

City of Hawthorne
Community Redevelopment Agency
(a component unit of the City of Hawthorne, Florida)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS
Fiscal year ended September 30, 2024

**COMMUNITY REDEVELOPMENT AGENCY
CITY OF HAWTHORNE, FLORIDA
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SEPTEMBER 30, 2024**

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Community Redevelopment Agency (the Agency), a component unit of the City of Hawthorne, Florida (the City), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Agency as of September 30, 2024, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Prior Period Adjustments

As discussed in Note 6 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.

Responsibility of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2025, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Agency's internal control over financial reporting and compliance.



Powell and Jones CPA
Lake City Florida
December 10, 2025

CITY OF HAWTHORNE, FLORIDA
Management's Discussion and Analysis

Within this section of the Community Redevelopment Agency of the City of Hawthorne, Florida (the Agency) annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the Agency for the fiscal year ended September 30, 2024. This discussion and analysis of the Agency's financial performance provides an overview of the Agency's financial activities for the fiscal year ended September 30, 2024. Please read it in conjunction with the Agency's financial statements that follow.

Financial Highlights

- As of September 30, 2024, the assets of the Agency exceeded its liabilities by \$848,123 (net position). The Agency's net position increased by \$113,897 as a result of this year's operations.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

Both government-wide financial statements distinguish governmental activities of the Agency that are principally supported by ad-valorem taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities in the Agency are primarily economic development.

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

Fund Financial Statements

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

Governmental funds

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

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

Notes to the Financial Statements

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

Financial Analysis of the Agency as a Whole

The Agency's net position increased by \$113,897 from the prior year. The capital assets are shown net of depreciation. The following table provides the details for the years ended September 30, 2024 and 2023:

	<u>2024</u>	<u>2023 (Restated)</u>
Assets		
Current assets and other assets	\$ 878,335	\$ 780,188
Capital assets	43,391	43,391
Total assets	<u>921,726</u>	<u>823,579</u>
Liabilities		
Current liabilities	73,603	73,603
Long-term liabilities	-	15,750
Total liabilities	<u>73,603</u>	<u>89,353</u>
Net Position		
Net investment in capital assets	43,391	43,391
Restricted	804,732	690,835
Total net position	<u>\$ 848,123</u>	<u>\$ 734,226</u>

The following is a summary of the Agency’s increase in net position for the years ended September 30, 2024 and 2023.

	<u>2024</u>	<u>2023 (Restated)</u>
Revenues		
Tax Incremental revenue	\$ 100,561	\$ 85,678
Interest and other	13,756	11,584
Total revenues	<u>114,317</u>	<u>97,262</u>
Expenses		
General government	420	45,925
Economic environment	-	2,363
Total expenses	<u>420</u>	<u>48,288</u>
Change in net position	\$ 113,897	\$ 48,974

Financial Analysis of the Agency’s General Fund

The Agency’s governmental fund is reported in the fund financial statements with a short-term, inflow and outflow of spendable resource focus. This information may be useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. For the year ended September 30, 2024, the fund reported an excess of revenues over expenditures of \$113,897. The revenue and expenditures were consistent with the prior year. The reporting of the principal payments on the note receivable as revenue in the current year of \$18,163, accounts for the change in the presentation.

Fund Budgetary Highlights

The Agency’s budget was not amended for the year. The tax increment revenues were \$16,405 more than budgeted and investment revenue was \$5,979 more than budgeted. As a result, the total revenues were approximately \$4,221 more than budgeted. The Agency’s actual results ended up over \$112,773 more favorable than the final budgeted amounts.

Capital Asset and Debt Administration

The Agency has approximately \$43,400 in construction in progress. These costs will be added to the construction costs in determining the total cost of the project.

The Agency does not have any long-term debt.

Economic Environment and Next Year’s Budgets and Rates

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

Contacting the Agency’s Financial Management

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

**COMMUNITY REDEVELOPMENT AGENCY
CITY OF HAWTHORNE, FLORIDA
Statement of Net Position
September 30, 2024**

	Community Redevelopment Fund
ASSETS	
Cash - Restricted	\$ 655,259
Due from other funds	54,991
Interfund loans	168,085
Capital assets	43,391
Total assets	921,726
 Liabilities And Net Position	
Liabilities	
Due to other funds	73,603
Total liabilities	73,603
 Net position	
Net Investment in Capital Assets	43,391
Restricted	804,732
Total fund balances	848,123
Total liabilities and fund balances	\$ 921,726

**COMMUNITY REDEVELOPMENT AGENCY
CITY OF HAWTHORNE, FLORIDA
Statement of Activities
For the 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					
General government	\$ 420	\$ -	\$ -	\$ -	\$ (420)
Total governmental activities	\$ 420	\$ -	\$ -	\$ -	(420)
		General revenues			
					100,561
					7,565
					6,191
					114,317
					113,897
					734,226
					\$ 848,123

See notes to financial statements.

**COMMUNITY REDEVELOPMENT AGENCY
CITY OF HAWTHORNE, FLORIDA
Balance Sheet
September 30, 2024**

	Community Redevelopment Fund
ASSETS	
Cash - Restricted	\$ 655,259
Due from other funds	54,991
Interfund loans	168,085
Total assets	878,335
 LIABILITIES AND FUND BALANCES	
LIABILITIES	
Due to other funds	73,603
Total liabilities	73,603
 FUND BALANCES	
Non-Spendable	223,076
Restricted	581,656
Total fund balances	804,732
Total liabilities and fund balances	\$ 878,335

See notes to financial statements.

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

**Reconciliation Of The Balance Sheet Of Governmental Funds To The Statement Of Net Position
September 30, 2024**

Total Fund Balance - Total Governmental Funds **\$ 804,732**

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

Capital assets of \$43,391, net of accumulated depreciation of \$0, are not financial resources and, therefore, are not reported in the funds.

Net position of governmental activities

43,391
<u>43,391</u>
\$ 848,123

See notes to financial statements.

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

**Statement Of Revenues, Expenditures, And Changes In Fund Balances - Budget And Actual
September 30, 2024**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
REVENUES			
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
Total revenues	110,096	114,317	4,221
EXPENDITURES			
Current			
General Government	38,775	420	38,355
Capital Outlay			
Economic Environment	70,197	-	70,197
Total expenditures	108,972	420	108,552
 Excess of revenues over expenditures	 <u>1,124</u>	 <u>113,897</u>	 <u>112,773</u>
 Net change in fund balance	 1,124	 113,897	 112,773
 Fund balance at beginning of year (Restated)	 -	 690,835	 690,835
Fund balance at end of year	<u>\$ 1,124</u>	<u>\$ 804,732</u>	<u>\$ 803,608</u>

See notes to financial statements.

COMMUNITY REDEVELOPMENT AGENCY
City of Hawthorne, Florida
Notes to the Financial Statements
For the Year Ended September 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

The accounting policies of the Agency conform to generally accepted accounting principles in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

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

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

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

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

Deposits and Investments

As of September 30, 2024, the cash and cash equivalent balance consists of a checking and savings account.

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

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

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

Receivables

The Note Receivable is recorded at the estimated net realizable value. Accordingly, it is adjusted for all known doubtful accounts. For the year ending September 30, 2024, there was no allowance recorded.

Interfund Balances

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

Capital Assets

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

Compensated Absences

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

Fund Equity Classifications

Government-wide Statements

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

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

Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Restricted net position as of September 30, 2024, represents \$804,732 restricted for economic development.

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

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

Fund Financial Statements

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

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

Restricted fund balance – this classification represents amounts restricted to specific purposes that are either *externally imposed by creditors, grantors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation*. This definition is the same as the definition of restricted net position used in government-wide financial reporting. Restricted fund balance as of September 30, 2024, is restricted for economic development.

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

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

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

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

Use of Estimates

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

Subsequent Events

The Agency has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through December 10, 2025, the date the financial statements were made available. There were no subsequent events disclosed.

NOTE 2 – TAX INCREMENTAL FINANCING REVENUE

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

NOTE 3 – RISK MANAGEMENT

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

NOTE 4 – NOTE RECEIVABLE

The following schedule summarizes the changes in the Agency’s note receivable for the year ended September 30, 2024:

	Beginning Balance	Increases	Reductions	Ending Balance	Due within one year
\$285,000 Note receivables	\$ 186,552	\$ -	\$ 18,467	\$ 168,085	\$ 18,951

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

The following summarizes the scheduled payments for the next five years and thereafter as of September 30, 2024:

Year	Principal	Interest	Total
2025	\$ 18,951	\$ 6,777	\$ 25,728
2026	19,772	5,956	25,728
2027	20,629	5,099	25,728
2028	21,523	4,205	25,728
2029	22,456	3,272	25,728
Thereafter	64,754	11,418	76,172
Total	\$168,085	\$36,727	\$204,812

NOTE 5 – 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
<u>Governmental Activities</u>				
Capital asset not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	43,391	-	-	43,391
Total	43,391	-	-	43,391
Total Capital asset being depreciated, Net	-	-	-	-
Total Capital Assets, Net	\$ 43,391	\$ -	\$ -	\$ 43,391

For the year ended September 30, 2024, there was no depreciation expense for the Agency.

NOTE 6 – PRIOR PERIOD ADJUSTMENTS

Interfund Loan Classification

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

General Fund

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

Government-wide Statements

Description	Current assets and other assets	Net Position
Prior-year balance before adjustment	\$ 780,492	\$ 734,530
Prior-period adjustment	(304)	(304)
Prior-year balance after adjustment	<u>\$ 780,188</u>	<u>\$ 734,226</u>

COMPLIANCE SECTION



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

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

We 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 major fund of the Hawthorne Community Redevelopment Agency (the Agency), a component unit of the City of Hawthorne, Florida, (the City), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 10, 2025.

Internal Control Over Financial Reporting

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

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

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

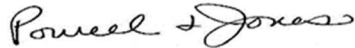
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results

of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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 AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

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

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Reports on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports which are dated 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. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.

Official Title and Legal Authority

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

Financial Condition and Management

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

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

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management.

Special District Component Units

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

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

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

- a. The total number of district employees compensated in the last pay period of the Agency's fiscal year as 0. The Agency has no employees but pays an administrative fee to the City to cover administrative, engineering, and project management support from the City staff.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the Agency's fiscal year as 0.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$0.
- d. All compensation earned or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$15,750.
- e. Each construction project with a total costs of at least \$65,000 approved by the Agency that is scheduled to begin on or after October 1 of the fiscal year being reported, together with total expenditures for such project as 0.
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as \$108,971.88.

Property Assessed Clean Energy Programs (PACE)

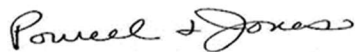
As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the Agency did not have a property assessed clean energy (PACE) program that finances qualifying improvements authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, operated within the Agency’s geographical boundaries during the fiscal year under audit.

Additional Matters

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

Purpose of This Letter

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



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



Powell and Jones CPA

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Phone 386.755.4200

INDEPENDENT ACCOUNTANT'S REPORT

To The Board of Directors of the Hawthorne Community Redevelopment Agency
City of Hawthorne, Florida

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

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

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

This report is intended solely for the information and use of the Agency 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



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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the Community Redevelopment Agency (the Agency), a component unit of the City of Hawthorne, Florida (the City), 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. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

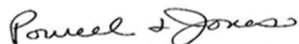
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses 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 City Council 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