

CITY OF COTTONDALE, FLORIDA

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2021

CITY OF COTTONDALE, FLORIDA
AS OF SEPTEMBER 30, 2021

MAYOR

James Elmore

MAYOR PRO-TEM

Curtis C. Benefield

COUNCIL MEMBERS

Brian Braxton
Mark Drummond
Jane Springer

CITY CLERK

Theresa Brannen
As of September 30, 2021

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	10
STATEMENT OF ACTIVITIES	11
BALANCE SHEET - GOVERNMENTAL FUNDS	12
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	13
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	14
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	15
STATEMENT OF NET POSITION - PROPRIETARY FUND	16
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND	17
STATEMENT OF CASH FLOWS - PROPRIETARY FUND	18
NOTES TO THE FINANCIAL STATEMENTS	19
REQUIRED SUPPLEMENTARY INFORMATION	
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND	34
BUDGETARY COMPARISON SCHEDULE - TRANSPORTATION FUND	35
INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415 FLORIDA STATUTES, LOCAL GOVERNMENT INVESTMENT POLICIES	36

**INDEPENDENT AUDITOR'S REPORTS REQUIRED BY GOVERNMENT
AUDITING STANDARDS**

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 37

SCHEDULE OF FINDINGS 39

**INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT REQUIRED
BY THE STATE OF FLORIDA 41**

RESPONSE TO AUDIT FINDINGS 44

INDEPENDENT AUDITOR'S REPORT

GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

OWEN W. GRIMSLEY, C.P.A.

MEMBER
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Cottondale, Florida
Cottondale, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cottondale, Florida as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Cottondale, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cottondale, Florida, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9 and 34-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2022, on our consideration of the City of Cottondale, Florida's internal control over financial reporting 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 solely 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 the effectiveness of the City of Cottondale, Florida's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cottondale, Florida's internal control over financial reporting and compliance.

Grimsley & Associates

Marianna, Florida
September 20, 2022

Grimsley & Associates, P.A.
Certified Public Accountants

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

The City of Cottondale, Florida's, (the Entity) discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Entity's financial activity, (c) identify changes in the Entity's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan or the approved budget, and (e) identify individual fund issues of concern.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on current year's activities, resulting changes and currently known facts, please read it in conjunction with the Entity's financial statement (beginning on page 10).

Financial Highlights

The assets of the Entity exceeded its liabilities at September 30, 2021 by \$9,222,655 (Net Position). Of this amount \$1,031,582 (unrestricted Net Position) may be used to meet the Entity's ongoing obligations to citizens and creditors. However, unrestricted Net Position includes significant insurance proceeds unspent as of year end intended to be used on hurricane damage repairs and property replacements.

The Entity's total Net Position increased by \$420,245 during the year ended September 30, 2021. Much of this increase is due to the receipt of grants used for capitalized assets and completion of water system projects. Transfers of completed water tank and line improvements from General Government Construction Funds to the Enterprise Fund totaling \$1,375,892 are reflected in Transfers in the Statement of Activities.

Entity Highlights

As a recap, on October 10, 2018, the City was impacted by Hurricane Michael, a category 5 hurricane as it crossed the gulf coast shore line. Although the City is several miles inland, the effect was still classified as a major hurricane. The storm did major damage to the City's water tank, recreation park, along with significant damage to several buildings and other property. Additionally, many of the City's utility customers were severely affected. Repairs and renovations continued throughout 2021.

The City spent over \$20,000 funds into the Cottondale Recreational Park this year. Scoreboards were installed along with playground equipment. Kids were able to play ball for the first time since Hurricane Michael.

During Hurricane Michael the City's elevated water tank top was blown completely off and the pump house for well number 2 was destroyed. A State Revolving Fund (SRF) grant/loan in the amount of \$957,587 was secured to erect a new water tank and conduct other repairs. The City is required to provide funds in the amount of \$229,756 for the project. This will be covered by insurance proceeds. This project was completed in the spring of 2021. The residents of Cottondale now receive an increase in water pressure and have confidence restored knowing the quality of the drinking water meets all requirements and beyond.

Construction was completed on the CDBG-N07 \$600,000 Grant for water system upgrades in 2021. This project was started in 2019. The CDBG-N07 Grant project replaced outdated and damaged waterlines in Cottondale. This has much improved the sewer flow and the plant's ability to process the waste.

MANAGEMENT DISCUSSION AND ANALYSIS

The City was awarded a SCOP Grant in the amount of \$304,396 for the paving of Zion Street. Construction is expected to begin in July 2022. Zion Street runs beside Cottondale High School.

Cottondale received, by way of the CARES ACT, a new fire truck, medical supplies, and payroll reimbursement for our first responders. Each of these items were needed in a big way. The total in funds were \$134,098.

The Cottondale Police Department received a Florida Rural Development grant for a new vehicle. A 2021 Chevy Tahoe was purchased in the amount of \$47,744.

During FY 2020-2021 Cottondale applied for the CDBG Block Grants. These included the CDBG-DR for the dredging of Caney Pond, the CDBG-HR for Hometown revitalization, and the CDBG-CV for the restoring the Community Center. The Community Center will have areas designated for COVID Relief. All three grants have been awarded. The clerk and commissioners are working to secure the upfront funding for these grant projects. We're hoping that the Federally funded ARPA funds will help.

The COVID 19 pandemic restrictions continued well into 2021. Our office lobby closed during the peaks of COVID 19. Employees took off when tested positive and once returned wore mask for a week. The City never completely shut down. (this paragraph moved)

In March of 2021 City Hall lost two of the three employees. The deputy clerk and the administrative assistant left. The City Clerk was left to hire and train two employees. Then COVID hit. Cottondale has worked hard to regain lost footing. Despite setbacks we have high hopes in the future. The current new clerk and commissioners understand that the next couple of years won't be easy, but we're committed to developing a better tomorrow for Cottondale.

Using This Annual Report

The financial statements' focus is on both the Entity as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the Entity's accountability.

This discussion and analysis are intended to serve as an introduction to the Entity's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Entity's finances, in a manner similar to a private-sector business. The focus is on major funds, rather than fund types. The statements combine and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations. The statements include a Statement of Net Position and a Statement of Activities that are designed to provide consolidated financial information about the governmental activities of the Entity presented on the accrual basis of accounting.

The Statement of Net Position presents information on all of the Entity's assets and liabilities, with the difference between the two reported as Net Position. Over time, the increases or decreases in Net Position may serve as a useful indication of whether the financial position of the Entity is improving or deteriorating.

The Statement of Activities presents information showing how the Entity's Net Position changed during the 2021 fiscal year. The focus is on both the gross and net costs of various activities, both governmental and business-type, that are supported by the government's general tax and other revenues. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g. uncollected taxes earned and earned but unused vacation leave). This statement is intended to summarize and simplify the user's analysis of cost of various governmental services. An

MANAGEMENT DISCUSSION AND ANALYSIS

increase or decrease in Net Position is an indication of whether the Entity's financial health is improving or deteriorating.

Both of the financial statements distinguish the functions of the Entity that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Entity include general government, public safety, streets and health and human services.

The government-wide financial statements can be found on pages 10-11 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The Entity, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Entity can be divided into two categories: governmental and proprietary. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, readers may better understand the long-term impact of the Entity's near-term financing decisions.

The Entity maintains various governmental funds as needed from year to year. Information on these funds is presented in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances. Significant governmental funds used in the current year are the General Fund, Transportation Fund, CDBG Grant Fund and SRF Tank Construction Fund.

The Entity adopts an annual appropriated budget for its various funds. Budgetary comparison statements have been provided for the General and Transportation funds to demonstrate compliance with the budget and are presented as required supplemental information. This information may be found on pages 34-35 of this report. The City did not amend its budgets for the current year resulting in reported over expenditures in the SRF Tank Construction Fund.

The basic governmental fund financial statements can be found on pages 12-15 of this report.

Proprietary Funds

The Entity maintains one proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Entity uses an enterprise fund to account for operation of water, sewer and sanitation services. The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 16-18 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They can be found on pages 19-33 of this report.

Infrastructure Assets

The Entity has implemented the major model portions of GASB Statement 34. Historically, a government's largest group of assets, infrastructure, (roads, traffic signals, underground pipes not associated with a utility, etc.) had not been reported nor depreciated in governmental financial statements. This statement now requires that these assets be valued and reported within the governmental column of government-wide statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This section is used to present condensed financial information from the government-wide statements that compare the current year to the prior year.

Statement of Net Position

The following schedule reflects the condensed Statement of Net Position for the current and prior years.

STATEMENT OF NET POSITION As of September 30, 2021

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>
Current and Other Assets	\$ 982,812	\$ 871,361	\$ 879,449	\$ 742,357	\$ 1,862,261	\$ 1,613,718
Capital Assets	<u>3,124,926</u>	<u>2,095,761</u>	<u>5,339,311</u>	<u>6,885,492</u>	<u>8,464,237</u>	<u>8,981,253</u>
Total Assets	<u>4,107,738</u>	<u>2,967,122</u>	<u>6,218,760</u>	<u>7,627,849</u>	<u>10,326,498</u>	<u>10,594,971</u>
Current Liabilities	200,181	118,539	100,382	121,848	300,563	240,387
Non Current Liabilities	<u>127,078</u>	<u>37,241</u>	<u>980,734</u>	<u>1,092,288</u>	<u>1,107,812</u>	<u>1,129,529</u>
Total Liabilities	<u>327,259</u>	<u>155,780</u>	<u>1,081,116</u>	<u>1,214,136</u>	<u>1,408,375</u>	<u>1,369,916</u>
Deferred Revenues	<u>75,223</u>	<u>2,400</u>	<u>40,490</u>	<u>-</u>	<u>115,713</u>	<u>2,400</u>
Net Position						
Invested in Capital Assets, net of related debt	2,905,634	2,091,339	4,359,789	5,800,870	7,265,423	7,892,209
Restricted	168,868	166,125	140,746	132,739	309,614	298,864
Unrestricted	<u>630,754</u>	<u>551,478</u>	<u>596,619</u>	<u>480,104</u>	<u>1,227,373</u>	<u>1,031,582</u>
Total Net Position	<u>\$ 3,705,256</u>	<u>\$ 2,808,942</u>	<u>\$ 5,097,154</u>	<u>\$ 6,413,713</u>	<u>\$ 8,802,410</u>	<u>\$ 9,222,655</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Statement of Activities

The following schedule compares the revenues and expenses for the current year with the prior year.

STATEMENT OF ACTIVITIES For the Year Ended September 30, 2021

	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2021	2020	2021	2020	2021
Revenues						
Program Revenues						
Charges for Services	\$ 137,550	\$ 131,170	\$ 596,639	\$ 647,431	\$ 734,189	\$ 778,601
Operating Grants and Contributions	23,904	23,898	-	-	23,904	23,898
Capital Grants and Contributions	<u>1,308,041</u>	<u>612,621</u>	<u>59,784</u>	<u>30,359</u>	<u>1,367,825</u>	<u>642,980</u>
Total Program Revenues	<u>1,469,495</u>	<u>767,689</u>	<u>656,423</u>	<u>677,790</u>	<u>2,125,918</u>	<u>1,445,479</u>
General Revenues and Transfers						
Taxes - Other	305,272	339,094	-	-	305,272	339,094
Property Taxes	63,551	69,188	-	-	63,551	69,188
Gain (Loss) on Disposition of Assets	-	(3,284)	-	-	-	(3,284)
Insurance Proceeds - Hurricane Damage	96,327	-	76,436	-	172,763	-
Transfers	(23,580)	(1,369,732)	23,580	1,369,732	-	-
Miscellaneous	<u>19,894</u>	<u>28,893</u>	<u>159</u>	<u>96</u>	<u>20,053</u>	<u>28,989</u>
Total General Revenues and Transfers	<u>461,464</u>	<u>(935,841)</u>	<u>100,175</u>	<u>1,369,828</u>	<u>561,639</u>	<u>433,987</u>
Total Revenues	<u>1,930,959</u>	<u>(168,152)</u>	<u>756,598</u>	<u>2,047,618</u>	<u>2,687,557</u>	<u>1,879,466</u>
Expenses						
Governmental Activities						
General Government	200,090	202,990	-	-	200,090	202,990
Public Safety	313,029	322,324	-	-	313,029	322,324
Physical Environment	2,019	25	-	-	2,019	25
Human Services	914	-	-	-	914	-
Transportation	78,864	118,475	-	-	78,864	118,475
Culture/Recreation	77,037	84,348	-	-	77,037	84,348
Interest on Debt	2,144	-	-	-	2,144	-
Business-type Activities						
Water & Sewer	<u>-</u>	<u>-</u>	<u>833,599</u>	<u>731,059</u>	<u>833,599</u>	<u>731,059</u>
Total Expenses	<u>674,097</u>	<u>728,162</u>	<u>833,599</u>	<u>731,059</u>	<u>1,507,696</u>	<u>1,459,221</u>
Change in Net Position	1,256,862	(896,314)	(77,001)	1,316,559	1,179,861	420,245
Net Position - Beginning	<u>2,448,394</u>	<u>3,705,256</u>	<u>5,174,155</u>	<u>5,097,154</u>	<u>7,622,549</u>	<u>8,802,410</u>
Net Position - Ending	<u>\$ 3,705,256</u>	<u>\$ 2,808,942</u>	<u>\$ 5,097,154</u>	<u>\$ 6,413,713</u>	<u>\$ 8,802,410</u>	<u>\$ 9,222,655</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Governmental Funds

The focus of the Entity's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Entity's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2021, the Entity's governmental funds reported combined ending fund balances of \$750,422. Of this amount \$462,773 was unrestricted and unassigned.

Proprietary Funds

The Entity's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Capital Assets and Long Term Debt

Detailed information about the Entity's capital assets and long-term debt can be obtained in footnotes to the financial statements.

Requests for information

The Entity's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the Entity's finances and to demonstrate the Entity's accountability. If you have any questions about this report or need additional financial information, you may contact Sherri McBride at Cottondale City Hall at 850-352-4361.

FINANCIAL STATEMENTS

City of Cottondale, Florida
Statement of Net Position
September 30, 2021

	Primary Government		
	Governmental Business-Type		
	Activities	Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 534,536	\$ 508,415	\$ 1,042,951
Accounts Receivable	11,741	57,575	69,316
Prepaid Expenses	14,074	8,845	22,919
Inventory	-	1,555	1,555
Due from Other Governments	41,691	-	41,691
Restricted Assets	291,032	139,309	430,341
Internal Balances	(21,713)	21,713	-
Capital Assets:			
Land and Construction in Progress	336,585	85,079	421,664
Other Capital Assets, Net of Depreciation	1,759,176	6,800,413	8,559,589
Total Capital Assets	<u>2,095,761</u>	<u>6,885,492</u>	<u>8,981,253</u>
Other Assets	-	4,945	4,945
Total Assets	<u>2,967,122</u>	<u>7,627,849</u>	<u>10,594,971</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	51,123	38,577	89,700
Grant Repayment Due	67,416	40,131	107,547
Customer Deposits	-	43,140	43,140
Long Term Liabilities:			
Due within one year	-	122,790	122,790
Due in more than one year	37,241	969,498	1,006,739
Deferred Revenue	2,400	-	2,400
Total Liabilities	<u>158,180</u>	<u>1,214,136</u>	<u>1,372,316</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	2,091,339	5,800,870	7,892,209
Restricted for:			
Streets and Roads	166,125	-	166,125
Debt Service	-	27,712	27,712
Other Purposes	-	105,027	105,027
Unrestricted	551,478	480,104	1,031,582
Total Net Position	<u>\$ 2,808,942</u>	<u>\$ 6,413,713</u>	<u>\$ 9,222,655</u>

The notes to the financial statements are an integral part of this statement.

City of Cottondale, Florida
Statement of Activities
For the Year Ended September 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Governmental Activities:							
General Government	\$ 202,990	\$ 73,792	\$ -	\$ 28,230	\$ (100,968)		\$ (100,968)
Public Safety	322,324	34,424	20,000	177,299	(90,601)		(90,601)
Transportation	118,475	12,424	-	-	(106,051)		(106,051)
Physical Environment	25	10,530	-	407,092	417,597		417,597
Health Services	-	-	-	-	-		-
Culture/Recreation	84,348	-	3,898	-	(80,450)		(80,450)
Total Governmental Activities	<u>728,162</u>	<u>131,170</u>	<u>23,898</u>	<u>612,621</u>	<u>39,527</u>		<u>39,527</u>
Business-Type Activities:							
Enterprise Fund	731,059	647,431	-	30,359	-	\$ (53,269)	(53,269)
Total Business Type Activities	<u>731,059</u>	<u>647,431</u>	<u>-</u>	<u>30,359</u>	<u>-</u>	<u>(53,269)</u>	<u>(53,269)</u>
Total Primary Government	<u>\$ 1,459,221</u>	<u>\$ 778,601</u>	<u>\$ 23,898</u>	<u>\$ 642,980</u>	<u>39,527</u>	<u>(53,269)</u>	<u>(13,742)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					69,188	-	69,188
Taxes - Other					339,094	-	339,094
Loss on Disposition of Capital Assets					(3,284)	-	(3,284)
Miscellaneous					28,893	96	28,989
Transfers					(1,369,732)	1,369,732	-
Total General Revenues and Transfers					<u>(935,841)</u>	<u>1,369,828</u>	<u>433,987</u>
Change in Net Position					(896,314)	1,316,559	420,245
Net Position - beginning					3,705,256	5,097,154	8,802,410
Net Position - ending					<u>\$ 2,808,942</u>	<u>\$ 6,413,713</u>	<u>\$ 9,222,655</u>

The notes to the financial statements are an integral part of this statement.

City of Cottondale, Florida
Balance Sheet
Governmental Funds
September 30, 2021

	General Fund	Transportation Fund	CDBG Grant Construction Fund	SRF Grant Construction Fund	Other	Total Governmental Funds
ASSETS						
Cash	\$ 533,536	\$ 282,036	\$ -	\$ -	\$ 1,000	\$ 816,572
Accounts Receivable - net	11,741	-	-	-	-	11,741
Prepaid Expenses	14,074	-	-	-	-	14,074
Due from Other Funds	66,931	-	-	-	-	66,931
Due from Other Governments	41,691	8,996	-	-	-	50,687
Total Assets	<u>\$ 667,973</u>	<u>\$ 291,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 960,005</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable and Accrued Expenses	\$ 47,575	\$ 3,548	\$ -	\$ -	\$ -	\$ 51,123
Grant Repayment Due	20,384	47,032	-	-	-	67,416
Due to Other Funds	21,713	66,931	-	-	-	88,644
Deferred Revenues	2,400	-	-	-	-	2,400
Total Liabilities	<u>92,072</u>	<u>117,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>209,583</u>
Fund Balances:						
Nonspendable:						
Prepaid Expenses	14,074	-	-	-	-	14,074
Restricted:						
Transportation	-	173,521	-	-	-	173,521
Assigned:						
Police Education/Automation	1,067	-	-	-	-	1,067
Other	97,987	-	-	-	1,000	98,987
Unassigned	462,773	-	-	-	-	462,773
Total Fund Balances	<u>575,901</u>	<u>173,521</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>750,422</u>
Total Liabilities & Fund Balances	<u>\$ 667,973</u>	<u>\$ 291,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 960,005</u>

The notes to the financial statements are an integral part of this statement.

City of Cottondale, Florida
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
For the Year Ended September 30, 2021

Total Fund Balances - Total Governmental Funds	\$ 750,422
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,095,761
Some liabilities, including loans payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(37,241)</u>
Total Net Position	<u>\$ 2,808,942</u>

The notes to the financial statements are an integral part of this statement.

City of Cottondale, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2021

	General Fund	Transportation Fund	CDBG Grant Construction Fund	SRF Grant Construction Fund	Other	Total Governmental Funds
REVENUES						
Taxes	\$ 251,757	\$ 44,193	\$ -	\$ -	\$ -	\$ 295,950
Licenses & Permits	73,470	-	-	-	-	73,470
Intergovernmental Revenues	341,757	-	407,093	-	-	748,850
Charges for Services	10,852	12,424	-	-	-	23,276
Judgments and Fines	34,424	-	-	-	-	34,424
Miscellaneous Revenues	28,877	17	-	-	-	28,894
Total Revenues	<u>741,137</u>	<u>56,634</u>	<u>407,093</u>	<u>-</u>	<u>-</u>	<u>1,204,864</u>
EXPENDITURES						
Current:						
General Government	191,318	-	-	-	-	191,318
Public Safety	278,648	-	-	-	-	278,648
Transportation	37,278	51,978	-	-	-	89,256
Human Services	-	-	-	-	-	-
Culture/Recreation	24,898	-	-	-	-	24,898
Capital Outlay	187,111	3	425,999	153,502	-	766,615
Total Expenditures	<u>719,253</u>	<u>51,981</u>	<u>425,999</u>	<u>153,502</u>	<u>-</u>	<u>1,350,735</u>
Excess (deficiency) of revenues over expenditures	<u>21,884</u>	<u>4,653</u>	<u>(18,906)</u>	<u>(153,502)</u>	<u>-</u>	<u>(145,871)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds From Disposition of Capital Assets	2,000	-	-	-	-	2,000
Transfers In	6,160	-	18,906	153,502	-	178,568
Total Other Financing Sources (Uses)	<u>8,160</u>	<u>-</u>	<u>18,906</u>	<u>153,502</u>	<u>-</u>	<u>180,568</u>
Net Changes In Fund Balances	30,044	4,653	-	-	-	34,697
Fund Balances - beginning	545,857	168,868	-	-	1,000	715,725
Fund Balances - ending	<u>\$ 575,901</u>	<u>\$ 173,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 750,422</u>

The notes to the financial statements are an integral part of this statement.

City of Cottondale, Florida
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended September 30, 2021

Net change in fund balances - Total Governmental Funds	\$ 34,697
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which current net capital asset dispositions, (\$5,285), capital asset transfers, (\$1,637,118), and depreciation, (\$144,817) exceeded current capital asset additions, \$758,055.</p>	(1,029,165)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the decrease due to transfer of long term debt, \$88,819, and the net decrease in long term accrued leave, \$9,335.</p>	<u>98,154</u>
Change in net position of governmental activities	<u>\$ (896,314)</u>

The notes to the financial statements are an integral part of this statement.

City of Cottondale, Florida
Statement of Net Position
Proprietary Fund
September 30, 2021

	<u>Business-Type Activities Enterprise</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 508,415
Accounts Receivable - Net	57,575
Prepaid Expenses	8,845
Inventory	1,555
Due From Other Funds	21,713
Total Current Assets	598,103
Noncurrent Assets:	
Restricted Assets - Cash	139,309
Capital Assets:	
Land	5,324
Construction In Progress	79,755
Buildings	14,000
Improvements Other than Buildings	9,762,291
Machinery and Equipment	78,616
Less Accumulated Depreciation	(3,054,494)
Other Assets	4,945
Total Noncurrent Assets	7,029,746
Total Assets	7,627,849
LIABILITIES	
Current Liabilities:	
Accounts Payable	29,723
Accrued Expenses	8,854
Grant Repayment Due	40,131
Current Portion of Bonds & Notes	122,790
Total Current Liabilities	201,498
Noncurrent Liabilities:	
Customer Deposits	43,140
Accrued Leave	7,666
Bonds and Notes Payable after One Year	961,832
Total Noncurrent Liabilities	1,012,638
Total Liabilities	1,214,136
NET POSITION	
Invested in Capital Assets, Net of Related Debt	5,800,870
Restricted:	
Debt Service	27,712
Other Purposes	105,027
Unrestricted	480,104
Total Net Position	\$ 6,413,713

The notes to the financial statements are an integral part of this statement.

City of Cottondale, Florida
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended September 30, 2021

	Business-Type Activities <u>Enterprise</u>
OPERATING REVENUES:	
Charges for Services	\$ 613,746
Miscellaneous Charges and Fees	33,685
Total Operating Revenues	<u>647,431</u>
OPERATING EXPENSES:	
Personal Services	162,120
Contractual Services	185,203
Utilities	80,926
Repairs and Maintenance	39,408
Insurance	26,599
Other Supplies and Expenses	22,892
Depreciation and Amortization	173,158
Total Operating Expenses	<u>690,306</u>
Operating Income (Loss)	<u>(42,875)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	96
Interest Expense	(40,753)
Total Nonoperating Revenue (Expenses)	<u>(40,657)</u>
(Loss) Before Contributions and Transfers	(83,532)
Contributions From Other Governments	30,359
Transfers In	1,375,892
Transfers Out	(6,160)
Change in Net Position	<u>1,316,559</u>
Net Position - beginning	<u>5,097,154</u>
Net Position - ending	<u><u>\$ 6,413,713</u></u>

The notes to the financial statements are an integral part of this statement.

City of Cottondale, Florida
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2021

	<u>Business-Type Activities Enterprise</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 642,534
Payments to Suppliers	(360,050)
Payments to Employees	(170,509)
Net Cash Provided by Operating Activities	<u>111,975</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(288,367)
Addition to Capital Debt	79,755
Principal Paid on Capital Debt	(63,474)
Interest Paid on Capital Debt	(40,390)
Contributions from Other Governments	30,000
Transfers to Other Funds	(6,160)
Net Cash Used by Capital and Related Financing Activities	<u>(288,636)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	96
Net Cash Provided by Investing Related Activities	<u>96</u>
Net Decrease in Cash and Cash Equivalents	(176,565)
Cash and Cash Equivalents, beginning	824,289
Cash and Cash Equivalents, ending	<u>\$ 647,724</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Income (Loss)	\$ (42,875)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation and Amortization	173,158
Change in Assets and Liabilities:	
Accounts Receivable	(2,029)
Prepaid Expenses	(1,687)
Accounts Payable and Accrued Expenses	(9,706)
Due to Other Funds	(2,018)
Customer Deposits	(2,868)
Net Cash Provided by Operating Activities	<u>\$ 111,975</u>
Non-Cash Transactions	
Acquisition of Capital Assets	\$ 1,430,500
Transfers From Construction Funds	(1,341,682)
Transfer Debt From Construction Fund	(88,818)
Net Non-Cash Transactions	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING

Introduction-

The accounting and reporting framework and the more significant accounting policies and principles and practices of the City of Cottondale, Florida (City) are discussed in the various sections of this Note. The remainder of the notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2021.

Reporting Entity-

The City, located in Jackson County, was incorporated in 1957, pursuant to 57-1243 Laws of Florida, and is a political subdivision of the State of Florida. The City provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources that are not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds, if any, are reported in separate columns with composite columns for non-major funds.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP).

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - Continued

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: property taxes, franchise taxes (fees) and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets, and liabilities payable from restricted assets are reported with noncurrent assets and current liabilities in the financial statements.

D. FUND TYPES AND MAJOR FUNDS

The City reports the following major governmental funds:

General Fund - the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Transportation Fund – established to account for the revenues from state and local gasoline taxes and expenditures of those moneys toward the operation and maintenance of streets and roads.

CDBG Grant Construction Fund – established to account for a water system extension and repairs project due to severe damage by Hurricane Michael. This is primarily funded by a Community Development Block Grant.

SRF Grant Construction Fund – established to account for the Water Tank Construction Project primarily funded by State of Florida State Revolving Fund grants and loans.

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

The City reports the following major proprietary funds:

Enterprise Fund – accounts for the operations of the water, sewer and solid waste collection systems that are financed primarily by user charges.

E. INVENTORIES

Supply inventories on hand are kept at minimum amounts. Inventory is recorded at the lower of cost or market using the first-in first-out method. Inventory costs are recorded using the purchase method.

F. CAPITAL ASSETS AND DEPRECIATION

The City's property, plant and equipment and infrastructure with a cost exceeding \$1,000 and useful lives of more than one year are stated at cost and reported in the government-wide financial statements. Proprietary fund capital assets are also reported in the funds financial statements. Donated assets are stated at fair value on the date they were donated. Purchased assets are reported at cost. Normal repair and maintenance that do not add to the value of the asset are charged to expense. Capital assets are depreciated using the straight-line method of depreciation. When capital assets are sold or otherwise disposed of, the cost and accumulated depreciation are applied against any proceeds for the disposition and the resultant gain or loss is recorded in operations. Estimated useful lives for depreciable assets are as follows:

Vehicles and Equipment	4-10 years
Water and Sewer System	50 years
Infrastructure and Other	
Improvements Other than Building	25-50 years
Buildings	50 years

In accordance with GASB Statement No. 34, the City has begun recording the acquisition of infrastructure, streets, roads, sidewalks, etc., as capital assets effective for acquisitions made after September 30, 2003. Prior infrastructure acquisitions have not been included.

G. FUND EQUITY

The following governmental fund balance classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

Nonspendable fund balance – Amounts that are not in a spendable form (such as inventories, prepaid expenses) or are required to be maintained intact;

Restricted fund balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Committed fund balance – Amounts constrained to a specific purpose by a government itself, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the restraint. This would generally be by Ordinance passed by the City Commission;

Assigned fund balance – Amounts the government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates authority;

Unassigned fund balances – Amounts that are available for any purpose; positive amounts are reported in the General fund.

At September 30, 2021 the City did not have any committed funds. Funds were considered assigned funds for cash balances set aside for the Police and Fire Equipment and Infrastructure accounts.

When the option is available, the City assumes that fund balances are absorbed in the order of most restrictive to least restrictive.

The City does not have a formal policy for minimum fund balances.

H. PROPERTY TAXES

The City voted a local millage rate for the assessment of ad valorem property taxes. This rate was set at 4.1373 mills for the October 2020 through September 2021 budget year. The Jackson County Property Appraiser's office includes this assessment with county wide property tax assessments. The Jackson County Tax Collector is charged with collecting these revenues and distributing to the City its share of these collections.

All taxes are generally due and payable on November 1 of each year. Discounts are allowed of four, three, two and one percent for payments in November through February, respectively. Delinquent taxes as of April 1, are converted, by the County, into Tax Certificates. Therefore, there are no significant taxes receivable at year end.

I. BUDGET PROCESS

Florida Statutes govern the preparation, adoption, and administration of the budget for the City of Cottondale. The annual budget for the General Fund and Transportation Fund were prepared consistent with generally accepted accounting principles. Legal level of control was established at the fund total level.

J. RISK MANAGEMENT AND INSURANCE

The City insures itself against losses for casualty, accident and dishonesty by purchasing insurance. Premiums are based on estimates and additional charges or credits may be forthcoming based on actual experience.

The City believes the level of insurance purchased is adequate to protect it from material loss. No significant changes in coverage. During October 2018, Hurricane Michael caused significant damage to City properties and several material claims were filed and repairs continue.

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

K. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

The City, in accordance with state and local regulations, deposits its cash funds in approved financial institutions. The financial institution is required to pledge U.S. Government Securities as collateral for such funds. All deposits are in checking accounts, bank money market accounts, or certificates of deposit. At September 30, 2021, the City had the following cash deposits:

Amount Insured by FDIC and FSLIC	\$ 250,000
Amount Subject to Custodial Risk (Risk of Loss Due to bank Failure) Collateralized with Securities Pledged by the Financial Institution and Held in Trust, but not in the City's Name)	<u>1,225,054</u>
Total Deposits With Financial Institutions	1,475,054
Petty Cash on Hand	<u>600</u>
TOTAL	<u>\$ 1,475,654</u>
Book Balances at year end	<u>\$ 1,464,296</u>

No additional items are included as cash or cash equivalents. The City has made no other deposits or investments and has no near-term plans to do so. The City has no formal investment or cash risk policies.

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2021

NOTE 3 – RECEIVABLES

At September 30, 2021, the City reported receivables as follows:

GENERAL FUND		
Due from State of Florida	\$	38,085
Due from Jackson County		3,606
Other Receivables		<u>11,741</u>
TOTAL	\$	<u>53,432</u>
TRANSPORTATION FUND		
Due from State of Florida	\$	7,538
Due from Jackson County		<u>1,458</u>
TOTAL	\$	<u>8,996</u>
ENTERPRISE FUND		
Utility Service	\$	59,893
Less Allowance for Uncollectible Accounts		<u>(2,318)</u>
NET	\$	<u>57,575</u>

NOTE 4 – INTERFUND BALANCES AND ACTIVITY

At September 30, 2021, the following interfund loans were recorded. These amounts are expected to be repaid in the near term.

<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Enterprise Fund	Operating Expense	\$ <u>21,713</u>
Transportation Fund	General Fund	Operating Expense	\$ <u>66,931</u>

During the year ended September 30, 2021, the following interfund transfers were recorded.

<u>Transfer From</u>	<u>Transfer To</u>	<u>Purpose</u>	<u>Amount</u>
Enterprise Fund	General Fund	Operations	\$ <u>6,160</u>
CDBG Const.Fund	Enterprise Fund	Capitalize Capital Project	\$ <u>473,230</u>
SRF Tank Const. Fund	Enterprise Fund	Capitalize Capital Project	\$ <u>902,662</u>

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2021

NOTE 5 – CAPITAL ASSETS

Capital Asset Activity for the year ended September 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets not being depreciated:				
Land	\$ 336,585	-	-	336,585
Construction In Progress	<u>1,057,617</u>	<u>579,501</u>	<u>(1,637,118)</u>	<u>-</u>
Total	<u>1,394,202</u>	<u>579,501</u>	<u>(1,637,118)</u>	<u>336,585</u>
Capital Assets Being Depreciated:				
Buildings & Improvements	439,911	-	-	439,911
Improvements other than buildings	1,596,860	14,778	-	1,611,638
Streets & Roads	247,863	-	-	247,863
Equipment	<u>935,874</u>	<u>163,776</u>	<u>(13,832)</u>	<u>1,085,818</u>
Total	<u>3,220,508</u>	<u>178,554</u>	<u>(13,832)</u>	<u>3,385,230</u>
Less Accumulated Depreciation:				
Buildings & Improvements	239,050	10,370	-	249,420
Improvements other than buildings	609,178	56,787	-	665,965
Streets & Roads	516	6,197	-	6,713
Equipment	<u>641,040</u>	<u>71,463</u>	<u>(8,547)</u>	<u>703,956</u>
Total	<u>1,489,784</u>	<u>144,817</u>	<u>(8,547)</u>	<u>1,626,054</u>
Net Capital Assets being depreciated	<u>1,730,724</u>	<u>33,737</u>	<u>(5,285)</u>	<u>1,759,176</u>
Net Governmental Activity Capital Assets	<u>\$ 3,124,926</u>	<u>\$ 613,238</u>	<u>\$ (1,642,403)</u>	<u>\$ 2,095,761</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets not being depreciated:				
Construction In Progress	\$ 9,000	\$ 79,755	\$ (9,000)	\$ 79,755
Land	<u>5,324</u>	<u>-</u>	<u>-</u>	<u>5,324</u>
Total	<u>14,324</u>	<u>79,755</u>	<u>(9,000)</u>	<u>85,079</u>
Capital Assets being depreciated:				
Buildings	14,000	-	-	14,000
Improvements other than buildings	8,116,173	1,646,118	-	9,762,291
Equipment	<u>76,623</u>	<u>1,993</u>	<u>-</u>	<u>78,616</u>
Total	<u>8,206,796</u>	<u>1,648,111</u>	<u>-</u>	<u>9,854,907</u>
Less Accumulated Depreciation:				
Buildings	304	360	-	664
Improvements other than buildings	2,804,966	172,148	-	2,977,114
Equipment	<u>76,539</u>	<u>177</u>	<u>-</u>	<u>76,716</u>
Total	<u>2,881,809</u>	<u>172,685</u>	<u>-</u>	<u>3,054,494</u>
Net Capital Assets being depreciated	<u>5,324,987</u>	<u>1,475,426</u>	<u>-</u>	<u>6,800,413</u>
Net Business-Type Activity Capital Assets	<u>\$ 5,339,311</u>	<u>\$ 1,555,181</u>	<u>\$ (9,000)</u>	<u>\$ 6,885,492</u>

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2021

NOTE 5 – CAPITAL ASSETS – Continued

Depreciation expense was charged to Governmental Activity functions as follows:

General Government	\$	1,913
Public Safety:		
Police		22,444
Fire		39,165
Human Services		25
Transportation		21,820
Recreation		59,450
Total	\$	<u>144,817</u>

NOTE 6 – BOND ISSUE COSTS

Bond issue costs are amortized in the Enterprise Fund over the term of the bonds using the straight line method as follows:

	Bond Issue		Total
	1985	1999	
Unamortized bond issue costs - beginning of year	\$ 198	\$ 5,220	\$ 5,418
Less: Current year amortization	(198)	(275)	(473)
Unamortized bond issue costs - end of year	<u>\$ -</u>	<u>\$ 4,945</u>	<u>\$ 4,945</u>

Unamortized bond issue costs are included in other assets.

NOTE 7 – NOTES PAYABLE AND LONG TERM DEBT

Governmental Activities:

Note Payable – State of Florida

State Revolving Fund loan as part of a Loan/Grant funded water tank construction project. This project is complete, the capital assets and debt were transferred to the Enterprise Fund.

\$ -

Long Term Accrued Leave

37,241

Total Long Term Debt

\$ 37,241

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2021

NOTE 7 – NOTES PAYABLE AND LONG-TERM DEBT - Continued

Changes in governmental activities short term notes and long term debt are as follows for the year ended September 30, 2021:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending</u> <u>Balance</u>
Notes Payable	\$ 88,819	\$ -	\$ -	\$ (88,819)	\$ -
Accrued Leave	<u>46,576</u>	<u>-</u>	<u>(9,335)</u>	<u>-</u>	<u>37,241</u>
Total	<u>\$ 135,395</u>	<u>\$ -</u>	<u>\$ (9,335)</u>	<u>\$ (88,819)</u>	<u>\$ 37,241</u>

The current portion of Accrued Leave, \$29,970, is included in Accrued Expenses.

Business-Type Activities:

ENTERPRISE FUND - WATER, SEWER & SOLID WASTE COLLECTION SYSTEM

The annual requirements to amortize bonded debt outstanding as of September 30, 2021 are as follows:

Water and Sewer System Revenue Bonds- Series 1981

Dated May 10, 1982, \$124,300 authorized and issued, interest at 5%, payable annually on September 1.

This bond issue was paid out during the year ended September 30, 2021.

Water and Sewer System – Series 1985

Dated July 22, 1986, \$216,000 authorized and issued, interest at 5.0%, payable annually on September 1.

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
2022	11,000	2,300
2023	11,000	1,750
2024	12,000	1,200
2025	12,000	600
Totals	<u>\$ 46,000</u>	<u>\$ 5,850</u>

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2021

NOTE 7 - NOTE PAYABLE AND LONG-TERM DEBT - Continued

Water and Sewer System Revenue Bonds - B Series 1999

Dated September 17, 1999, \$1,040,000 authorized and issued, interest at 4.5%, payable annually on September 1.

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
2022	26,000	31,545
2023	27,000	30,375
2024	29,000	29,160
2025	29,000	27,855
2026	31,000	26,550
2027-2031	177,000	110,610
2032-2036	220,000	67,050
2037-2039	162,000	14,985
Totals	<u>\$ 701,000</u>	<u>\$ 338,130</u>

The Bond Resolutions generally require the establishment of certain “trust funds” to insure repayment of the Water and Sewer System Revenue Bonds. A summary of these requirements is as follows:

- A. All cash income derived from the ownership and operation of the system shall be deposited into the “Revenue Fund”.
- B. The “Sinking Fund” is to be used exclusively for the purpose of paying principle and interest on the bonds and is to be funded by transferring on or before the 15th of each month from the “Revenue Fund”, one twelfth of the next annual interest and principle requirements.
- C. The “Reserve Account” is to be established by transferring on or before the 15th of each month from the “Revenue Fund”, the sum of one twelfth of one tenth of the Maximum Bond Service requirement until the account reaches, and to maintain, the maximum debt service requirement. The funds in this account shall be used only for paying the cost of repairing or replacing any damage to the system caused by an unforeseen catastrophe, construction improvements or extensions to increase net revenues, and paying principal and interest in the event that the Sinking Fund is insufficient to meet such payments.
- D. The “Operation and Maintenance Fund” is to be used exclusively for the purpose of receiving funds transferred monthly from the Revenue Fund and for paying the current expense of the system pursuant to the annual budget. Any balance remaining in the “Operation and Maintenance Fund” at the end of the fiscal year over and above the amount required to pay expenses incurred during said fiscal year shall be deposited into the Revenue Fund.

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2021

NOTE 7 - NOTE PAYABLE AND LONG-TERM DEBT - Continued

The annual requirements to amortize revenue notes outstanding as of September 30, 2021 are as follows:

State Revolving Loan (SRF) – Funding Number 320312

Final amendment June 2015. Original balance (as amended) \$273,261, interest at 1.77%, payable semi-annually on March 15 and September 15. Collateralized by Enterprise Fund Revenues.

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
2022	13,390	3,080
2023	13,629	2,843
2024	13,871	2,600
2025	14,117	2,353
2026	14,368	2,103
2027-2031	75,766	6,588
2032-2033	32,225	716
Totals	<u>\$ 177,366</u>	<u>\$ 20,283</u>

State Revolving Loan (SRF) – Funding Number 320370

Original balance \$88,819, interest at 1.45%, payable semi-annually on April 15 and October 15. This loan was reported as general government debt in the prior year as it was included in a Capital Projects Fund. Collateralized by Enterprise Fund Revenues.

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
2022	8,437	1,137
2023	8,559	1,014
2024	8,684	889
2025	8,810	763
2026	8,938	635
2027-2030	37,073	1,220
Totals	<u>\$ 80,501</u>	<u>\$ 5,658</u>

State Revolving Loan (SRF) – Funding Number 320390

Original balance \$79,755, interest at 0.00%, payable semi-annually on February 15 and August 15. Service fees of \$1,595 are payable in the first installment. Subsequent to year end, Funding Number 320391 applied \$63,804 to the initial balance leaving a remaining balance to be paid of \$16,669. Collateralized by Enterprise Fund Revenues.

<u>Due Date</u>	<u>Principal</u>	<u>Service Fee</u>
2022	63,963	1,595
2023	1,755	-
2024	1,755	-
2025	1,755	-
2026	1,755	-
2027-2031	8,772	-
Totals	<u>\$ 79,755</u>	<u>\$ 1,595</u>

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2021

NOTE 7 - NOTE PAYABLE AND LONG-TERM DEBT - Continued

These agreements require monthly payments to a sinking fund sufficient to fund the next semi-annual payment.

Summary of changes in all Business-Type activity long term debt:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Revenue Bonds	\$ 789,000	\$ -	\$ (42,000)	\$ -	\$ 747,000
Revenue Notes	190,522	79,755	(21,474)	88,819	337,622
Accrued Leave	<u>10,360</u>	<u>-</u>	<u>(2,694)</u>	<u>-</u>	<u>7,666</u>
Total	<u>\$ 989,882</u>	<u>\$ 79,755</u>	<u>\$ (66,168)</u>	<u>\$ 88,819</u>	<u>\$1,092,288</u>

The current portion of Accrued Leave, \$6,852, is included in Accrued Expenses.

Total interest accrued and charged to expense in the Enterprise Fund for the year ended September 30, 2021, was \$40,753.

NOTE 8 - NET ASSET RESTRICTIONS

Net assets of the City are restricted for various reasons. Generally these restrictions are a result of third party restrictions related to the use of revenues provided to the City. As of September 30, 2021 the following net assets were restricted.

General Governmental Activities:

Transportation Fund-

Street and Roads - The City receives revenues from the State of Florida that are restricted to use in operating, maintenance, repair and construction of the City's streets and roads.

Business-Type Activities:

Enterprise Fund -

Bond retirement - This amount is equal to the assets in the revenue bond debt service sinking accounts less accrued interest and funded bond principal.

Repair and Replacement - This amount is equal to the assets in the revenue bond repair and replacement accounts which are restricted for maintenance or expansion of the water and sewer system or debt service should the funds not be available in the sinking fund.

When the option is available, funds are considered to be expended first from the most restrictive to least restrictive.

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2021

NOTE 9 – APPROPRIATIONS

During September 2020, the City adopted a budget for the 2020-2021 fiscal year which included General Fund appropriations of \$715,522 and Enterprise Fund appropriations of \$983,225. Additionally, the budget included appropriations of \$135,184 for Special Revenue Funds and \$787,355 for Capital Project Funds. Actual expenditures in the SRF Tank Construction Fund exceeded budgeted appropriations by \$153,502. Although the budgets were not amended to cover the additional expenditures, there were sufficient resources to cover outflows.

NOTE 10 - RETIREMENT SYSTEM

The City participates in the Florida League of Cities' Retirement System, a defined contribution plan. Employees working 1,000 hours or more each year become eligible for participation in the plan. Eligible employees who elect to participate may contribute 2-5% of their total salary, and the City under authority of ordinance matches this amount by contributing a like percentage of the employees' salary. The plan was amended during the current year to modify the employee vesting for plan benefits as follows:

<u>Length of Service</u>	<u>Percent Vested</u>
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 years	100%

Employee contributions to the plan for the year ended September 30, 2021 totaled \$2,943 and were matched by employer contributions of the same amount. Non-vested plan contributions on employee termination are forfeited and may be applied toward future required contributions.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Compensated Absences

The City provides certain compensated absences for its employees. Vacation pay and compensatory time are completely vested to the employees when earned. Therefore, a liability has been recorded to reflect estimated future payments on earned leave. The liability for accrued leave has been recorded as accrued expense and long term debt in the various funds.

NOTE 12 - FRANCHISE FEE INCOME

The City provides exclusive franchise for providing certain utility services within the City's jurisdictional limits. These fees are based on a percentage of revenues charged by the franchisee. Currently franchise fees were received, and recorded in the General Fund for the following:

	<u>Fee Rate</u>	<u>Revenue</u>
Electricity Sales	6%	<u>\$ 68,563</u>

NOTE 13 – HURRICANE MICHAEL AND COVID-19 EFFECT ON THE CITY

On October 10, 2018, the City was impacted by hurricane Michael, a category 5 hurricane as it crossed the gulf coast shore line. Although the City is several miles inland, the storm was still classified as a major hurricane as it passed near the City. The storm did major damage to the City's water tank and recreation park and significant damage to several buildings and other property. Additionally, many of the City's utility customers were severely affected. As a result, utility collections in October and November 2018 were delayed. Billings for utility services for those months were billed using base rates as reading meters was not possible in many cases. Operations and collections resumed in December 2018 although lower due to the loss of some residences and businesses.

Although operations of the systems have been reasonably restored, repair and reconstruction continues through the year ended September 30, 2021 and beyond.

As of September 30, 2020, the City received FEMA Grants for assistance with operations and repairs totaling \$169,636 of which \$69,579, \$47,032 and \$53,024 were deposited to the General Fund, Transportation Fund and Enterprise Fund respectively. However, only \$56,323 was expended, therefore, the remainder has been recorded as deferred revenues in the respective funds. An additional \$22,822 was received during the current year. Unfortunately, much of these funds still remained unspent as of September 30, 2021 and the time allowed for expenditure has expired. Although City management is attempting to negotiate an extension to spend the moneys, a liability for Grant Repayments Due liabilities have been set up in the General Fund, Transportation Fund and Enterprise Fund for \$20,384, \$47,032 and \$40,131 respectively.

Repairs and replacement of property continues into 2022.

COVID-19 – In March 2020, the nation was effectively shut down due to a pandemic caused by the COVID-19 virus. Although the City offices closed to the public, operations continued with little interruption. However, due to many City residents being laid off and businesses being required to shut down, utility service collections were affected. The effects of mandated restrictions and shutdowns continued well into the year ended September 30, 2021.

NOTE 14 – GRANTS, PROJECTS AND SUBSEQUENT EVENTS

Community Development Block Grant (CDBG) - \$600,000. This grant was awarded for the purpose of community revitalization through the upgrading of water lines in the northeastern corner of the City. During the current year, the City expended \$425,999 to complete this project. The assets were transferred to the Enterprise Fund as of year end. The project close out date was March 15, 2022.

State Revolving Fund (SRF) - \$870,787. This grant/loan was awarded November 2019 for the purpose of constructing a new elevated water tank and rebuilding of pump house number 2 that was destroyed by hurricane Michael. Total project costs are set at \$1,187,343 with funding as follows: SRF construction loan/forgiveness \$781,651; SRF planning/design loan forgiveness \$86,800; loan \$89,136; and City funds of \$229,756.

NOTE 14 – GRANTS, PROJECTS AND SUBSEQUENT EVENTS - continued

Community Development Block Grant – Small Cities Grant (CDBG-N07) Construction started spring 2020. The final project expenditures in the current year totaled \$153,502 funded by transfers from the Enterprise Fund. This project was completed in the spring of 2021. The assets were transferred to the Enterprise Fund as of year end. During the year ended September 30, 2021, the City was awarded additional SRF grant/loan funds totaling \$79,755 for repairs to its sewer system. These funds were reported, and expended, in the Enterprise Fund.

Community Development Block Grant – Disaster Relief (CDBG-DR) – up to \$4,347,351. On May 6, 2021, the City received notice of being awarded a CDBG-DR grant for the purpose of cleaning and dredging Caney Pond, replacing culverts and other items to help limit flooding in sections of the City. As of the date of this report, the project had not been started.

Community Development Block Grant – Hometown Revitalization Program (CDBG-HR) – The City was notified on August 4, 2021 it was awarded a CDBG-HR grant in the amount of \$1,691,221 for revitalization of its low and moderate income commercial corridor along Highway 231.

Community Development Block Grant – (CDBG-CV) – The City was notified it was awarded a CDBG-CV grant on April 8, 2022 in the amount of \$1,426,659 for remodeling and expanding the City’s community center. This project is pending grant agreement documents.

Rural Infrastructure Fund (RIF) – On April 8, 2022, the City was awarded \$1,000,000 by the Florida Department of Economic Opportunity to support the Hometown Revitalization Project.

American Rescue Plan Act Grant – (ARPA) - These funds are available for expenditure in many areas. The total grant is in the amount of \$448,264. One half of the funds, \$224,132 was deposited November 3, 2021. The remaining half is expected one year from that date. As of the date of this report, no projects have been identified.

Small Counties Outreach Program Grant – (SCOP) – This grant in the amount of \$304,396 was funded on October 18, 2021. The funds will be used to repave Zion Street. The project is expected to begin in July 2022.

During the year ended September 30, 2021 the City received various smaller grants for the acquisition of fire and police equipment and USDA SEARCH Grant.

The City is also in the application process for other grants and loans for various improvements to the area.

REQUIRED SUPPLEMENTARY INFORMATION

City of Cottondale, Florida
 Budgetary Comparison Schedule – General Fund
 For the Year Ended September 30, 2021

	Budgeted Amounts		Actual Amounts (GAAP Basis)
	Original	Final	
REVENUES			
Taxes	\$ 209,883	\$ 209,883	\$ 251,757
Licenses & Permits	69,100	69,100	73,470
Intergovernmental Revenues	157,881	157,881	341,757
Charges for Services	15,300	15,300	10,852
Judgments and Fines	48,000	48,000	34,424
Miscellaneous Revenues	6,540	6,540	28,877
Total Revenues	<u>506,704</u>	<u>506,704</u>	<u>741,137</u>
EXPENDITURES			
Current:			
General Government	189,982	189,982	191,318
Public Safety	375,240	375,240	278,648
Transportation	30,500	30,500	37,278
Health Services	300	300	-
Culture/Recreation	69,500	69,500	24,898
Capital Outlay	97,600	97,600	187,111
Total Expenditures	<u>763,122</u>	<u>763,122</u>	<u>719,253</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(256,418)</u>	<u>(256,418)</u>	<u>21,884</u>
OTHER FINANCING SOURCES (USES)			
Proceeds From Disposal of Capital Assets	-	-	2,000
Transfers In	-	-	6,160
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>8,160</u>
Net Change in Fund Balances	(256,418)	(256,418)	30,044
Fund Balances - beginning	545,857	545,857	545,857
Fund Balances - ending	<u>\$ 289,439</u>	<u>\$ 289,439</u>	<u>\$ 575,901</u>

Notes: This schedule is prepared on the modified accrual basis of accounting.

Intergovernmental Revenues and Capital Outlay Budget includes \$47,600 reflected in Capital Projects Budget, but the deposits and expenditures were recorded in the General Fund.

The notes to the financial statements are an integral part of this statement.

City of Cottondale, Florida
 Budgetary Comparison Schedule – Transportation Fund
 For the Year Ended September 30, 2021

	Budgeted Amounts		Actual Amounts
	Original	Final	(GAAP Basis)
REVENUES			
Taxes	\$ 41,254	\$ 41,254	\$ 44,193
Charges for Services	12,424	12,424	12,424
Miscellaneous Revenues	-	-	17
Total Revenues	53,678	53,678	56,634
EXPENDITURES			
Current:			
Transportation	134,184	134,184	51,978
Capital Outlay	1,000	1,000	3
Total Expenditures	135,184	135,184	51,981
Excess (Deficiency) of Revenues over Expenditures	(81,506)	(81,506)	4,653
Net Change in Fund Balances	(81,506)	(81,506)	4,653
Fund Balances - beginning	168,868	168,868	168,868
Fund Balances - ending	\$ 87,362	\$ 87,362	\$ 173,521

Note: This schedule is prepared on the modified accrual basis of accounting.

The notes to the financial statements are an integral part of this statement.

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES

GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

MEMBER
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

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

Honorable Mayor and City Council
City of Cottondale, Florida
Cottondale, Florida

We have examined the City of Cottondale, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2021. Management is responsible for the City of Cottondale, Florida's compliance with those requirements. Our responsibility is to express an opinion on the City of Cottondale, Florida's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City of Cottondale, Florida complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City of Cottondale, Florida complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that our examination provides a reasonable basis for our opinion.

Our examination does not provide a legal determination of the City of Cottondale, Florida's compliance with specified requirements.

In our opinion, the City of Cottondale, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

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

Grimsley & Associates

Marianna, Florida
September 20, 2022

Grimsley and Associates, P.A.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT
REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS

GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

MEMBER
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

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*

Honorable Mayor and City Council
City of Cottondale, Florida
Cottondale, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cottondale, Florida, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Cottondale, Florida's basic financial statements and have issued our report thereon dated September 20, 2022.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings as items 2019-001 and 2019-002 to be material weaknesses.

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 consider the deficiency described in the accompanying schedule of findings as items 2003-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cottondale, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the findings identified in our audit is described in the section of this report titled Response to Audit Findings. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Grimsley & Associates

Marianna, Florida
September 20, 2022

Grimsley and Associates, P.A.
Certified Public Accountants

SCHEDULE OF FINDINGS

City of Cottondale, Florida
Schedule of Findings
September 30, 2021

2003-001

Criteria – Municipal governments should establish policies and procedures to ensure there is sufficient segregation of duties to reduce to a low risk that staff having access to accounting records do not have access to assets with readily marketable value.

Condition – The City has not designed their internal control system to include sufficient segregation of duties.

Effect – Staff members having custody of accounting records also have access to assets.

Cause – The City has a small accounting and management staff making a total segregation of duties very difficult.

Recommendation – Due to the limited staff numbers, they should make every effort to allocate duties for recording assets and access to assets amount full time staff as well as use Council members to provide review and approval procedures where possible.

2019-001

Criteria – Detail subsidiary records should be reconciled to general ledger control accounts on a regular basis.

Condition – The City uses a separate computer program to record and track its utility revenues and billings. Only cash receipts data is entered into the general ledger program. The totals in the general ledger are not reconciled to the utility billing records. Also, the general ledger accounts payables account for the general, transportation, and enterprise funds were off from subsidiary accounts before adjustments by the City's financial consultant at year end.

Effect – The ending balance of accounts receivable, utility revenues, customer deposits and accounts payable at year end required significant adjustments by the City's financial consultant at year end.

Cause – The issue primarily results from the staff's inexperience with the accounting system and lack of review and supervision. Additionally, the City policies do not require regular reports be generated or reconciliation of the general ledger control accounts to detail records. Adjustments are only done at year-end by the City's financial consultant.

Recommendation – Policies should be instituted requiring regular detail reports be generated and general ledger totals be reconciled to detail records monthly, where applicable. Additional training and supervision in the area would be helpful. Continued monitoring and follow up is crucial.

City of Cottondale, Florida
Schedule of Findings
September 30, 2021

2019-002

Criteria – Proper financial and accounting management requires a system of internal controls sufficient in design and operation to reduce to a relatively low level the risk of errors and irregularities in the control of assets, and that financial statements caused by error or fraud in material amounts be able to be detected in a timely period by employees in their normal course of their duties.

Condition – The City accounting staff lack formal training and experience for accurate recording of transactions and reporting of financial activity. There is no formal review process of financial records.

Effect – The combination of insufficient guidance and training has over the last several years resulted in numerous errors in posting transactions and recording financial results. Numerous posting errors are continuing to be made resulting in several correcting entries necessary by the City's financial consultant. Additionally, due to the lack of review process, many errors, some material are not noticed until the year end entries by the City's financial consultant.

Cause – The City's management and those in charge of governance have not previously followed up on problems caused by the numerous major changes in the City's staff, and financial and accounting system.

Recommendation – We recommend the City's Council stay apprised of the status of the financial accounting and controls system and follow up monthly on any problems. It is important the staff be provided proper training, assistance and supervision to rebuild and maintain the internal accounting controls. A monthly review system need to be instituted to help to expose errors and reduce or eliminate them instead of waiting for the year end review by the City's consultant.

INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT
REQUIRED BY THE STATE OF FLORIDA

GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

MEMBER
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

INDEPENDENT AUDITOR'S REPORT TO CITY MANAGEMENT

Honorable Mayor and City Council
City of Cottondale, Florida
Cottondale, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Cottondale, Florida, as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated September 20, 2022.

Auditor's Responsibility

We conducted our audit in accordance with 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; and Chapter 10.550, Rules of the 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*; Independent Auditor's Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; 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 and schedule, which are dated September 20, 2022, 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 financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted under the heading Prior Year Findings and Recommendations.

Honorable Mayor and City Council
 City of Cottondale, Florida
 Cottondale, Florida

The management letter items are as follows:

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2019-20 FY Finding #	2018-19 FY Finding #
N/A	2016-01	2016-01
N/A	2016-03	2016-03
2016-05	2016-05	2016-05

The schedule of findings items are as follows:

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2019-20 FY Finding #	2018-19 FY Finding #
2003-001	2003-001	2003-001
2019-001	2019-001	N/A
2019-002	2019-002	N/A

Official Title and Legal Authority

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

Financial Condition and Management

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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 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 Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Mayor and City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Prior Year Findings

2016-05

Small Liability Accounts – While reviewing the ledgers, we noted a few liability accounts with relatively small balances that appear to be incorrect. We recommend the ledgers be reviewed and all accounts be appropriately reconciled, adjusted and maintained with accurate balances. – No change.

Current Year Findings

None

Marianna, Florida
September 20, 2022

Grimsley & Associates

Grimsley and Associates, P.A.
Certified Public Accountants

RESPONSE TO AUDIT FINDINGS

September 20, 2022

Grimsley & Associates, P.A.
4243 Lafayette St
Marianna, FL 32446

Reference: Response to the FY 2020-21 Schedule of Findings

2016-05 – Small Liability Accounts

The Clerk is looking into hiring a consultant on a month basis and is being proactive in reviewing accounts.

2003-001 - Segregation of duties

The city has a limited staff and understands that some areas do not have optimum delegated duties. However, we segregate the handling of money as best we can.

2019-001 – Financial and accounting management

We are seeking training for office personnel and plan to work with an individual consultant to help eliminate the problem and will monitor reports as required. A new clerk was hired March 1, 2022.

2019-002 – Errors

The staff will receive proper training to maintain and rebuild the internal accounting controls. We plan to review on a monthly basis for any problems and correct them before the end of the year. The City will be working with an individual consultant to develop a monthly review system. This issue will resolve over time.

Best Regards,



Sherri McBride
City Clerk | City of Cottondale
850.352.4361