

CITY OF COTTONDALE, FLORIDA

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2022

CITY OF COTTONDALE, FLORIDA
AS OF SEPTEMBER 30, 2022

MAYOR

James Elmore

MAYOR PRO-TEM

Curtis Benefield

COUNCIL MEMBERS

Brian Braxton
Mark Drummond
Dennis Sloan

CITY CLERK

Sherri R. McBride

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	35
BUDGETARY COMPARISON SCHEDULE - TRANSPORTATION FUND	36
INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415 FLORIDA STATUTES, LOCAL GOVERNMENT INVESTMENT POLICIES	37

**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 38

SCHEDULE OF FINDINGS 40

**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

MEMBER
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

INDEPENDENT AUDITOR'S REPORT

City Council
City of Cottondale, Florida
Cottondale, Florida

Report on the Financial Statements

Opinions

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, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 September 30, 2022, 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.

Basis for Opinions

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. 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 City of Cottondale, Florida 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Cottondale, Florida'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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9 and 30 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 or 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 June 28, 2023, on our consideration of the City of Cottondale, Florida'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 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 City of Cottondale, Florida's internal control over financial reporting and compliance.

Grimsley & Associates

Marianna, Florida
June 28, 2023

Grimsley and Associates, P.A.
Certified Public Accountant

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, 2022 by \$9,240,794 (Net Position). Of this amount \$988,944 (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 \$18,139 during the year ended September 30, 2022. 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 line improvements from General Government Construction Funds to the Enterprise Fund totaling \$128,905 are reflected in Transfers in the Statement of Activities.

Entity Highlights

The Cottondale commission, staff, and residents continue to look forward to what the coming infrastructure changes, provided by both federal and state grants, will accomplish. The administrative office continues to work with Department of Economic Opportunity (DEO) and administrative and engineering teams to make a growing future for Cottondale. In addition to grants, Cottondale has had other improvements.

This fiscal year the Florida Rural Water Association worked closely with the City in producing the City of Cottondale Water System Asset Management and Fiscal Sustainability Plan. This living document, along with mapping software and Rev Plan software, enables our public works director with the tools necessary to implement a proactive maintenance schedule. The final document was adopted by the commission on September 12, 2022.

The Cottondale Volunteer Fire Department grew by three-fold in the number of incidents they attended. Toward the end of the last fiscal year, the Fire Department was awarded over \$17,000 in fire assistance grants. These funds made it possible to purchase needed gear and equipment.

The Small Counties Outreach Program (SCOP) Zion Street pavement resurfacing grant was awarded May 9, 2022. This project is almost complete and is expected to close out in November of 2022.

USDA Rural Development funded a \$30,000 sewer search grant for Cottondale, which was completed in March of 2022 and closed out in June of 2022. No forwarding action has been determined at this time.

Cottondale was awarded the Clean Water - State Revolving Fund (CW-SRF) grant September 13, 2022 for \$883,754 providing much needed infrastructure improvements to the wastewater treatment plant and lift

MANAGEMENT DISCUSSION AND ANALYSIS

station control panels. Construction will take place during fiscal year 2022-2023. The City has set aside \$224,132 using American Rescue Plan Act (ARPA) Funds to pay the City's loan portion.

Through the ARPA grants, Cottondale was awarded \$448,264 in October of 2021. These funds will provide the City with cash flow while funding the Community Development Block Grants (CDBG) projects. Once the infrastructure projects are completed the Cottondale commission plans to use the remainder of the funds to purchase water meters or fund the police and other administrative needs.

During fiscal year 2021-2022 Cottondale was awarded the Rural Infrastructure Fund (RIF) grant for \$1 million dollars, which piggy backs on the CDBG-HR Hometown Revitalization grant awarded the previous year. These funds will be used to help beautify the downtown area for economic growth. The CDBG grants awarded during the previous year did not see any funds released. Once the environmental review has been completed construction will begin. Funds are expected to be released during the next fiscal year.

To continue repairs following Hurricane Michael, the City is working on three federally funded FEMA Hazard Mitigation Grant Program (HMGP) grants. Notification of award was received in 2021, however, the City is seeking budget modifications to better fund these projects as the original amounts were deemed insufficient. The City procured a local engineering firm as the administration and engineering firm for these projects.

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 2022 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 increase or decrease in Net Position is an indication of whether the Entity's financial health is improving or deteriorating.

MANAGEMENT DISCUSSION AND ANALYSIS

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 35-36 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 19-34 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, 2022

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>
Current and Other Assets	\$ 871,361	\$ 1,237,640	\$ 742,357	\$ 744,257	\$ 1,613,718	\$ 1,981,897
Capital Assets	<u>2,095,761</u>	<u>2,089,029</u>	<u>6,885,492</u>	<u>6,845,417</u>	<u>8,981,253</u>	<u>8,934,446</u>
Total Assets	<u>2,967,122</u>	<u>3,326,669</u>	<u>7,627,849</u>	<u>7,589,674</u>	<u>10,594,971</u>	<u>10,916,343</u>
Current Liabilities	118,539	37,650	121,848	141,958	240,387	179,608
Non Current Liabilities	<u>37,241</u>	<u>30,805</u>	<u>1,092,288</u>	<u>909,988</u>	<u>1,129,529</u>	<u>940,793</u>
Total Liabilities	<u>155,780</u>	<u>68,455</u>	<u>1,214,136</u>	<u>1,051,946</u>	<u>1,369,916</u>	<u>1,120,401</u>
Deferred Revenues	<u>2,400</u>	<u>515,017</u>	-	40,131	<u>2,400</u>	<u>555,148</u>
Net Position						
Invested in Capital Assets, net of related debt	2,091,339	2,088,809	5,800,870	5,876,861	7,892,209	7,965,670
Restricted	166,125	151,747	132,739	134,433	298,864	286,180
Unrestricted	<u>551,478</u>	<u>502,641</u>	<u>480,104</u>	<u>486,303</u>	<u>1,031,582</u>	<u>988,944</u>
Total Net Position	<u>\$ 2,808,942</u>	<u>\$ 2,743,197</u>	<u>\$ 6,413,713</u>	<u>\$ 6,497,597</u>	<u>\$ 9,222,655</u>	<u>\$ 9,240,794</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, 2022

	Governmental		Business-Type		Total	
	Activities		Activities			
	2021	2022	2021	2022	2021	2022
Revenues						
Program Revenues						
Charges for Services	\$ 131,170	\$ 122,116	\$ 647,431	\$ 634,904	\$ 778,601	\$ 757,020
Operating Grants and Contributions	23,898	23,961	-	-	23,898	23,961
Capital Grants and Contributions	612,621	258,866	30,359	93,964	642,980	352,830
Total Program Revenues	767,689	404,943	677,790	728,868	1,445,479	1,133,811
General Revenues and Transfers						
Taxes - Other	339,094	363,726	-	-	339,094	363,726
Property Taxes	69,188	73,507	-	-	69,188	73,507
Gain (Loss) on Disposition of Assets	(3,284)	-			(3,284)	-
Transfers	(1,369,732)	(136,179)	1,369,732	136,179	-	-
Miscellaneous	28,893	6,715	96	98	28,989	6,813
Total General Revenues and Transfers	(935,841)	307,769	1,369,828	136,277	433,987	444,046
Total Revenues	(168,152)	712,712	2,047,618	865,145	1,879,466	1,577,857
Expenses						
Governmental Activities						
General Government	202,990	240,331	-	-	202,990	240,331
Public Safety	322,324	339,942	-	-	322,324	339,942
Physical Environment	25	237	-	-	25	237
Transportation	118,475	107,617	-	-	118,475	107,617
Culture/Recreation	84,348	90,330	-	-	84,348	90,330
Business-type Activities						
Water & Sewer	-	-	731,059	781,261	731,059	781,261
Total Expenses	728,162	778,457	731,059	781,261	1,459,221	1,559,718
Change in Net Position	(896,314)	(65,745)	1,316,559	83,884	420,245	18,139
Net Position - Beginning	3,705,256	2,808,942	5,097,154	6,413,713	8,802,410	9,222,655
Net Position - Ending	\$ 2,808,942	\$ 2,743,197	\$ 6,413,713	\$ 6,497,597	\$ 9,222,655	\$ 9,240,794

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, 2022, the Entity's governmental funds reported combined ending fund balances of \$684,973. Of this amount \$443,429 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, 2022

	Primary Government		
	Governmental Business-Type		
	Activities	Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 489,252	\$ 502,787	\$ 992,039
Accounts Receivable	20,192	60,619	80,811
Prepaid Expenses	15,053	10,516	25,569
Inventory	-	1,555	1,555
Due from Other Governments	107,653	-	107,653
Restricted Assets	627,203	142,397	769,600
Internal Balances	(21,713)	21,713	-
Capital Assets:			
Land and Construction in Progress	457,977	85,079	543,056
Other Capital Assets, Net of Depreciation	<u>1,631,052</u>	<u>6,760,338</u>	<u>8,391,390</u>
Total Capital Assets	<u>2,089,029</u>	<u>6,845,417</u>	<u>8,934,446</u>
Other Assets	-	4,670	4,670
Total Assets	<u>3,326,669</u>	<u>7,589,674</u>	<u>10,916,343</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	37,650	29,926	67,576
Customer Deposits	-	43,365	43,365
Long Term Liabilities:			
Due Within One Year	-	68,667	68,667
Due in More Than One Year	30,805	909,988	940,793
Deferred Revenue	<u>515,017</u>	<u>40,131</u>	<u>555,148</u>
Total Liabilities	<u>583,472</u>	<u>1,092,077</u>	<u>1,675,549</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	2,088,809	5,876,861	7,965,670
Restricted for:			
Streets and Roads	151,737	-	151,737
Debt Service	-	34,599	34,599
Other Purposes	10	99,834	99,844
Unrestricted	<u>502,641</u>	<u>486,303</u>	<u>988,944</u>
Total Net Position	<u>\$ 2,743,197</u>	<u>\$ 6,497,597</u>	<u>\$ 9,240,794</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, 2022

<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>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General Government	\$ 240,331	\$ 73,502	\$ -	\$ 3,063	\$ (163,766)		\$ (163,766)
Public Safety	339,942	35,817	20,000	9,500	(274,625)		(274,625)
Transportation	107,617	12,797	-	-	(94,820)		(94,820)
Physical Environment	237	-	-	246,303	246,066		246,066
Culture/Recreation	90,330	-	3,961	-	(86,369)		(86,369)
Total Governmental Activities	<u>778,457</u>	<u>122,116</u>	<u>23,961</u>	<u>258,866</u>	<u>(373,514)</u>		<u>(373,514)</u>
Business-Type Activities:							
Enterprise Fund	781,261	634,904	-	93,964	-	\$ (52,393)	(52,393)
Total Business-Type Activities	<u>781,261</u>	<u>634,904</u>	<u>-</u>	<u>93,964</u>	<u>-</u>	<u>(52,393)</u>	<u>(52,393)</u>
Total Primary Government	<u>\$ 1,559,718</u>	<u>\$ 757,020</u>	<u>\$ 23,961</u>	<u>\$ 352,830</u>	<u>(373,514)</u>	<u>(52,393)</u>	<u>(425,907)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					73,507	-	73,507
Taxes - Other					363,726	-	363,726
Miscellaneous					6,715	98	6,813
Transfers					(136,179)	136,179	-
Total General Revenues and Transfers					<u>307,769</u>	<u>136,277</u>	<u>444,046</u>
Change in Net Position					(65,745)	83,884	18,139
Net Position - beginning					2,808,942	6,413,713	9,222,655
Net Position - ending					<u>\$ 2,743,197</u>	<u>\$ 6,497,597</u>	<u>\$ 9,240,794</u>

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

City of Cottondale, Florida
Balance Sheet
Governmental Funds
September 30, 2022

	General Fund	Transportation Fund	ARPA Meters Fund	CDBG N-07 Construction Fund	CW SRF Construction Fund	SCOP Construction Fund	Other	Total Governmental Funds
ASSETS								
Cash	\$ 489,252	\$ 164,362	\$ 253,860	\$ -	\$ 194,428	\$ 9,662	\$ -	\$ 1,111,564
Accounts Receivable - net	20,192	-	-	-	-	-	-	20,192
Prepaid Expenses	15,053	-	-	-	-	-	-	15,053
Due from Other Funds	54,507	93,507	-	-	-	-	-	148,014
Due from Other Governments	23,822	4,891	-	-	-	83,831	-	112,544
Total Assets	<u>\$ 602,826</u>	<u>\$ 262,760</u>	<u>\$ 253,860</u>	<u>\$ -</u>	<u>\$ 194,428</u>	<u>\$ 93,493</u>	<u>\$ -</u>	<u>\$ 1,407,367</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts Payable and Accrued Expenses	\$ 34,370	\$ 3,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,650
Due to Other Funds	21,713	54,507	-	-	-	93,507	-	169,727
Deferred Revenues	22,783	43,970	448,264	-	-	-	-	515,017
Total Liabilities	<u>78,866</u>	<u>101,757</u>	<u>448,264</u>	<u>-</u>	<u>-</u>	<u>93,507</u>	<u>-</u>	<u>722,394</u>
Fund Balances:								
Nonspendable:								
Prepaid Expenses	15,053	-	-	-	-	-	-	15,053
Restricted:								
Transportation	-	161,003	-	-	-	-	-	161,003
Other	-	-	(194,404)	-	194,428	(14)	-	10
Assigned:								
Police Education/Automation	817	-	-	-	-	-	-	817
Other	64,661	-	-	-	-	-	-	64,661
Unassigned	443,429	-	-	-	-	-	-	443,429
Total Fund Balances	<u>523,960</u>	<u>161,003</u>	<u>(194,404)</u>	<u>-</u>	<u>194,428</u>	<u>(14)</u>	<u>-</u>	<u>684,973</u>
Total Liabilities & Fund Balances	<u>\$ 602,826</u>	<u>\$ 262,760</u>	<u>\$ 253,860</u>	<u>\$ -</u>	<u>\$ 194,428</u>	<u>\$ 93,493</u>	<u>\$ -</u>	<u>\$ 1,407,367</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, 2022

Total Fund Balances - Total Governmental Funds	\$ 684,973
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.	2,089,029
Some liabilities, including loans payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(30,805)</u>
Total Net Position	<u>\$ 2,743,197</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, 2022

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>ARPA Meters Fund</u>	<u>CDBG N-07 Construction Fund</u>	<u>CW SRF Construction Fund</u>	<u>SCOP Construction Fund</u>	<u>Other</u>	<u>Total Governmental Funds</u>
REVENUES								
Taxes	\$ 259,320	\$ 42,196	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 301,516
Licenses & Permits	73,138	-	-	-	-	-	-	73,138
Intergovernmental Revenues	169,178	3,063	-	124,911	-	121,393	-	418,545
Charges for Services	23,638	-	-	-	-	-	-	23,638
Judgments and Fines	25,340	-	-	-	-	-	-	25,340
Miscellaneous Revenues	6,272	418	22	-	2	-	-	6,714
Total Revenues	<u>556,886</u>	<u>45,677</u>	<u>22</u>	<u>124,911</u>	<u>2</u>	<u>121,393</u>	<u>-</u>	<u>848,891</u>
EXPENDITURES								
Current:								
General Government	237,126	-	-	-	-	-	-	237,126
Public Safety	274,453	-	-	-	-	-	-	274,453
Transportation	33,300	53,544	-	-	-	-	-	86,844
Culture/Recreation	29,822	-	-	-	-	-	-	29,822
Capital Outlay	24,231	4,278	-	128,905	-	121,407	-	278,821
Total Expenditures	<u>598,932</u>	<u>57,822</u>	<u>-</u>	<u>128,905</u>	<u>-</u>	<u>121,407</u>	<u>-</u>	<u>907,066</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(42,046)</u>	<u>(12,145)</u>	<u>22</u>	<u>(3,994)</u>	<u>2</u>	<u>(14)</u>	<u>-</u>	<u>(58,175)</u>
OTHER FINANCING SOURCES (USES)								
Transfers In	6,891	-	-	3,994	194,426	-	-	205,311
Transfers Out	(16,786)	(373)	(194,426)	-	-	-	(1,000)	(212,585)
Total Other Financing Sources (Uses)	<u>(9,895)</u>	<u>(373)</u>	<u>(194,426)</u>	<u>3,994</u>	<u>194,426</u>	<u>-</u>	<u>(1,000)</u>	<u>(7,274)</u>
Net Changes In Fund Balances	(51,941)	(12,518)	(194,404)	-	194,428	(14)	(1,000)	(65,449)
Fund Balances - beginning	575,901	173,521	-	-	-	-	1,000	750,422
Fund Balances - ending	<u>\$ 523,960</u>	<u>\$ 161,003</u>	<u>\$ (194,404)</u>	<u>\$ -</u>	<u>\$ 194,428</u>	<u>\$ (14)</u>	<u>\$ -</u>	<u>\$ 684,973</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, 2022

Net change in fund balances - Total Governmental Funds \$ (65,449)

Amounts reported for governmental activities
in the Statement of Activities are different
because:

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 transfers, (\$128,905), and depreciation, (\$152,422) exceeded current capital asset additions, \$274,595. (6,732)

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 the net decrease in long term accrued leave, \$6,436. 6,436

Change in net position of governmental activities \$ (65,745)

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, 2022

	Business-Type <u>Activities</u> <u>Enterprise</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 502,787
Accounts Receivable - Net	60,619
Prepaid Expenses	10,516
Inventory	1,555
Due From Other Funds	21,713
Total Current Assets	597,190
Noncurrent Assets:	
Restricted Assets - Cash	142,397
Capital Assets:	
Land	5,324
Construction In Progress	79,755
Buildings	14,000
Improvements Other than Buildings	9,908,535
Machinery and Equipment	86,951
Less Accumulated Depreciation	(3,249,148)
Other Assets	4,670
Total Noncurrent Assets	6,992,484
Total Assets	7,589,674
LIABILITIES	
Current Liabilities:	
Accounts Payable	20,871
Accrued Expenses	9,055
Current Portion of Bonds & Notes	68,667
Deferred Revenue	40,131
Total Current Liabilities	138,724
Noncurrent Liabilities:	
Customer Deposits	43,365
Accrued Leave	10,099
Bonds and Notes Payable after One Year	899,889
Total Noncurrent Liabilities	953,353
Total Liabilities	1,092,077
NET POSITION	
Invested in Capital Assets, Net of Related Debt	5,876,861
Restricted:	
Debt Service	34,599
Other Purposes	99,834
Unrestricted	486,303
Total Net Position	\$ 6,497,597

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, 2022

	Business-Type Activities <u>Enterprise</u>
OPERATING REVENUES:	
Charges for Services	\$ 625,076
Miscellaneous Charges and Fees	9,828
Total Operating Revenues	<u>634,904</u>
OPERATING EXPENSES:	
Personal Services	171,571
Contractual Services	217,202
Utilities	59,031
Repairs and Maintenance	22,346
Insurance	28,840
Other Supplies and Expenses	49,481
Depreciation and Amortization	194,929
Total Operating Expenses	<u>743,400</u>
Operating Income (Loss)	<u>(108,496)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	98
Interest Expense	(37,861)
Total Nonoperating Revenue (Expenses)	<u>(37,763)</u>
(Loss) Before Contributions and Transfers	(146,259)
Contributions From Other Governments	93,964
Transfers In	145,691
Transfers Out	(9,512)
Change in Net Position	<u>83,884</u>
Net Position - beginning	<u>6,413,713</u>
Net Position - ending	<u><u>\$ 6,497,597</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, 2022

	Business-Type Activities <u>Enterprise</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 632,085
Payments to Suppliers	(387,423)
Payments to Employees	(170,246)
Net Cash Provided by Operating Activities	<u>74,416</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(25,674)
Principal Paid on Capital Debt	(52,102)
Interest Paid on Capital Debt	(36,552)
Contributions from Other Governments	30,000
Transfers from Other Funds	16,786
Transfers to Other Funds	(9,512)
Net Cash Used by Capital and Related Financing Activities	<u>(77,054)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	98
Net Cash Provided by Investing Related Activities	<u>98</u>
Net Decrease in Cash and Cash Equivalents	(2,540)
Cash and Cash Equivalents - beginning	647,724
Cash and Cash Equivalents - ending	<u>\$ 645,184</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Income (Loss)	\$ (108,496)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation and Amortization	194,929
Change in Assets and Liabilities:	
Accounts Receivable	(3,044)
Prepaid Expenses	(1,671)
Accounts Payable and Accrued Expenses	(7,527)
Customer Deposits	225
Net Cash Provided by Operating Activities	<u>\$ 74,416</u>
Non-Cash Transactions	
Acquisition of Capital Assets	\$ (128,905)
Principal Paid on Capital Debt	(63,964)
Contributions from Other Governments	63,964
Transfer Debt From Construction Fund	128,905
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, 2022

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, 2022.

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.

ARPA Fund – established to account for the American Rescue Plan Act revenues. These funds can be spent on various activities. The City is currently using these funds to supplement other grant construction projects.

CDBG N-07 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.

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

CW SRF Grant Construction Fund – established to account for the water system upgrades and improvements primarily funded by State of Florida State Revolving Fund grants and loans.

SCOP Grant Construction Fund – established to account for the Zion Street repaving project. This project is primarily funded by a Florida Department of Transportation Small County Outreach Program grant.

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.

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

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;

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, 2022 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 4.25 mills for the October 2021 through September 2022 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.

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

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. There have been 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.

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, 2022, 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>1,558,373</u>
Total Deposits With Financial Institutions	1,808,373
Petty Cash on Hand	<u>600</u>
TOTAL	<u>\$ 1,808,973</u>
Book Balances at Year End	<u>\$ 1,756,748</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, 2022

NOTE 3 – RECEIVABLES

At September 30, 2022, the City reported receivables as follows:

GENERAL FUND		
Due from State of Florida	\$	21,307
Due from Jackson County		2,515
Other Receivables		<u>20,192</u>
TOTAL	\$	<u>44,014</u>
TRANSPORTATION FUND		
Due from State of Florida	\$	4,206
Due from Jackson County		<u>685</u>
TOTAL	\$	<u>4,891</u>
ENTERPRISE FUND		
Utility Service	\$	62,937
Less Allowance for Uncollectible Accounts		<u>(2,318)</u>
NET	\$	<u>60,619</u>
SCOP CONSTRUCTION FUND		
Due from State of Florida	\$	<u>83,831</u>

NOTE 4 – INTERFUND BALANCES AND ACTIVITY

At September 30, 2022, 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>54,507</u>
SCOP Construction Fund	Transportation Fund	Construction Expense	\$ <u>93,507</u>

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2022

NOTE 4 – INTERFUND BALANCES AND ACTIVITY – CONTINUED

During the year ended September 30, 2022, the following interfund transfers were recorded.

<u>Transfer From</u>	<u>Transfer To</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Enterprise Fund	Operations	\$ 16,786
Transportation Fund	General Fund	Operations	\$ 373
Infrastructure Fund	General Fund	Close Fund	\$ 1,000
Enterprise Fund	General Fund	Operations	\$ 5,518
Enterprise Fund	CDBG N-07 Construction Fund	Construction Costs	\$ 3,994
ARPA Meters Fund	CW SRF Construction Fund	Construction Debt Repayment	\$ 194,426
CDBG N-07 Construction Fund	Enterprise Fund	Capitalize Capital Project	\$ 128,905

NOTE 5 – CAPITAL ASSETS

Capital Asset Activity for the year ended September 30, 2022 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	-	250,297	(128,905)	121,392
Total	<u>336,585</u>	<u>250,297</u>	<u>(128,905)</u>	<u>457,977</u>
Capital Assets Being Depreciated:				
Buildings & Improvements	439,911	-	-	439,911
Improvements Other Than Buildings	1,611,638	-	-	1,611,638
Streets & Roads	247,863	-	-	247,863
Equipment	1,085,818	24,298	(3,220)	1,106,896
Total	<u>3,385,230</u>	<u>24,298</u>	<u>(3,220)</u>	<u>3,406,308</u>
Less Accumulated Depreciation:				
Buildings & Improvements	249,420	10,370	-	259,790
Improvements Other Than Buildings	665,965	57,791	-	723,756
Streets & Roads	6,713	6,197	-	12,910
Equipment	703,956	78,064	(3,220)	778,800
Total	<u>1,626,054</u>	<u>152,422</u>	<u>(3,220)</u>	<u>1,775,256</u>
Net Capital Assets Being Depreciated	<u>1,759,176</u>	<u>(128,124)</u>	<u>-</u>	<u>1,631,052</u>
Net Governmental Activity Capital Assets	<u>\$ 2,095,761</u>	<u>\$ 122,173</u>	<u>\$ (128,905)</u>	<u>\$ 2,089,029</u>

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2022

NOTE 5 – CAPITAL ASSETS – Continued

	<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	\$ 79,755	\$ -	\$ -	\$ 79,755
Land	5,324	-	-	5,324
Total	<u>85,079</u>	<u>-</u>	<u>-</u>	<u>85,079</u>
Capital Assets Being Depreciated:				
Buildings	14,000	-	-	14,000
Improvements Other Than Buildings	9,762,291	146,245	-	9,908,536
Equipment	78,616	8,334	-	86,950
Total	<u>9,854,907</u>	<u>154,579</u>	<u>-</u>	<u>10,009,486</u>
Less Accumulated Depreciation:				
Buildings	664	360	-	1,024
Improvements Other Than Buildings	2,977,114	193,557	-	3,170,671
Equipment	76,716	737	-	77,453
Total	<u>3,054,494</u>	<u>194,654</u>	<u>-</u>	<u>3,249,148</u>
Net Capital Assets Being Depreciated	<u>6,800,413</u>	<u>(40,075)</u>	<u>-</u>	<u>6,760,338</u>
Net Business-Type Activity Capital Assets	<u>\$ 6,885,492</u>	<u>\$ (40,075)</u>	<u>\$ -</u>	<u>\$ 6,845,417</u>

Depreciation expense was charged to Governmental Activity functions as follows:

General Government	\$ 2,535
Public Safety:	
Police	27,537
Fire	42,828
Human Services	237
Transportation	18,777
Recreation	60,508
Total	<u>\$ 152,422</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:

	<u>1999 Issue</u>
Unamortized bond issue costs - beginning of year	\$ 4,945
Less: Current year amortization	<u>(275)</u>
Unamortized bond issue costs - end of year	<u>\$ 4,670</u>

Unamortized bond issue costs are included in other assets.

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2022

NOTE 7 – NOTES PAYABLE AND LONG-TERM DEBT

Governmental Activities:

Long Term Accrued Leave	\$ 30,805
Total Long Term Debt	<u>\$ 30,805</u>

Changes in governmental activities short term notes and long-term debt are as follows for the year ended September 30, 2022:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Accrued Leave	\$ 37,241	\$ -	\$ (6,436)	\$ -	\$ 30,805
Total	<u>\$ 37,241</u>	<u>\$ -</u>	<u>\$ (6,436)</u>	<u>\$ -</u>	<u>\$ 30,805</u>

The current portion of Accrued Leave, \$19,648, 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, 2022 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, 2022.

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>
2023	\$	11,000	\$	1,750
2024		12,000		1,200
2025		12,000		600
Totals	<u>\$</u>	<u>35,000</u>	<u>\$</u>	<u>3,550</u>

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2022

NOTE 7 – NOTES 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>
2023	\$	27,000	\$	30,375
2024		29,000		29,160
2025		29,000		27,855
2026		31,000		26,550
2027		32,000		25,155
2028-2032		185,000		102,645
2033-2037		230,000		57,150
2038-2039		112,000		7,695
Totals	\$	<u>675,000</u>	\$	<u>306,585</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 account.
- B. The Sinking Fund is to be used exclusively for the purpose of paying principal and interest on the bonds and is to be funded by transferring on or before the 15th of each month from the Revenue Fund account, one twelfth of the next annual interest and principal requirements.
- C. The Reserve Account is to be established by transferring on or before the 15th of each month from the Revenue Fund account, 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 account is to be used exclusively for the purpose of receiving funds transferred monthly from the Revenue Fund account and for paying the current expense of the system pursuant to the annual budget. Any balance remaining in the Operation and Maintenance Fund account 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 account.

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2022

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

The annual requirements to amortize revenue notes outstanding as of September 30, 2022 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>
2023	\$	20,353	\$	4,482
2024		13,871		2,600
2025		14,117		2,353
2026		14,368		2,103
2027		14,624		1,847
2028-2032		77,112		5,241
2033		16,255		217
Totals	\$	170,700	\$	18,843

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>
2023	\$	8,559	\$	1,014
2024		8,684		889
2025		8,810		763
2026		8,938		635
2027		9,069		505
2028-2030		28,005		715
Totals	\$	72,065	\$	4,521

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. During the current year, SRF 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>
2023	\$	1,755	\$	-
2024		1,755		-
2025		1,755		-
2026		1,755		-
2027		1,755		-
2028-2031		7,016		-
Totals	\$	15,791	\$	-

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2022

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</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Revenue Bonds	\$ 747,000	\$ -	\$ (37,000)	\$ 710,000
Revenue Notes	337,622	-	(79,066)	258,556
Accrued Leave	7,666	2,433	-	10,099
Total	<u>\$ 1,092,288</u>	<u>\$ 2,433</u>	<u>\$ (116,066)</u>	<u>\$ 978,655</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, 2022 was \$34,781.

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, 2022 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.

Grant Construction Funds – The City uses various Grant Construction Funds to account for construction projects funded by state and federal grants. These funds are restricted for the project specified in the grant.

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, 2022

NOTE 9 – APPROPRIATIONS

During September 2021, the City adopted a budget for the 2021-2022 fiscal year which included General Fund appropriations of \$654,741 and Enterprise Fund appropriations of \$751,709. Additionally, the budget included appropriations of \$78,040 for Special Revenue Funds and \$8,003,642 for Capital Project Funds. Actual expenditures in the Infrastructure Fund, ARPA Fund and the SCOP Construction Fund exceeded budgeted appropriations by \$1,000, \$194,426 and \$121,407 respectively. The ARPA Fund and SCOP Construction Fund were not included in the Capital Projects Funds overall budget amount. 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 up to \$22,500 of their total salary. The City under authority of ordinance matches the employee's contribution to a maximum of 5% of the employee's salary. The employee vesting for plan benefits is 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, 2022 totaled \$11,707 and were matched by employer contributions of \$10,803. 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.

Open Line of Credit

To provide working capital to fund grant projects pending reimbursements from the grantors, on August, 4, 2022, the City established a line of credit with a local bank in the amount of \$1,200,000. The loan is payable on demand with stated interest of 5.5%. As of the date of this report, the City has not taken any draws against this line.

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2022

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>\$ 68,499</u>

NOTE 13 – HURRICANE MICHAEL 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. Although operations of the systems have been reasonably restored, repair and reconstruction continue through the year ended September 30, 2022 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 during that year. An additional \$22,822 was received during the year ended September 30, 2021. Unfortunately, much of these funds still remains unspent as of September 30, 2022. The time allowed for expenditure had expired as of September 30, 2021, therefore a liability was established for the repayment of those funds as of that time. Subsequently, the City was granted an extension of time to expend the moneys. During the year ended September, 30, 2022, the City performed repairs qualifying for FEMA expenditures totaling \$3,063 within the Transportation Fund. No qualifying expenditures were spent from the General Fund or Enterprise Fund. As of September 30, 2022 the City reports Deferred Revenues related to unspent FEMA funds in the General Fund, Transportation Fund and Enterprise Fund in the amounts of \$20,383, \$43,970 and \$40,131 respectively.

During February and March 2022, the City signed three Hazard Mitigation Grant Program agreements with FEMA for additional funding toward the renovation of the wastewater collection system in the separate agreements totaling \$341,015. The City also signed agreements for CDBG-Disaster Relief Grants to supplement these FEMA agreements totaling \$112,187. Two agreements were signed in December 2022, one is pending final approval as of the date of this report. City management believes these funding levels are inadequate to perform the planned improvements and are therefore in the process of negotiating additional funding.

NOTE 14 – GRANTS, PROJECTS AND SUBSEQUENT EVENTS

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 was deposited August 5, 2022. The City transferred \$194,426 from the ARPA moneys to the CW SRF Construction Fund to cover waste water plant construction costs debt required to be repaid by April 15, 2024. Subsequent to year end, transfers from this fund were made to other grant construction funds to supplement those projects.

Community Development Block Grant N-07 (CDBG) - This grant in the amount of \$600,000 was awarded in July 2019 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 \$128,905 to complete this project. The assets were transferred to the Enterprise Fund as of year end. The project close out date was June 24, 2022.

Clean Water State Revolving Fund (CW SRF) - This grant/loan was awarded September 13, 2022 for the purpose of waste water plant renovation. Total project costs are set at \$883,754 with funding as follows: SRF construction grant - \$707,003; SRF loan - \$176,751. As of September 30, 2022, no expenditures had been incurred and no grant funds had been received. An interfund transfer of \$194,426 from the ARPA Grant Fund was made to have moneys available for paying construction debt required to be repaid by April 15, 2024.

Small Counties Outreach Program Grant – (SCOP) – This grant in the amount of \$304,396 was awarded on May 9, 2022. The funds are being used to repave Zion Street. During the year ended September 30, 2022, the City recorded grant revenue of \$121,393 and project expenditures of \$121,406. The project is expected to be completed during the upcoming year.

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. As of the September 30, 2022, the project had not been started.

Community Development Block Grant – Disaster Relief (CDBG-DR) – up to \$4,347,351. On May 6, 2022, 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 September 30, 2022, the project was in environmental review. On October 10, 2022 the City was notified it had been awarded two additional Disaster Relief grants of \$1,499,228 and \$895,414 for sanitary sewer projects in the northwest and southeast respectively.

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2022

NOTE 14 – GRANTS, PROJECTS AND SUBSEQUENT EVENTS – continued

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. As of the September 30, 2022, the project is in the process of environmental review.

Community Development Block Grant – Mitigation Grants (CDBG-MIT) – On October 10, 2022 notification was received of the City being awarded two mitigation grants in the amounts of \$1,894,766 and \$1,392,350 for the purposes of hardening the potable water system and critical facilities safe room and hardening respectively. These projects are in the process of environmental review.

Community Development Block Grant – Neighborhood Revitalization Program (CDBG-NR) – On February 10, 2023, the city was notified it had been awarded a \$600,000 grant effective December 21, 2022, for the purpose of upgrades to the sewer sanitary system.

Rural Infrastructure Fund (RIF) – The City was notified on April 8, 2022 it was awarded a \$1,000,000 grant by the Florida Department of Economic Opportunity to support the Hometown Revitalization Project. On October, 27, 2022 a second RIF grant award for \$300,000 was approved for revitalizing the City’s wastewater spray field. These grants are pending.

During the year ended September 30, 2022 the City received various smaller grants for the acquisition of fire equipment and a USDA Search Grant to review the status of the sewer system for needed repairs and upgrades.

REQUIRED SUPPLEMENTARY INFORMATION

City of Cottondale, Florida
 Budgetary Comparison Schedule – General Fund
 For the Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts (GAAP Basis)
	Original	Final	
REVENUES			
Taxes	\$ 251,340	\$ 251,340	\$ 259,320
Licenses & Permits	73,400	73,400	73,138
Intergovernmental Revenues	142,238	142,238	169,178
Charges for Services	10,275	10,275	23,638
Judgments and Fines	35,150	35,150	25,340
Miscellaneous Revenues	7,560	7,560	6,272
Total Revenues	<u>519,963</u>	<u>519,963</u>	<u>556,886</u>
EXPENDITURES			
Current:			
General Government	219,340	219,340	237,126
Public Safety	335,871	335,871	274,453
Transportation	38,230	38,230	33,300
Health Services	300	300	-
Culture/Recreation	29,000	29,000	29,822
Capital Outlay	32,000	32,000	24,231
Total Expenditures	<u>654,741</u>	<u>654,741</u>	<u>598,932</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(134,778)</u>	<u>(134,778)</u>	<u>(42,046)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	6,891
Transfers Out	-	-	(16,786)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(9,895)</u>
Net Change in Fund Balances	(134,778)	(134,778)	(51,941)
Fund Balances - beginning	575,901	575,901	575,901
Fund Balances - ending	<u>\$ 441,123</u>	<u>\$ 441,123</u>	<u>\$ 523,960</u>

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

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, 2022

	Budgeted Amounts		Actual Amounts
	Original	Final	(GAAP Basis)
REVENUES			
Taxes	\$ 44,292	\$ 44,292	\$ 42,196
Intergovernmental Revenue	-	-	3,063
Charges for Services	12,796	12,796	-
Miscellaneous Revenues	-	-	418
Total Revenues	57,088	57,088	45,677
EXPENDITURES			
Current:			
Transportation	75,040	75,040	53,544
Capital Outlay	1,000	1,000	4,278
Total Expenditures	76,040	76,040	57,822
Excess (Deficiency) of Revenues over Expenditures	(18,952)	(18,952)	(12,145)
OTHER FINANCING SOURCES (USES)			
Transfers Out	-	-	(373)
Total Other Financing Sources (Uses)	-	-	(373)
Net Change in Fund Balances	(18,952)	(18,952)	(12,518)
Fund Balances - beginning	173,521	173,521	173,521
Fund Balances - ending	\$ 154,569	\$ 154,569	\$ 161,003

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 ACCOUNTANT'S REPORT ON COMPLIANCE WITH
SECTION 218.415, FLORIDA STATUTES,
LOCAL GOVERNMENT INVESTMENT POLICIES

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, 2022. 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, 2022.

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

Grimsley & Associates

Marianna, Florida
June 28, 2022

Grimsley and Associates, P.A.
Certified Public Accountants

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

GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

MEMBER
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AMERICAN INSTITUTE OF
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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, 2022, 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.

Report on 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2003-001 that we consider to be a significant deficiency.

Report on 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
June 28, 2023

Grimsley and Associates, P.A.
Certified Public Accountants

SCHEDULE OF FINDINGS

City of Cottondale, Florida
Schedule of Findings
September 30, 2022

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.

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

GRIMSLEY & ASSOCIATES

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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, 2022, and have issued our report thereon dated June 28, 2023.

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*; Schedule of Findings; 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 June 28, 2023, 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 #	2020-21 FY Finding #	2019-20 FY Finding #
N/A	N/A	2016-01
N/A	N/A	2016-03
2016-05	2016-05	2016-05

The schedule of findings items are as follows:

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2020-21 FY Finding #	2019-20 FY Finding #
2003-001	2003-001	2003-001
N/A	2019-001	2019-001
N/A	2019-002	2019-002

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.

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

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
June 28, 2023

Grimsley & Associates

Grimsley and Associates, P.A.
Certified Public Accountants

RESPONSE

June 29, 2023

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

Reference: Response to the FY2021-22 Schedule of Findings

2016-05 – Small Liability Accounts

It is the desire of this clerk to correct any account that is out of balance. It has been my desire since being hired, yet fall short on time. However, I will continue until we succeed. I'll create a plan and share it with our CPA consultant, which hopefully will provide the accountability needed.

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.

Best regards,



Sherri McBride
Clerk, City of Cottondale
850.352.4361