271,470</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable	\$ 129,066	\$ 24,515	\$ 8,803	\$ -	\$ 162,384
Compensated absences	3,407	149	5,328	-	8,884
Restricted liabilities:					
Customer deposits	98,235	-	-	-	98,235
Bond payable, current portion	21,200	-	77,200	-	98,400
Notes payable, current portion	43,997	-	-	-	43,997
Total current liabilities	295,905	24,664	91,331	-	411,900
<b>Noncurrent liabilities</b>					
Due to other funds, net of current portion	1,642,061	-	699,982	40,703	2,382,746
Bond payable, net of current portion	126,200	-	1,282,800	-	1,409,000
Notes payable, net of current portion	903,570	-	-	-	903,570
Total noncurrent liabilities	2,671,831	-	1,982,782	40,703	4,695,316
Total liabilities	2,967,736	24,664	2,074,113	40,703	5,107,216
Deferred inflow of resources	-	-	564,590	-	564,590
<b>Net Position</b>					
Net investment in capital assets	3,045,544	-	565,201	-	3,610,745
Restricted	386,521	-	110,698	-	497,219
Unrestricted	(314,928)	153,104	(339,397)	(7,079)	(508,300)
Total net position	3,117,137	153,104	336,502	(7,079)	3,599,664
Total liabilities, Deferred inflows of resources, and fund net position	<b>\$ 6,084,873</b>	<b>\$ 177,768</b>	<b>\$ 2,975,205</b>	<b>\$ 33,624</b>	<b>\$ 9,271,470</b>

See notes to financial statements.

**CITY OF HAWTHORNE, FLORIDA  
 PROPRIETARY FUND  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 For the Fiscal Year Ended September 30, 2024**

	Major Funds			Non Major Funds	Total
	Water	Sanitation	Sewer	Cemetery	
<b>Operating Revenues</b>					
Charges for services	\$ 360,229	\$ 322,402	\$ 439,922	\$ -	\$ 1,122,553
Lease income	-	-	35,375	-	35,375
Other operating revenue	60,844	-	31,026	20	91,890
<b>Total operating revenues</b>	<b>421,073</b>	<b>322,402</b>	<b>506,323</b>	<b>20</b>	<b>1,249,818</b>
<b>Operating Expenses</b>					
Personnel services	111,198	16,663	170,226	-	298,087
Depreciation	20,773	-	128,621	-	149,394
Contract services	56,794	294,904	29,036	2,000	382,734
Materials, Supplies and Other operating services	161,041	1,404	135,680	-	298,125
<b>Total operating expenses</b>	<b>349,806</b>	<b>312,971</b>	<b>463,563</b>	<b>2,000</b>	<b>1,128,340</b>
<b>Operating income (loss)</b>	<b>71,267</b>	<b>9,431</b>	<b>42,760</b>	<b>(1,980)</b>	<b>121,478</b>
<b>Non-Operating Revenues (Expenses)</b>					
Interest Expense	(57,620)	-	(48,133)	-	(105,753)
Grant revenue	1,151,595	-	-	-	1,151,595
Investment income	-	-	-	421	421
Other income	11,700	-	-	-	11,700
<b>Total non-operating revenues (expenses)</b>	<b>1,105,675</b>	<b>-</b>	<b>(48,133)</b>	<b>421</b>	<b>1,057,963</b>
<b>Net change in net position</b>	<b>1,176,942</b>	<b>9,431</b>	<b>(5,373)</b>	<b>(1,559)</b>	<b>1,179,441</b>
<b>Net position at the beginning of year, restated</b>	<b>1,940,195</b>	<b>143,673</b>	<b>341,875</b>	<b>(5,520)</b>	<b>2,420,223</b>
<b>Net position at the end of year</b>	<b>\$ 3,117,137</b>	<b>\$ 153,104</b>	<b>\$ 336,502</b>	<b>\$ (7,079)</b>	<b>\$ 3,599,664</b>

**See notes to financial statements.**

**CITY OF HAWTHORNE, FLORIDA  
PROPRIETARY FUND  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended September 30, 2024**

	Major funds			Non - major funds	Total
	Water	Sanitation	Sewer	Cemetery	
<b>Cash Flows From Operating Activities:</b>					
Cash received from customers	\$ 430,963	\$323,514	\$497,422	\$ 20	\$1,251,919
Payments to suppliers of goods and services	(80,495)	(294,260)	(148,295)	(2,000)	(525,050)
Payments for personnel services	(109,124)	(16,600)	(184,828)	-	(310,552)
Net cash provided by (used for) operating activities	<u>241,344</u>	<u>12,654</u>	<u>164,299</u>	<u>(1,980)</u>	<u>416,317</u>
<b>Cash Flows From Non Capital Related Financing Activities</b>					
Transfers to other funds	(62,037)	(13,125)	(190,644)	-	(265,806)
Transfers from other funds	62,892	18,006	137,422	-	218,320
Net cash provided by (used for) non capital related financing activities	<u>855</u>	<u>4,881</u>	<u>(53,222)</u>	<u>-</u>	<u>(47,486)</u>
<b>Cash Flows From Capital And Related Financing Activities:</b>					
Principal payments on bonds	(41,243)	-	(72,900)	-	(114,143)
Purchase of capital assets	(1,151,595)	-	-	-	(1,151,595)
Interest payments on revenue bonds	(57,620)	-	(48,133)	-	(105,753)
Proceeds from capital grants	1,151,595	-	-	-	1,151,595
Net cash provided by (Used for) capital and related financing activities	<u>(98,863)</u>	<u>-</u>	<u>(121,033)</u>	<u>-</u>	<u>(219,896)</u>
<b>Cash Flows From Investing Activities</b>					
Interest received on investments	-	-	-	421	421
Net cash provided by (used for) investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>421</u>	<u>421</u>
Net increase in cash and cash equivalent	143,336	17,535	(9,956)	(1,559)	149,356
Cash and cash equivalent at the beginning of year	500,099	93,294	363,387	2,656	959,436
<b>Cash and cash equivalent at the end of year</b>	<u>\$ 643,435</u>	<u>\$110,829</u>	<u>\$353,431</u>	<u>\$ 1,097</u>	<u>\$1,108,792</u>
Cash and cash equivalent, Unrestricted	\$ 256,914	\$ 110,829	\$ 242,733	\$ 1,097	\$ 611,573
Cash and cash equivalent, Restricted	386,521	-	110,698	-	497,219
	<u>\$ 643,435</u>	<u>\$110,829</u>	<u>\$ 353,431</u>	<u>\$ 1,097</u>	<u>\$1,108,792</u>
<b>Reconciliation Of Operating Loss To Net Cash Provided By Operating Activities:</b>					
Operating Income (Loss)	\$ 71,267	\$ 9,431	\$ 42,760	\$ (1,980)	\$ 121,478
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	20,773	-	128,621	-	149,394
Interest received on investments	11,700	-	-	-	11,700
Change in current assets and current liabilities					
Accounts receivable, net	(5,401)	1,112	(6,384)	-	(10,673)
Prepays	12,511	-	17,543	-	30,054
Accounts payable	124,829	2,048	(1,122)	-	125,755
Accrued liabilities	2,074	63	(1,324)	-	813
Customer deposits	3,591	-	-	-	3,591
Other	-	-	(15,795)	-	(15,795)
<b>Net cash provided (used) by operating activities</b>	<u>\$ 241,344</u>	<u>\$ 12,654</u>	<u>\$164,299</u>	<u>\$ (1,980)</u>	<u>\$ 416,317</u>
<b>See notes to financial statements.</b>					

**CITY OF HAWTHORNE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2024

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

The City of Hawthorne, Florida, 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 member to serve as Mayor. The City provides services to its citizens including water, sanitation, and sewer services; 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 for which the City is financially accountable. Financial accountability exists if the City is able to impose its will on the entity or if a financial benefit or burden relationship exists. The Hawthorne Community Redevelopment Agency (CRA) meets this criterion, as the City Commission also serves as the CRA's governing board and the City maintains operational responsibility for the CRA's activities.

The CRA was established in 1993 pursuant to Ordinance 94-1 to carry out the community redevelopment purposes of Chapter 163, Florida Statutes. 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 (the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the City. 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 or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported as general revenues.

## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Fund Financial Statements**

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

### **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 and accounts for all financial resources not required to be accounted for in another fund. The CRA Fund is considered a special revenue fund and is reported as part of the City's primary government.

### **Proprietary Funds**

The City reports four proprietary funds: the Water Fund, the Sanitation Fund, the Sewer Fund, and the Cemetery Fund. All proprietary funds are considered major funds except the Cemetery Fund. These funds account for the City's water, solid waste, wastewater, and cemetery operations, respectively.

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

The government-wide financial statements and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of 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 recognized when they are both measurable and available. Revenues are considered available if collected within sixty days of fiscal year-end. Revenues susceptible to accrual include taxes, franchise fees, and intergovernmental revenues. Expenditures are generally recorded when a liability is incurred; however, debt service and compensated absences 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 in connection with a proprietary fund's principal ongoing operations. The primary operating revenues of the City's proprietary funds are charges to customers for services. Operating expenses include personnel services, contractual services, administrative expenses, and depreciation.

## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Deposits and Investments**

For purposes of the Statement of Cash Flows, highly liquid investments with maturities of three months or less when purchased are considered cash equivalents. Cash consists of cash on hand, checking accounts, savings accounts, money market accounts, and certificates of deposit with original maturities of three months or less.

Florida Statutes require public funds to be deposited with qualified public depositories. These institutions participate in a collateral pool that provides insurance beyond FDIC limits. As of September 30, 2024, the City's deposits were held in qualified public depositories.

Investments consist of certificates of deposit with original maturities 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, for shared revenues or costs.

### **Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the 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**

Capital assets include land, buildings and improvements, vehicles, furniture, and equipment. Capital assets used in governmental activities are reported in the Statement of Net Position and not in the governmental fund financial statements. Capital assets are recorded at historical cost, and donated assets are recorded at estimated acquisition value at the date of donation. Capital assets are defined as assets with an initial cost greater than \$1,000 and an estimated useful life exceeding one year. Maintenance and repairs that do not extend the useful life of an asset are expensed.

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

<u>Asset Type</u>	<u>Years</u>
Building and improvements	20 - 40
Vehicle and equipments	5 - 10

## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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>Asset Type</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 governmentwide 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 (CONTINUED)**

### **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.

## **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, 2024, was 5.8594 mills.

The tax levy of the City 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 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, 2024, 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 City 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. CAPITAL ASSETS**

**Governmental Activities**

Capital asset activity for the governmental activities for the year ended September 30, 2024, was as follows:

	Beginning balance	Increase	Decrease	Ending balance
<b><u>Governmental Activities</u></b>				
Capital asset not being depreciated:				
Land	\$ 4,656,816	\$ -	\$ -	\$ 4,656,816
Construction in progress	43,392	-	-	43,392
<b>Total</b>	<b>4,700,208</b>	<b>-</b>	<b>-</b>	<b>4,700,208</b>
Capital asset being depreciated:				
Buildings and improvements	3,992,393	-	-	3,992,393
Vehicle and equipment	315,412	-	-	315,412
<b>Total</b>	<b>4,307,805</b>	<b>-</b>	<b>-</b>	<b>4,307,805</b>
Less accumulated depreciation for:				
Buildings and improvements	(1,603,333)	(126,105)	-	(1,729,438)
Vehicle and equipment	(285,070)	(11,286)	-	(296,356)
<b>Total accumulated depreciation</b>	<b>(1,888,403)</b>	<b>(137,391)</b>	<b>-</b>	<b>(2,025,794)</b>
<b>Total Capital asset being depreciated, Net</b>	<b>2,419,402</b>	<b>(137,391)</b>	<b>-</b>	<b>2,282,011</b>
<b>Total Capital Assets, Net</b>	<b>\$ 7,119,610</b>	<b>\$ (137,391)</b>	<b>\$ -</b>	<b>\$ 6,982,219</b>

For the year ended September 30, 2024, depreciation expense on governmental fund capital assets charged to function/programs were as follows:

General Government	\$ 31,174
Transportation	31,806
Culture and recreation	74,411
<b>Total</b>	<b>\$ 137,391</b>

## NOTE 6. CAPITAL ASSETS (CONCLUDED)

### Business-Type Activities

Capital asset activity for the business-type activities for the year ended September 30, 2024 was as follows:

	Beginning balance	Increase	Decrease	Ending balance
<b>Business - type Activities</b>				
Capital asset not being depreciated:				
Land	\$ 114,570	\$ -	\$ -	\$ 114,570
Construction in progress	2,468,350	1,151,595	-	3,619,945
Total Capital asset not being depreciated:	<u>2,582,920</u>	<u>1,151,595</u>	<u>-</u>	<u>3,734,515</u>
Capital asset being depreciated:				
Water plant and improvement	1,824,704	-	-	1,824,704
Sewer plant and improvement	8,760,609	-	-	8,760,609
Machinery and equipment	212,397	-	-	212,397
Total	<u>10,797,710</u>	<u>-</u>	<u>-</u>	<u>10,797,710</u>
Less accumulated depreciation for:				
Water plant and improvement	(1,283,365)	(20,773)	-	(1,304,138)
Sewer plant and improvement	(6,833,990)	(119,783)	-	(6,953,773)
Machinery and equipment	(199,764)	(8,838)	-	(208,602)
Total accumulated depreciation	<u>(8,317,119)</u>	<u>(149,394)</u>	<u>-</u>	<u>(8,466,513)</u>
Total Capital asset being depreciated, Net	<u>2,480,591</u>	<u>(149,394)</u>	<u>-</u>	<u>2,331,197</u>
Total Capital Assets, Net	<u>\$ 5,063,511</u>	<u>\$ 1,002,201</u>	<u>\$ -</u>	<u>\$ 6,065,712</u>

For the year ended September 30, 2024, depreciation expense was \$149,394.

**NOTE 7. LONG-TERM OBLIGATIONS**

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Prior period adjustment</u>	<u>Final balance</u>	<u>Due within One year</u>
<b>Governmental Activities</b>						
Compensated absences	\$ 30,000	\$ -	\$ (712)	\$ -	\$ 29,288	\$ 16,108
Notes payable -WSP	56,710	-	(56,710)	-	-	-
<b>Total</b>	<u>\$ 86,710</u>	<u>\$ -</u>	<u>\$ (57,422)</u>	<u>\$ -</u>	<u>\$ 29,288</u>	<u>\$ 16,108</u>
<b>Business - type Activities</b>						
Compensated absences	\$ 8,071	\$ 813	\$ -	\$ -	\$ 8,884	\$ 4,709
Notes payable	1,161,173	-	(21,243)	(192,363)	947,567	43,997
Bonds payable	1,600,300	-	(92,900)	-	1,507,400	98,400
<b>Total</b>	<u>\$ 2,769,544</u>	<u>\$ 813</u>	<u>\$ (114,143)</u>	<u>\$ (192,363)</u>	<u>\$ 2,463,851</u>	<u>\$ 147,106</u>

**Notes Payable**

**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 City had no outstanding balance as of September 30, 2024.

**Business-type Activities**

**Notes Payable**

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. \$ 284,758

In March 2021, the City entered into a \$2,515,102 revolving fund loan agreement (DW 010411) with the State of Florida, Department of Environmental Protection. The agreement includes forgiveness of \$1,852,293 of the loan for a remaining loan balance of \$662,809 once all of the loan proceeds have been received by the City. \$2,515,102 has been received with \$1,852,293 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. 662,809

**Total** \$ 947,567

## 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.

\$ 147,400

\$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.

532,000

\$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.

828,000

Total

\$ 1,507,400

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, 2024:

Year	Principal	Interest	Total
2025	\$ 98,400	\$ 72,520	\$ 170,920
2026	103,000	67,560	170,560
2027	108,000	62,363	170,363
2028	114,100	56,910	171,010
2029	119,300	51,150	170,450
2030 - 2034	488,600	169,792	658,392
2035 - 2039	242,000	86,355	328,355
2040 - 2044	234,000	26,775	260,775
Total	<u>\$ 1,507,400</u>	<u>\$ 593,425</u>	<u>\$ 2,100,825</u>

### NOTE 8. 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 9. 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.

### *Interfund Loan*

In April 2017, the City obtained a \$285,000 promissory note from the City of Hawthorne Community Redevelopment Agency (CRA) for the purchase of the old M&S Bank building. The note has a term of 15 years and bears interest at 4.25% per annum. The loan requires monthly payments of \$2,144, with payments beginning June 1, 2017, and continuing until the note is paid in full.

\$168,085

## NOTE 10. CONTIGENCIES

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 City expects amounts, if any, to be immaterial.

## NOTE 11. LEASES

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

	<u>Deferred Inflows of Resources</u>
The first lease was entered into in February 1995 and subsequently amended in May 2017, to extend the term of the lease by adding six 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, 2024.	\$ 110,538
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, 2024.	454,052
<b>Total</b>	<u><u>\$564,590</u></u>

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 \$20,407 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.

## **NOTE 12. PRIOR PERIOD ADJUSTMENTS**

### **Business-Type Activities**

#### **Adjustment 1 – Overstatement of Long-Term Debt (Water fund)**

During the current fiscal year, the City identified an error in the opening balance of a loan payable reported in the Water Fund. The error relates to loan DW010411, issued for the Hawthorne Downtown Water Main Replacement project. The loan was previously reported with an opening balance of \$1,139,930. Based on the Department of Water audit report, the correct outstanding balance as of the beginning of the fiscal year was \$947,567.

As a result, the loan payable was overstated by \$192,363. The City recorded a prior period adjustment to correct the opening balance of the loan. This adjustment affected the Water Fund's beginning net position but had no impact on the Water Fund's operating results for the current fiscal year.

The effect of the prior period adjustment on the Water Fund's prior-year balance sheet is summarized below:

<b>Description</b>	<b>Loan Payable</b>	<b>Beginning Net Position</b>
Prior year balances before adjustment	\$1,139,930	\$1,747,832
Prior period adjustment	(192,363)	192,363
Prior year balances after adjustment	\$947,567	\$1,940,195

### **Governmental Activities**

#### **Adjustment 2 - Interfund Loan Classification (General Fund)**

During the current fiscal year, the City identified errors in the prior-year financial statements related to the reporting of long-term debt in the government-wide financial statements and the classification of an interfund loan at the fund level. The corrections were recorded as prior-period adjustments and had no impact on current-year operations.

#### **Adjustment 3 - Unearned (Deferred) Grant Revenue (General Fund)**

During the current fiscal year, the City identified an error in the prior-year financial statements related to the classification of unearned (deferred) revenue. An amount of \$685,792 was reported as unearned revenue but met the requirements for revenue recognition in the prior year. As a result, the City recorded a prior-period adjustment to recognize the revenue and eliminate the unearned revenue balance. The correction had no impact on current-year operations.

**Impact on Government-Wide Financial Statements**

<b>Description</b>	<b>Long-term debt</b>	<b>Net position</b>
Prior-year balance before adjustment	\$ 236,964	\$ 9,441,786
Prior-period adjustment	<u>(150,254)</u>	150,254
Prior-year balance after adjustment	86,710	
	<b><u>Unearned revenue</u></b>	
Prior-year balance before adjustment	685,792	
Prior-period adjustment	<u>(685,792)</u>	685,792
Prior-year balance after adjustment	-	
Prior-year balance after adjustment		<u><u>\$ 10,277,832</u></u>

**Impact on Fund Financial Statements**

**General Fund**

<b>Description</b>	<b>Interfund loans</b>	<b>Fund balance</b>
Prior-year balance before adjustment	\$ -	\$ 2,054,553
Prior-period adjustment	<u>(186,248)</u>	(186,248)
Prior-year balance after adjustment	(186,248)	
	<b><u>Grant Revenue</u></b>	
Prior-year balance before adjustment	180,959	
Prior-period adjustment	<u>685,792</u>	685,792
Prior-year balance after adjustment	866,751	
Prior-year balance after adjustment		<u><u>\$ 2,554,097</u></u>

**CRA Fund**

<b>Description</b>	<b>Interfund loans</b>	<b>Fund balance</b>
Prior-year balance before adjustment	\$ -	\$ 504,587
Prior-period adjustment	<u>186,248</u>	186,248
Prior-year balance after adjustment	186,248	<u><u>\$ 690,835</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF HAWTHORNE, FLORIDA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended September 30, 2024**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 1,029,054	\$ 1,001,688	\$ (27,366)
Licenses and Permits	3,277	2,034	(1,243)
Intergovernmental Programs	81,827	129,218	47,391
Charges for services	102,683	97,615	(5,068)
Fines and forfeitures	8,000	18,835	10,835
Miscellaneous revenue	2,146	38,379	36,233
Interfund charges	30,600	-	(30,600)
<b>Total revenues</b>	<b>1,257,587</b>	<b>1,287,769</b>	<b>30,182</b>
<b>EXPENDITURES</b>			
<b>Current</b>			
General Government	4,617,619	550,843	4,066,776
Transportation	218,442	183,128	35,314
Economic Environment	-	82,443	(82,443)
Culture and Recreation	234,258	247,942	(13,684)
<b>Debt service</b>			
General Government	25,728	25,728	-
Culture and Recreation	53,329	34,015	19,314
<b>Total expenditures</b>	<b>5,149,376</b>	<b>1,124,099</b>	<b>4,025,277</b>
<b>Excess of revenues over expenditures</b>	<b>(3,891,789)</b>	<b>163,670</b>	<b>4,055,459</b>
<b>Net change in fund balance</b>	<b>(3,891,789)</b>	<b>163,670</b>	<b>4,055,459</b>
<b>Fund balance at beginning of year</b>	<b>-</b>	<b>2,554,097</b>	<b>2,554,097</b>
<b>Fund balance at end of year</b>	<b>\$ (3,891,789)</b>	<b>\$ 2,717,767</b>	<b>\$ 6,609,556</b>

See notes to financial statements.

**CITY OF HAWTHORNE, FLORIDA  
COMMUNITY REDEVELOPMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended September 30, 2024**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
<b>REVENUES</b>			
Tax Increment Revenue	\$ 84,156	\$ 100,561	\$ 16,405
Repayment on Note Receivable			
Principal	18,150	-	(18,150)
Interest	7,578	7,565	(13)
Investment revenue	212	6,191	5,979
<b>Total revenues</b>	<b>110,096</b>	<b>114,317</b>	<b>4,221</b>
<b>EXPENDITURES</b>			
<b>Current</b>			
General Government	38,775	420	38,355
<b>Capital Outlay</b>			
Economic Environment	70,197	-	70,197
<b>Total expenditures</b>	<b>108,972</b>	<b>420</b>	<b>108,552</b>
<b>Excess of revenues over expenditures</b>	<b>1,124</b>	<b>113,897</b>	<b>112,773</b>
<b>Net change in fund balance</b>	<b>1,124</b>	<b>113,897</b>	<b>112,773</b>
<b>Fund balance at beginning of year</b>	<b>-</b>	<b>690,835</b>	<b>690,835</b>
<b>Fund balance at end of year</b>	<b>\$ 1,124</b>	<b>\$ 804,732</b>	<b>\$ 803,608</b>

See audit report.

**CITY OF HAWTHORNE, FLORIDA**  
**NOTES TO STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL**  
**SEPTEMBER 30, 2024**

**I. Stewardship, Compliance, and Accountability**

**A. Budgetary information.** The City, in establishing its budgetary data reflected in the financial statements follows the procedures set out in Chapters 166 and 200, *Florida Statutes*. The City prepares a tentative budget, which is used by the City at a public workshop to prepare the budgets for the coming year. Public hearings are conducted to obtain taxpayer comments. Subsequently, these budgets are legally adopted through the passage of a resolution at an advertised public session. Such actions are recorded in the City's minutes.

The budget is adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America (GAAP). The only exception to the GAAP basis is the Enterprise Fund, where depreciation is not budgeted for capital assets, while capital outlay expenditures are budgeted and are reclassified into fixed assets. These are then eliminated from the results of operations for financial reporting purposes in the Enterprise Fund. Estimated beginning fund balances are considered in the budgetary process but are not included in the financial statements as budgeted revenues.

The annual budget serves as the legal authorization for expenditures. All budget amendments, which change the legally adopted total appropriation for a fund, are approved by the City Commission.

If during the fiscal year, additional revenue becomes available for appropriations in excess of those estimated in the budget, the City Commission, by resolution, may make supplemental appropriations for the year up to the amount of such excess.

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

1. Prior to September 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in August and September to obtain taxpayer comments.
3. Prior to November 1, the budget is legally enacted through passage of an ordinance.
4. The legal level of budgetary control is the department level; however, the City Commission may, by formal motion, transfer appropriations between departments and may use surplus revenues not appropriated in the budget for any municipal purpose.
5. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America for governmental fund types.

**COMPLIANCE SECTION**

**CITY OF HAWTHORNE, FLORIDA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

Federal Grantor/Pass-Through Grantor/ Program Title	ALN	Grantor Number/FAIN	Program Award Amount	Current Year Expenditures
<b>FEDERAL AWARDS</b>				
U.S. Department of Housing and Urban Development Through the State of Florida, Department of Economic Opportunity				
CDBG Disaster Recovery Infrastructure Repair Program (CDBG-I	14.228	IR005	\$1,534,094	\$ 1,151,595
CDBG CARES (CDBG-CV)	14.228	22CV-S19	3,538,035	34,745
Total federal awards			<u>\$5,072,129</u>	<u>\$ 1,186,340</u>

See Notes to Schedule of Federal Awards.

**CITY OF HAWTHORNE, FLORIDA  
NOTES TO THE SCHEDULE OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the City under programs of the federal and state government for the year ended September 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and Chapter 10.550, Rules of the Auditor General. Because this schedule presents only a selected portion of the operation of the City, it is not intended to and does not present the financial position or changes in net position of the City.

**NOTE 2 – USE OF ESTIMATES**

The preparation of this schedule requires management to make various estimates. Actual results could differ from those estimates.

**NOTE 3 – INDIRECT COST RATE**

The City did not elect to charge the 10% de minimis indirect cost rate allowed under the Uniform Guidance or any other indirect cost rate to any federal or state programs.

**NOTE 4 – LOAN AND LOAN GUARANTEE PROGRAMS**

The City does not participate in any loan or loan guarantee programs.

**NOTE 5 – FEDERALLY FUNDED INSURANCE**

The City does not receive any federally funded insurance.

**NOTE 6 – NONCASH ASSISTANCE**

The City did not receive or provide any noncash assistance related to Federal or State programs/projects.

**NOTE 7 – SUBRECIPIENTS**

No federal or state funds were passed through to subrecipients.

**NOTE 8 – BASIS OF ACCOUNTING**

This schedule was prepared on the accrual basis of accounting.



**Powell and Jones CPA**

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Lake City, FL 32025  
Phone 386.755.4200

**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 Mayor and Members  
of the City Commission  
City of Hawthorne, Florida

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities and the major fund of the City of Hawthorne, Florida, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Hawthorne, Florida's basic financial statements and have issued our report thereof dated December 10, 2025.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 material weaknesses (2024-001, 2024-003, 2024-004, 2024-007) and significant deficiencies (2024-002, 2024-005, 2024-006, 2024-008).

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

### **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 Organization'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Powell and Jones CPA**  
Lake City, Florida  
December 10, 2025



# Powell and Jones CPA

1359 S.W. Main Blvd.  
Lake City, FL 32025  
Phone 386.755.4200

## MANAGEMENT LETTER

To the Mayor and Members  
of the City Commission  
City of Hawthorne E, 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, 2024, and have issued our report thereon dated December 10, 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 December 10, 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.

Tabulation of Uncorrected Audit Findings		
Current Year Finding No.	2022-23 FY Finding No.	2021-22 FY Finding No.
2024-001	2023-001	2022-001
Corrected	2023-002	2022-002
Corrected	2023-003	2022-003
2024-005	2023-004	2022-005

### Property Assessed Clean Energy Programs (PACE)

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the City of Hawthorne did not have a property assessed clean energy (PACE) program that finances qualifying improvements authorized pursuant to

Section 163.081 or Section 163.082, Florida Statutes, operated within the Dixie County Sheriff geographical boundaries during the fiscal year under audit.

**Official Title and Legal Authority**

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

**Auditor general compliance matters**

**Financial Condition Assessment** - As required by the *Rules of the Auditor General* (Sections 10.554(1)(i)5.b and 10.556(8)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information they provided.

**Financial Emergency Status** - We determined that the City had not met any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.554(1)(f).

**Dependent Special District** - 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 (CRA) reported:

<u>Data Element</u>	<u>Reference</u>	<u>Comment</u>
The total number of CRA employees compensated in the last pay period of the CRA's fiscal year being reported.	Section 218.32(1)(e)(2)(a)	The CRA has no employees
The total number of independent contractors to whom nonemployee compensation was paid in the last month of the CRA's fiscal year being reported.	Section 218.32(1)(e)(2)(b)	The CRA had no independent contractors
All compensation earned by or awarded to the CRA employees, whether paid or accrued, regardless of contingency.	Section 218.32(1)(e)(2)(c)	N/A
Budget variance report based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the CRA amended a final adopted budget under Section 189.016(6), Florida Statutes.	Section 218.32(1)(e)(3)	See page 39 of this annual financial report.
Each construction project with a total cost of at least \$65,000 approved by the CRA that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project.	Section 218.32(1)(e)(2)(e)	None
Total amounts paid to contractors	Section 218.32(1)(e)(2)(e)	None

**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 fraud, waste, or abuse, that has occurred or is likely to have occurred, that has an effect on the financial statements that is less than material but 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 of and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

**Conclusion**

We have reviewed each of our specific findings with appropriate officials or employees and have provided them with documentation as requested. We very much enjoyed the challenges and experiences associated with this year's audit of the City. We appreciate the helpful assistance and courtesy afforded to us by all City employees and look forward to working with you in the future.

A handwritten signature in cursive script that reads "Powell & Jones".

**Powell and Jones CPA**  
Lake City, Florida  
December 10, 2025



## Powell and Jones CPA

1359 S.W. Main Blvd.  
Lake City, FL 32025  
Phone 386.755.4200

### INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the City of Hawthorne, Florida's (the City) compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2024. We also examined the City's compliance with Sections 163.387(6) and (7), *Florida Statutes* regarding the City of Hawthorne Community Redevelopment Agency (the CRA) during the year ended September 30, 2024. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City'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's compliance with specified requirements.

In our opinion, the City and the CRA complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2024.

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

**Powell and Jones CPA**  
Lake City, Florida  
December 10, 2025



## Powell and Jones CPA

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### COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the City of Hawthorne, Florida for the year ended September 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

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

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Hawthorne, Florida, are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2024. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting the City of Hawthorne, Florida's financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statements.

##### *Difficulties Encountered in Performing the Audit*

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

##### *Corrected and Uncorrected Misstatements*

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

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 10, 2025.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

### Other Information in Documents Containing Audited Financial Statements

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

This information is intended solely for the use of the Mayor and Members of the City Commission and management of the City of Hawthorne, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



**Powell and Jones CPA**  
Lake City, Florida  
December 10, 2025



## Powell and Jones CPA

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### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*

To the Mayor and City Commission  
City of Hawthorne, Florida

#### **Report on Compliance for Each Major Federal Program**

##### ***Opinion on Each Major Federal Program***

We have audited the City of Hawthorne, Florida's (the City's) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement*, that could have a direct and material effect on each of the City's major Federal programs for the year ended September 30, 2024. The City's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended September 30, 2024.

##### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major Federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

##### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's Federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than not detecting material noncompliance resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Report on Internal Control over Compliance***

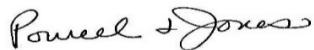
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal

program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**Powell and Jones CPA**  
Lake City, Florida  
December 10, 2025

**CITY OF HAWTHORNE, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

Section I. Summary of Auditor's Results

**Financial Statements**

Type of auditor's report issued:	Disclaimer of opinion
Internal control over financial reporting:	
· Material weaknesses identified	Yes
· Significant deficiencies identified that are not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted	No

**Federal Awards**

Internal control over major Federal programs	
· Material weaknesses identified	No
· Significant deficiencies identified that are not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major Federal programs	Unmodified
Any audit findings that are required to be reported in accordance with 2CFR 200.516(a)	None reported

Identification of major Federal programs:

Assistance Listing Number  
14.228

Name of Program  
CDBG Disaster Recovery  
Infrastructure Repair Program  
(CDBG-DR)

Dollar threshold used to distinguish between Type A and Type B Federal Programs	\$750,000
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Auditee qualified as a low-risk auditee?	No
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**Section II. Findings Related to the Financial Statements which are required to be Reported in Accordance with Government Auditing Standards**

There were eight findings as follows:

**Material Weaknesses:**

**Finding 2024-001: Maintaining Equity by Fund**

**Condition:** The City maintains one general ledger for all funds in QuickBooks and does not track equity separately by fund, resulting in commingled equity balances and limited fund-level reporting.

**Cause:** QuickBooks is not configured to maintain separate general ledgers and equity accounts by fund in accordance with governmental fund accounting requirements.

**Effect:** This results in an increased risk of misclassified or one-sided entries, inability to generate balance sheets by fund directly from QuickBooks, difficulty reconciling equity to prior year audited balances, and reduced efficiency in reviewing fund-specific general ledger detail.

**Recommendation:** We recommend the City establish separate equity accounts for each fund and maintain separate general ledgers for the General Fund and the CRA Fund.

**Response:** Effective FY 2024-2025, a separate general ledger for the CRA Fund was established. Effective FY 2025-2026, separate general ledgers were established for the Cemetery Fund, the Utility Funds (Water, Wastewater and Sanitation).

**Finding 2024-002: Inability to Reconcile Fund-Level Payables from Detail Trial Balance**

**Condition:** While the total accounts payable balance agrees to the overall trial balance, the City is unable to produce a fund-level breakdown (e.g., Water, Sanitation, Wastewater, General Fund, Cemetery, and CRA). The General Fund is treated differently than Enterprise Funds in the accounting system, contributing to inconsistent reporting.

**Cause:** The City's accounting system and chart of accounts are not configured to track liabilities consistently by fund, and staff are not following procedures to maintain fund-level detail.

**Effect:** The lack of fund-specific detail impairs the City's ability to monitor liabilities at the fund level, increasing the risk of misstatements and noncompliance with fund accounting requirements.

**Recommendation:** We recommend that management implement procedures to ensure all liabilities are recorded and tracked by funds in the accounting system. This includes configuring the chart of accounts to support fund-specific tracking, applying consistent accounting treatment across all funds, modifying reporting tools to allow extraction of fund-level balances, and training staff on fund accounting principles and reporting requirements.

**Response:** The separation of General Ledger by Fund will fix most of this issue (See Response to 2024-001). Additional training of staff will also be established.

**Finding 2024-003: Control Deficiency – Water Deposit Reconciliation Process**

**Condition:** An \$11,147 overstatement was identified in the water deposit listing with no supporting documentation or explanation provided.

**Cause:** The deposit reconciliation process lacks sufficient control and oversight.

**Effect:** This increases the risk of misstatement in financial reporting and indicates a potential control weakness.

**Recommendation:** Management should investigate the discrepancy, strengthen reconciliation procedures, and ensure supporting documentation is retained for all entries.

**Response:** This account was not reconciled in FY 2024-2025 to show Customer Deposits that were not transferred to new RVS System during original Conversion. Staff will be trained to reconcile account month with review by Management

**Finding 2024-004: Inadequate Segregation of Duties and Payroll Oversight**

**Condition:** The finance clerk has exclusive control over payroll, consistently declines vacation during payroll cycles, and prevents others from reviewing payroll tasks.

**Cause:** There is a lack of segregation of duties, cross-training, and formal payroll oversight procedures.

**Effect:** This increases the risk of undetected errors, fraud, or misappropriation in payroll processing.

**Recommendation:** Management should implement formal payroll controls, including cross-training staff, enforcing mandatory leave, and establishing independent review procedures for payroll processing.

**Response:** City Manager and Outside Accountant will review payroll process and control and make changes as necessary. After which, cross training of Staff be done.

**Significant Deficiencies:**

**Finding 2024-005: Monitoring the Increases in the Interfund balances**

**Condition:** Interfund balances between various funds continue to increase, and the increases were found to be incorrect upon review.

**Cause:** The City does not perform regular monitoring or analysis of interfund transactions.

**Effect:** Unmonitored or incorrect interfund balances increase the risk of misstatements in the financial statements.

**Recommendation:** The City should review interfund transactions at least annually, analyze significant increases, and investigate large balances for possible misstatements.

**Response:** Outside Accounting will review Interfund account with City Manager on a quarterly basis. They will determine if repayment is needed and changes to prevent increase in Interfund balances.

**Finding 2024-006: Absence of Formal Purchasing Policy and Competitive Bid Thresholds**

**Condition:** The organization lacks a documented purchasing policy and defined thresholds for competitive bidding; procurement is only followed when required by grants.

**Cause:** Management has not established formal procurement policies and procedures applicable to all purchases.

**Effect:** This increases the risk of noncompliance with laws and regulations, inefficient use of resources, and potential favoritism in procurement decisions.

**Recommendation:** Management should develop and implement a formal purchasing policy with defined thresholds, vendor selection procedures, and documentation requirements applicable to all purchases.

**Response:** City Manager and outside accountant will review current purchasing policies and update. Staff will be trained after the update, and management will establish a review schedule for future updates.

**Finding 2024-007: Inappropriate Use of Credit Card for Unallowable Expenditures**

**Condition:** Credit card transactions included purchases not allowable under public fund rules, and oversight of credit card activity is inadequate.

**Cause:** The City lacks sufficient policies, guidance, and independent review procedures for credit card use.

**Effect:** This increases the risk of misuse of public funds and potential noncompliance with laws, grant agreements, or internal policies.

**Recommendation:** Management should review all credit card transactions for allowability and strengthen controls, including updated policies, clearer guidance, and mandatory independent review and approval.

**Response:** The City Manager has acknowledged the inappropriate fund usage has all been reimbursed. City Manager and Outside Accounting will work together to set up policy and procedure on use of City Credit Card including monthly usage report by credit card users.

**Finding 2024-008: Noncompliance with JLAC Requirements Resulting in Forfeiture of Revenue**

**Condition:** The City of Hawthorne was noncompliant with the reporting requirements established by the Joint Legislative Auditing Committee (JLAC) during Fiscal Year 2024. As a result of this noncompliance, the city did not receive Half-Cent Sales Tax revenues for the months of April, May, and June 2024.

**Cause:** The City of Hawthorne failed to meet one or more statutory JLAC reporting requirements by the required deadlines. This included, but may not have been limited to, the failure to submit a timely and complete annual financial report or audit report as required under Florida Statutes.

**Effect:** Due to the city's JLAC noncompliance status, the Florida Department of Revenue redirected the following distributions to the State's General Revenue (GR) Fund in accordance with state law: \$8,544.41 (April 2024 Distribution – Ref: D40362)  
\$9,070.46 (May 2024 Distribution – Ref: D40389)  
\$769.99 of the \$7,708.80 June 2024 Distribution (Ref: D40427), with the remainder previously redirected. Total funds forfeited by the City for FY2024: \$17,384.86

**Recommendation:** The City should take immediate action to comply with all JLAC reporting requirements, including the timely submission of required financial and audit reports. Compliance will help ensure eligibility for future state-shared revenues. Additionally, internal processes and oversight should be reviewed and strengthened to prevent recurrence of this issue in subsequent fiscal years.

**Response:** The City Manager and Outside Accounting will establish a schedule for completion of all work that is to be completed in a timely manner to prevent future issues. City Manager will also review accounting tasks to determine if additional staff is needed to prevent future issue.

**CITY OF HAWTHORNE, FLORIDA  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

**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.

This finding was repeated as 2024-001

**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 2024-002:** 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.

This finding was substantially corrected in the audited period.

**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 2024-003:** 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.

This finding was substantially corrected in the audited 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.

**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.

This finding was repeated as 2024-005.