

CITY OF COTTONDALE, FLORIDA

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2023

CITY OF COTTONDALE, FLORIDA  
AS OF SEPTEMBER 30, 2023

MAYOR

James Elmore

MAYOR PRO-TEM

Carrol Benefield

COUNCIL MEMBERS

Thomas T Daniel

Mark Drummond

Dennis Sloan

CITY CLERK

Sherri R. McBride

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# 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

Board of Directors  
City of Cottdale, Florida  
Marianna, 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 Cottdale, Florida as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise City of Cottdale, 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 Cottdale, Florida, as of and for the year ended September 30, 2023, 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 of 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 Cottdale, 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 statements, 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the 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 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 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 5-11 and 36-37 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistence with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Cottondale, Florida's basic financial statements. The accompanying schedule of state financial assistance projects, as required Chapter 10.550, Rules of the Auditor General are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied to the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of state projects are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated June 26, 2024, on our consideration of 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 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 26, 2024

Grimsley & Associates, P.A.  
Certified Public Accountants



## MANAGEMENT DISCUSSION AND ANALYSIS

## MANAGEMENT DISCUSSION AND ANALYSIS

The City of Cottdale, 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 11).

### Financial Highlights

The assets of the Entity exceeded its liabilities at September 30, 2023 by \$9,790,586 (Net Position). Of this amount \$1,286,841 (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 \$549,792 during the year ended September 30, 2023. Much of this increase is due to the receipt of grants used for capitalized assets and completion of road paving and wastewater system projects.

### Entity Highlights

The Cottdale 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 Florida Commerce and Administration and Engineering teams to make a growing future for Cottdale. In addition to grants, Cottdale has had other improvements.

The City continues to work with Florida Rural Water Association maintaining our Water and Sewer System Asset Management and Fiscal Sustainability Plans. This year our Asset Management Plans were updated. The Public Works department aims to improve the existing maintenance plan using these two living documents.

The Cottdale Volunteer Fire Department closed out on a Volunteer Fire Assistant Grant, which provided Cottdale with a total of \$15,910 in fire gear & equipment. Another was awarded and closed out in the amount of \$4,977 providing radios and much needed tools. The last was awarded \$15,567 in July of 2022. Only \$4,083 was expended during this fiscal year. The Fire Chief is working to seek funding to replace the old tanker truck.

The Small Counties Outreach Program (SCOP) Zion Street pavement resurfacing project, awarded May 9, 2022, closed out in January of 2023. The Florida Department of Transportation awarded Cottdale another \$314,357 in August of 2023 to resurface Thomas and Magnolia Streets. This will improve the road's structure for the residents and provide a safe and reliable entrance to Dollar General Market Place. The work is expected to proceed in 2025.

Cottdale was awarded the State Revolving Fund – Clean Water Grant (CWSRF) on September 13, 2022 for \$883,754 providing much needed infrastructure improvements to the waste water treatment plant and lift station control panels. Construction was completed by October of 2023. Final City debt on this project was repaid in March of 2024, \$193,697.

## MANAGEMENT DISCUSSION AND ANALYSIS

The CWSRF loan repayment leaves \$253,838 in American Rescue Plan Act (ARPA) funds which has been allocated toward salaries at \$25,000 and replacing meters city wide including upgrading utility software at \$228,838. The town continues to use the funds as cash flow for reimbursable grants such as the Hazard Mitigation Grant Program (HMGP) projects and plans to purchase meters before the ARPA spending deadline in 2026.

Following Hurricane Michael, the City applied for four federally funded HMGP grants using a third-party administrator. These projects were awarded during 2021. However, the City is seeking budget modifications that will fund these projects. The City procured a local firm for the admin and engineering. Grant agreements were fully executed during February and March of 2022. These grants are making progress. The first to get budget modification approval was 4399-095-R Sprayfield Generator Project. The agreement was fully executed in January 2024 \$383,375. The construction has been approved and will take place in 2024 contingent upon delivery of the generator. The Community Development Block Grant (CDBG) Match M0158 Agreement was executed on November 12, 2022 for \$18,495. The City has requested a budget modification. We are told it is in route but expected to be approved.

During Fiscal Year 2022-2023 Cottdale did not receive any funding for the federally funded, CDBG-DR grants, CDBG-MIT grants, CDBG-CV, or the CDBG-HTR grant. However, much progress has been made in the area of environmental assessments. At the time of this writing the CDBG-CV grant received a release of funds on March 22, 2024. And the CDBG-DR M0019 received a release of funds on February 26, 2024. Engineering design is in process. CDBG-HR M0042 is expected to be released soon.

### 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 is 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 consolidate 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 2023 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 101-12 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, ARPA Meters Fund, CW SRF Construction Fund and SCOP 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 36-37 of this report. The City amended its budget of the Transportation Fund for the current year increasing revenues by \$5,661 and reducing expenditures by \$34,986.

The basic governmental fund financial statements can be found on pages 13-16 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 17-19 of this report.

### **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 20-35 of this report.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 financial 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, 2023

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
Current and Other Assets	\$ 1,237,640	\$ 1,204,998	\$ 744,257	\$ 751,028	\$ 1,981,897	\$ 1,956,026
Capital Assets	<u>2,089,029</u>	<u>2,997,673</u>	<u>6,845,417</u>	<u>6,649,193</u>	<u>8,934,446</u>	<u>9,646,866</u>
Total Assets	<u>3,326,669</u>	<u>4,202,671</u>	<u>7,589,674</u>	<u>7,400,221</u>	<u>10,916,343</u>	<u>11,602,892</u>
Current Liabilities	37,650	219,909	141,958	144,817	179,608	364,726
Non Current Liabilities	<u>30,805</u>	<u>24,865</u>	<u>909,988</u>	<u>850,689</u>	<u>940,793</u>	<u>875,554</u>
Total Liabilities	<u>68,455</u>	<u>244,774</u>	<u>1,051,946</u>	<u>995,506</u>	<u>1,120,401</u>	<u>1,240,280</u>
Deferred Revenues	<u>515,017</u>	<u>513,667</u>	<u>40,131</u>	<u>58,359</u>	<u>555,148</u>	<u>572,026</u>
Net Position						
Invested in Capital Assets, net of related debt	2,088,809	2,997,166	5,876,861	5,242,460	7,965,670	8,239,626
Restricted	151,747	128,776	134,433	135,343	286,180	264,119
Unrestricted	<u>502,641</u>	<u>318,288</u>	<u>486,303</u>	<u>968,553</u>	<u>988,944</u>	<u>1,286,841</u>
Total Net Position	<u>\$ 2,743,197</u>	<u>\$ 3,444,230</u>	<u>\$ 6,497,597</u>	<u>\$ 6,346,356</u>	<u>\$ 9,240,794</u>	<u>\$ 9,790,586</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, 2023

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
Revenues						
Program Revenues						
Charges for Services	\$ 122,116	\$ 146,512	\$ 634,904	\$ 670,784	\$ 757,020	\$ 817,296
Operating Grants and Contributions	23,961	24,989	-	-	23,961	24,989
Capital Grants and Contributions	258,866	869,089	93,964	-	352,830	869,089
Total Program Revenues	<u>404,943</u>	<u>1,040,590</u>	<u>728,868</u>	<u>670,784</u>	<u>1,133,811</u>	<u>1,711,374</u>
General Revenues and Transfers						
Taxes - Other	363,726	377,819	-	-	363,726	377,819
Property Taxes	73,507	82,787	-	-	73,507	82,787
Loss on Disposition of Assets	-	(602)	-	-	-	(602)
Transfers	(136,179)	-	136,179	-	-	-
Miscellaneous	6,715	2,927	98	385	6,813	3,312
Total General Revenues and Transfers	<u>307,769</u>	<u>462,931</u>	<u>136,277</u>	<u>385</u>	<u>444,046</u>	<u>463,316</u>
Total Revenues	<u>712,712</u>	<u>1,503,521</u>	<u>865,145</u>	<u>671,169</u>	<u>1,577,857</u>	<u>2,174,690</u>
Expenses						
Governmental Activities						
General Government	240,331	211,004	-	-	240,331	211,004
Public Safety	339,942	355,570	-	-	339,942	355,570
Physical Environment	237	57	-	-	237	57
Transportation	107,617	122,738	-	-	107,617	122,738
Culture/Recreation	90,330	113,119	-	-	90,330	113,119
Business-type Activities						
Water & Sewer	<u>-</u>	<u>-</u>	<u>781,261</u>	<u>822,410</u>	<u>781,261</u>	<u>822,410</u>
Total Expenses	<u>778,457</u>	<u>802,488</u>	<u>781,261</u>	<u>822,410</u>	<u>1,559,718</u>	<u>1,624,898</u>
Change in Net Position	(65,745)	701,033	83,884	(151,241)	18,139	549,792
Net Position - beginning	<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>
Net Position - ending	<u>\$ 2,743,197</u>	<u>\$ 3,444,230</u>	<u>\$ 6,497,597</u>	<u>\$ 6,346,356</u>	<u>\$ 9,240,794</u>	<u>\$ 9,790,586</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, 2023, the Entity's governmental funds reported combined ending fund balances of \$471,422. Of this amount \$270,142 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, 2023

	Primary Government		
	Governmental Business-Type		
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 486,556	\$ 505,455	\$ 992,011
Accounts Receivable	25,686	73,357	99,043
Inventory	-	1,555	1,555
Due from Other Governments	36,177	-	36,177
Restricted Assets	679,437	143,408	822,845
Internal Balances	(22,858)	22,858	-
Capital Assets:			
Land and Construction in Progress	1,164,304	85,079	1,249,383
Other Capital Assets, Net of Depreciation	<u>1,833,369</u>	<u>6,564,114</u>	<u>8,397,483</u>
Total Capital Assets	<u>2,997,673</u>	<u>6,649,193</u>	<u>9,646,866</u>
Other Assets	-	<u>4,395</u>	<u>4,395</u>
Total Assets	<u>4,202,671</u>	<u>7,400,221</u>	<u>11,602,892</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	26,230	24,094	50,324
Short Term Note Payable	193,679	-	193,679
Customer Deposits	-	48,569	48,569
Long Term Liabilities:			
Due Within One Year	-	72,154	72,154
Due in More Than One Year	<u>24,865</u>	<u>850,689</u>	<u>875,554</u>
Total Liabilities	<u>244,774</u>	<u>995,506</u>	<u>1,240,280</u>
<b>DEFERRED REVENUES</b>	<u>513,667</u>	<u>58,359</u>	<u>572,026</u>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	2,997,166	5,242,460	8,239,626
Restricted for:			
Streets and Roads	128,773	-	128,773
Debt Service	-	35,183	35,183
Other Purposes	3	100,160	100,163
Unrestricted	<u>318,288</u>	<u>968,553</u>	<u>1,286,841</u>
Total Net Position	<u>\$ 3,444,230</u>	<u>\$ 6,346,356</u>	<u>\$ 9,790,586</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, 2023

<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	\$ 211,004	\$ 94,530	\$ 1,350	\$ -	\$ (115,124)		\$ (115,124)
Public Safety	355,570	35,506	20,000	57,182	(242,882)		(242,882)
Transportation	122,738	13,181	-	-	(109,557)		(109,557)
Physical Environment	57	-	-	811,907	811,850		811,850
Culture/Recreation	113,119	3,295	3,639	-	(106,185)		(106,185)
Total Governmental Activities	<u>802,488</u>	<u>146,512</u>	<u>24,989</u>	<u>869,089</u>	<u>238,102</u>		<u>238,102</u>
Business-Type Activities:							
Enterprise Fund	<u>822,410</u>	<u>670,784</u>	-	-	-	\$ (151,626)	(151,626)
Total Business-Type Activities	<u>822,410</u>	<u>670,784</u>	-	-	-	(151,626)	(151,626)
Total Primary Government	<u>\$ 1,624,898</u>	<u>\$ 817,296</u>	<u>\$ 24,989</u>	<u>\$ 869,089</u>	<u>238,102</u>	<u>(151,626)</u>	<u>86,476</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					82,787	-	82,787
Taxes - Other					377,819	-	377,819
Loss on Disposal of Capital Assets					(602)	-	(602)
Miscellaneous					2,927	385	3,312
Total General Revenues and Transfers					<u>462,931</u>	<u>385</u>	<u>463,316</u>
Change in Net Position					701,033	(151,241)	549,792
Net Position - beginning					<u>2,743,197</u>	<u>6,497,597</u>	<u>9,240,794</u>
Net Position - ending					<u>\$ 3,444,230</u>	<u>\$ 6,346,356</u>	<u>\$ 9,790,586</u>

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

City of Cottondale, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2023

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>ARPA Meters Fund</u>	<u>CW SRF Construction Fund</u>	<u>SCOP Construction Fund</u>	<u>Other</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>							
Cash	\$ 486,556	\$ 223,070	\$ 252,883	\$ 194,446	\$ 3	\$ 800	\$ 1,157,758
Accounts Receivable - net	25,686	-	-	-	-	-	25,686
Prepaid Expenses	-	-	-	-	-	-	-
Due from Other Funds	54,731	-	1,000	-	-	-	55,731
Due from Other Governments	36,177	8,235	-	-	-	-	44,412
Total Assets	<u>\$ 603,150</u>	<u>\$ 231,305</u>	<u>\$ 253,883</u>	<u>\$ 194,446</u>	<u>\$ 3</u>	<u>\$ 800</u>	<u>\$ 1,283,587</u>
<b>LIABILITIES, DEFERRED REVENUES AND FUND BALANCES</b>							
Liabilities:							
Accounts Payable and Accrued Expenses	\$ 22,399	\$ 3,831	\$ -	\$ -	\$ -	\$ -	\$ 26,230
Short Term Note Payable				\$ 193,679			193,679
Due to Other Funds	20,361	54,731	-	2,497	-	1,000	78,589
Total Liabilities	<u>42,760</u>	<u>58,562</u>	<u>-</u>	<u>196,176</u>	<u>-</u>	<u>1,000</u>	<u>298,498</u>
Deferred Revenues	<u>21,433</u>	<u>43,970</u>	<u>448,264</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>513,667</u>
Fund Balances:							
Nonspendable:							
Prepaid Expenses	-	-	-	-	-	-	-
Restricted:							
Transportation	-	128,773	-	-	-	-	128,773
Other	-	-	-	-	3	-	3
Assigned:							
Police Education/Automation	617	-	-	-	-	-	617
Other	71,887	-	-	-	-	-	71,887
Unassigned	466,453	-	(194,381)	(1,730)	-	(200)	270,142
Total Fund Balances	<u>538,957</u>	<u>128,773</u>	<u>(194,381)</u>	<u>(1,730)</u>	<u>3</u>	<u>(200)</u>	<u>471,422</u>
Total Liabilities & Fund Balances	<u>\$ 603,150</u>	<u>\$ 231,305</u>	<u>\$ 253,883</u>	<u>\$ 194,446</u>	<u>\$ 3</u>	<u>\$ 800</u>	<u>\$ 1,283,587</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, 2023

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Total Fund Balances - Total Governmental Funds	\$ 471,422
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.	2,997,673
Some liabilities, including loans payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(24,865)</u>
Total Net Position	<u>\$ 3,444,230</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, 2023

	General Fund	Transportation Fund	ARPA Meters Fund	CW SRF Construction Fund	SCOP Construction Fund	Other	Total Governmental Funds
<b>REVENUES</b>							
Taxes	\$ 289,861	\$ 43,334	\$ -	\$ -	\$ -	\$ -	\$ 333,195
Licenses & Permits	94,294	-	-	-	-	-	94,294
Intergovernmental Revenues	183,887	-	-	631,341	180,566	-	995,794
Charges for Services	14,384	13,180	-	-	-	-	27,564
Judgments and Fines	24,654	-	-	-	-	-	24,654
Miscellaneous Revenues	2,374	492	24	20	17	-	2,927
Total Revenues	<u>609,454</u>	<u>57,006</u>	<u>24</u>	<u>631,361</u>	<u>180,583</u>	<u>-</u>	<u>1,478,428</u>
<b>EXPENDITURES</b>							
Current:							
General Government	208,014	-	1	-	-	-	208,015
Public Safety	280,258	-	-	-	-	-	280,258
Transportation	646	99,374	-	-	-	-	100,020
Human Services	57	-	-	-	-	-	57
Culture/Recreation	52,048	-	-	-	-	-	52,048
Capital Outlay	70,060	-	-	827,519	180,566	200	1,078,345
Total Expenditures	<u>611,083</u>	<u>99,374</u>	<u>1</u>	<u>827,519</u>	<u>180,566</u>	<u>200</u>	<u>1,718,743</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,629)</u>	<u>(42,368)</u>	<u>23</u>	<u>(196,158)</u>	<u>17</u>	<u>(200)</u>	<u>(240,315)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds From Private Contribution	25,695	-	-	-	-	-	25,695
Proceeds From Sale of Capital Assets	1,069	-	-	-	-	-	1,069
Transfers In	-	10,138	-	-	-	-	10,138
Transfers Out	(10,138)	-	-	-	-	-	(10,138)
Total Other Financing Sources (Uses)	<u>16,626</u>	<u>10,138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,764</u>
Net Changes In Fund Balances	14,997	(32,230)	23	(196,158)	17	(200)	(213,551)
Fund Balances - beginning	523,960	161,003	(194,404)	194,428	(14)	-	684,973
Fund Balances - ending	<u>\$ 538,957</u>	<u>\$ 128,773</u>	<u>\$ (194,381)</u>	<u>\$ (1,730)</u>	<u>\$ 3</u>	<u>\$ (200)</u>	<u>\$ 471,422</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, 2023

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Net change in fund balances - Total Governmental Funds \$ (213,551)

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 additions, \$1,368,666, exceeded net capital dispositions, (\$303,630) and current depreciation, (\$156,392). 908,644

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, \$5,940. 5,940

Change in net position of governmental activities \$ 701,033

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, 2023

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	Business-Type Activities - <u>Enterprise</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 505,455
Accounts Receivable - Net	73,357
Inventory	1,555
Due From Other Funds	22,858
Total Current Assets	<u>603,225</u>
Noncurrent Assets:	
Restricted Assets - Cash	143,408
Capital Assets:	
Land	5,324
Construction In Progress	79,755
Buildings	14,000
Improvements Other than Buildings	9,908,535
Machinery and Equipment	82,385
Less Accumulated Depreciation	(3,440,806)
Other Assets	4,395
Total Noncurrent Assets	<u>6,796,996</u>
Total Assets	<u>7,400,221</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	14,047
Accrued Expenses	10,047
Current Portion of Bonds & Notes	72,154
Total Current Liabilities	<u>96,248</u>
Noncurrent Liabilities:	
Customer Deposits	48,569
Accrued Leave	16,110
Bonds and Notes Payable after One Year	834,579
Total Noncurrent Liabilities	<u>899,258</u>
Total Liabilities	<u>995,506</u>
<b>DEFERRED REVENUES</b>	<u>58,359</u>
<b>NET POSITION</b>	
Invested in Capital Assets, Net of Related Debt	5,242,460
Restricted:	
Debt Service	35,183
Other Purposes	100,160
Unrestricted	968,553
Total Net Position	<u>\$ 6,346,356</u>

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, 2023

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	Business-Type Activities - <u>Enterprise</u>
<b>OPERATING REVENUES:</b>	
Charges for Services	\$ 659,308
Miscellaneous Charges and Fees	11,476
Total Operating Revenues	<u>670,784</u>
<b>OPERATING EXPENSES:</b>	
Personal Services	179,997
Contractual Services	189,714
Utilities	106,067
Repairs and Maintenance	56,548
Insurance	33,077
Other Supplies and Expenses	24,736
Depreciation and Amortization	196,498
Total Operating Expenses	<u>786,637</u>
Operating Income (Loss)	<u>(115,853)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest Income	385
Interest Expense	<u>(35,773)</u>
Total Nonoperating Revenue (Expenses)	<u>(35,388)</u>
Change in Net Position	(151,241)
Net Position - beginning	<u>6,497,597</u>
Net Position - ending	<u>\$ 6,346,356</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, 2023

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	Business-Type Activities - <u>Enterprise</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 663,250
Payments to Suppliers	(406,449)
Payments to Employees	<u>(172,666)</u>
Net Cash Provided by Operating Activities	<u>84,135</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal Paid on Capital Debt	(61,823)
Interest Paid on Capital Debt	(36,101)
Contributions from Other Governments	18,228
Net Additional Loans To Other Funds	<u>(1,145)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(80,841)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Income	<u>385</u>
Net Cash Provided by Investing Related Activities	<u>385</u>
Net Decrease in Cash and Cash Equivalents	3,679
Cash and Cash Equivalents - beginning	<u>645,184</u>
Cash and Cash Equivalents - ending	<u>\$ 648,863</u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities:</b>	
Operating Income (Loss)	\$ (115,853)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation and Amortization	196,498
Change in Assets and Liabilities:	
Accounts Receivable	(12,738)
Prepaid Expenses	10,516
Accounts Payable and Accrued Expenses	508
Customer Deposits	<u>5,204</u>
Net Cash Provided by Operating Activities	<u>\$ 84,135</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, 2023

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**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, 2023.

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 proprietary 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.

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.

City of Cottondale, Florida  
Notes to the Financial Statements  
September 30, 2023

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

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 Buildings	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;

City of Cottondale, Florida  
Notes to the Financial Statements  
September 30, 2023

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued**

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, 2023 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 2022 through September 2023 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

City of Cottondale, Florida  
Notes to the Financial Statements  
September 30, 2023

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2023, 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>1,917,888</u>
Total Deposits With Financial Institutions	2,167,888
Petty Cash on Hand	<u>600</u>
TOTAL	<u>\$ 2,168,488</u>
Book Balances at Year End	<u>\$ 1,806,621</u>

Restricted Assets include cash in the amount of \$814,610

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, 2023

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**NOTE 3 – RECEIVABLES**

At September 30, 2023, the City reported receivables as follows:

<b>GENERAL FUND</b>		
Due from State of Florida	\$	34,934
Due from Jackson County		1,243
Other Receivables		<u>25,686</u>
<b>TOTAL</b>	<b>\$</b>	<b><u>61,863</u></b>
 <b>TRANSPORTATION FUND</b>		
Due from State of Florida	\$	7,546
Due from Jackson County		<u>689</u>
<b>TOTAL</b>	<b>\$</b>	<b><u>8,235</u></b>
 <b>ENTERPRISE FUND</b>		
Utility Service	\$	75,675
Less Allowance for Uncollectible Accounts		<u>(2,318)</u>
<b>NET</b>	<b>\$</b>	<b><u>73,357</u></b>

**NOTE 4 – INTERFUND BALANCES AND ACTIVITY**

At September 30, 2023, 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>\$ 20,361</u>
Transportation Fund	General Fund	Operating Expense	<u>\$ 54,731</u>
CW SRF Construction Fund	Enterprise Fund	Construction Expense	<u>\$ 2,497</u>
Hometown Revitalization Fund	ARPA Fund	Construction Expense	<u>\$ 1,000</u>

During the year ended September 30, 2023, the following interfund transfers were recorded.

<u>Transfer From</u>	<u>Transfer To</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Transportation Fund	Operations	<u>\$ 10,138</u>



City of Cottondale, Florida  
Notes to the Financial Statements  
September 30, 2023

**NOTE 5 – CAPITAL ASSETS**

Capital Asset Activity for the year ended September 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 336,585	\$ -	\$ -	\$ 336,585
Construction In Progress	<u>121,392</u>	<u>1,008,286</u>	<u>(301,959)</u>	<u>827,719</u>
Total	<u>457,977</u>	<u>1,008,286</u>	<u>(301,959)</u>	<u>1,164,304</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	301,959	-	549,822
Equipment	<u>1,106,896</u>	<u>58,421</u>	<u>(14,045)</u>	<u>1,151,272</u>
Total	<u>3,406,308</u>	<u>360,380</u>	<u>(14,045)</u>	<u>3,752,643</u>
Less Accumulated Depreciation:				
Buildings & Improvements	259,790	10,370	-	270,160
Improvements Other Than Buildings	723,756	57,791	-	781,547
Streets & Roads	12,910	11,858	-	24,768
Equipment	<u>778,800</u>	<u>76,373</u>	<u>(12,374)</u>	<u>842,799</u>
Total	<u>1,775,256</u>	<u>156,392</u>	<u>(12,374)</u>	<u>1,919,274</u>
Net Capital Assets Being Depreciated	<u>1,631,052</u>	<u>203,988</u>	<u>(1,671)</u>	<u>1,833,369</u>
Net Governmental Activity Capital Assets	<u>\$ 2,089,029</u>	<u>\$ 1,212,274</u>	<u>\$ (303,630)</u>	<u>\$ 2,997,673</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities</b>				
Capital Assets Not Being Depreciated:				
Construction In Progress	\$ 79,755	\$ -	\$ -	\$ 79,755
Land	<u>5,324</u>	<u>-</u>	<u>-</u>	<u>5,324</u>
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	9,908,535	-	-	9,908,535
Equipment	<u>86,950</u>	<u>-</u>	<u>(4,565)</u>	<u>82,385</u>
Total	<u>10,009,485</u>	<u>-</u>	<u>(4,565)</u>	<u>10,004,920</u>
Less Accumulated Depreciation:				
Buildings	1,024	360	-	1,384
Improvements Other Than Buildings	3,170,671	194,532	-	3,365,203
Equipment	<u>77,453</u>	<u>1,331</u>	<u>(4,565)</u>	<u>74,219</u>
Total	<u>3,249,148</u>	<u>196,223</u>	<u>(4,565)</u>	<u>3,440,806</u>
Net Capital Assets Being Depreciated	<u>6,760,337</u>	<u>(196,223)</u>	<u>-</u>	<u>6,564,114</u>
Net Business-Type Activity Capital Assets	<u>\$ 6,845,416</u>	<u>\$ (196,223)</u>	<u>\$ -</u>	<u>\$ 6,649,193</u>

City of Cottondale, Florida  
Notes to the Financial Statements  
September 30, 2023

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NOTE 5 – CAPITAL ASSETS – Continued

Depreciation expense was charged to Governmental Activity functions as follows:

General Government	\$	2,535
Public Safety:		
Police		22,563
Fire		46,371
Transportation		23,852
Recreation		61,071
Total	\$	<u>156,392</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	\$	4,670
Less: Current year amortization		<u>(275)</u>
Unamortized bond issue costs - end of year	\$	<u>4,395</u>

Unamortized bond issue costs are included in other assets.

NOTE 7 – NOTES PAYABLE AND LONG-TERM DEBT

Governmental Activities:

Short Term Note Payable – CW SRF Construction Fund

Florida Department of Environmental Protection Payable April 15, 2024 including loan fees of \$17,660. This loan was part of a loan/grant to fund Wastewater Facilities improvements	<u>\$193,679</u>
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Long Term Debt - General Fund

Long Term Accrued Leave	\$ <u>24,865</u>
Total Long Term Debt	<u>\$ 24,865</u>

City of Cottondale, Florida  
Notes to the Financial Statements  
September 30, 2023

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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, 2023:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>	<u>Current</u>
Short Term Note Payable	\$ -	\$ 193,679	\$ -	\$ 193,679	\$ 193,679
Accrued Leave	30,805	-	(5,940)	24,865	-
Total	<u>\$ 30,805</u>	<u>\$ 193,679</u>	<u>\$ (5,940)</u>	<u>\$ 218,544</u>	<u>\$ 193,679</u>

The current portion of Accrued Leave, \$11,121, 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, 2023 are as follows:

Water and Sewer System Revenue Bonds- Series 1981

Dated May 10, 1982, \$124,300 authorized and issued, interest at 5.0%, 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>
2024	12,000	1,200
2025	12,000	600
Totals	<u>\$ 24,000</u>	<u>\$ 1,800</u>

City of Cottondale, Florida  
Notes to the Financial Statements  
September 30, 2023

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**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>
2024	29,000	29,160
2025	29,000	27,855
2026	31,000	26,550
2027	32,000	25,155
2028	34,000	23,715
2029-2033	193,000	94,320
2034-2038	241,000	48,800
2039	59,000	2,655
Totals	<u>\$ 648,000</u>	<u>\$ 278,210</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 15<sup>th</sup> 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 15<sup>th</sup> 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 is maintained at 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, 2023

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

The annual requirements to amortize revenue notes outstanding as of September 30, 2023 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>
2024	20,715	4,111
2025	14,117	2,353
2026	14,368	2,103
2027	14,624	1,847
2028	14,884	1,587
2029-2333	78,483	3,870
Totals	<u>\$ 157,191</u>	<u>\$ 15,871</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>
2024	8,684	889
2025	8,810	763
2026	8,938	635
2027	9,069	505
2028	9,200	373
2029-2030	18,804	342
Totals	<u>\$ 63,505</u>	<u>\$ 3,507</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. During February 2022, SRF Funding Number 320391 applied \$63,804 to the initial balance. Collateralized by Enterprise Fund revenues.

<u>Due Date</u>	<u>Principal</u>		<u>Service Fee</u>
2024	1,755	\$	-
2025	1,755		-
2026	1,755		-
2027	1,755		-
2028	1,755		-
2029-2031	5,262		-
Totals	<u>\$ 14,037</u>	<u>\$</u>	<u>-</u>

City of Cottondale, Florida  
Notes to the Financial Statements  
September 30, 2023

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**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>Ending Balance</u>	<u>Current</u>
Revenue Bonds	\$ 710,000	\$ -	\$ (38,000)	\$ 672,000	\$ 41,000
Revenue Notes	258,556	-	(23,823)	234,733	31,154
Accrued Leave	10,099	6,011	-	16,110	-
Total	<u>\$ 978,655</u>	<u>\$ 6,011</u>	<u>\$ (61,823)</u>	<u>\$ 922,843</u>	<u>\$ 72,154</u>

The current portion of Accrued Leave, \$7,063, is included in Accrued Expenses.

Total interest accrued and charged to expense in the Enterprise Fund for the year ended September 30, 2023 was \$35,773.

**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, 2023 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, 2023

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**NOTE 9 – APPROPRIATIONS**

During September 2022, the City adopted a budget for the 2022-2023 fiscal year which included General Fund appropriations of \$624,779 and Enterprise Fund appropriations of \$723,800. Additionally, the budget included appropriations of \$140,405 for Special Revenue Funds and \$3,298,853 for Capital Project Funds. Actual expenditures in the CW-SRF Construction Fund exceeded budgeted appropriations by \$120,516. This fund was included in the Capital Projects Funds overall budget amount which was sufficient to cover all capital project expenditures.

The budget of the Transportation Fund Special Revenue was amended to reduce expenditures by \$34,986 to \$105,419.

**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%

As of July 1, 2023, the City added a ROTH 457 option for employee deferrals.

Employee contributions to the plan for the year ended September 30, 2023 totaled \$10,293 and were matched by employer contributions. 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.

**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%. The City has not taken any draws against this line. It was closed out during the current year.

City of Cottondale, Florida  
Notes to the Financial Statements  
September 30, 2023

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**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>\$ 90,290</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, 2023 and beyond.

As of September 30, 2020, the City received FEMA Grants for assistance with operations and repairs totaling \$169,636 of which \$69,580, \$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 remain unspent as of September 30, 2023. The time allowed for expenditure had expired as of September 30, 2021, however, the City was granted an extension of time to expend the moneys. During the years ended September 30, 2021 through 2023, the City performed repairs qualifying for FEMA expenditures totaling \$28,229, \$3,063 and \$1,709 within the General Fund, Transportation Fund and Enterprise Fund respectively. During the current year, the City received a close out payment of FEMA funds in the amount of \$18,228. This was deposited into the Enterprise Fund. As of September 30, 2023 the City reports Deferred Revenues related to unspent FEMA funds in the General Fund, Transportation Fund and Enterprise Fund in the amounts of \$19,033, \$43,970 and \$58,359 respectively.

**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. During the current year, loans from this fund were made to other grant construction funds to supplement those projects. As of September 30, 2023, all but \$1,000 of these loans were repaid.



City of Cottondale, Florida  
Notes to the Financial Statements  
September 30, 2023

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NOTE 14 – GRANTS, PROJECTS AND SUBSEQUENT EVENTS -continued

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. An interfund transfer of \$194,426 from the ARPA Grant Fund was previously made to have moneys available for paying construction debt required to be repaid by April 15, 2024. This project is substantially completed as of September 30, 2023.

Small Counties Outreach Program Grant – (SCOP) – This grant in the amount of \$304,396 was awarded on May 9, 2022. The funds were being used to repave Zion Street. This project was completed during the spring of 2023, with a total project cost of \$301,959. On August 18, 2023, the City was awarded another SCOP grant in the amount of \$314,357 for paving of Thomas Street in fiscal year 2025.

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. Funds were released March 22, 2024 to begin this project.

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, 2023, 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. These projects entered the review phase in early 2024.

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. Release of funds is expected in early to mid 2024.

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 for the purposes of hardening the potable water system, and \$1,392,350 for critical facilities safe room, hardening and a new police station. These projects were approved for procurement subsequent to year end.

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. The full agreement was executed January 18, 2024.

City of Cottondale, Florida  
Notes to the Financial Statements  
September 30, 2023

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NOTE 14 – GRANTS, PROJECTS AND SUBSEQUENT EVENTS – continued

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 agreements were fully executed June 12, 2023 and October 6, 2023 respectively.

Recreation Grants - January 11, 2024 the City was awarded a \$200,000 federal grant through the Florida department of Agriculture in the amount of \$200,000 for field lighting at the City's recreation park. This must be completed by September 30, 2024. Additionally, on February 5, 2024, the City was awarded a Florida Recreation Development Assistance Program grant (FRDAP) in the amount of \$200,000 for additional upgrades of the City's recreation park. Construction is scheduled for 2025 and must be complete by April 2026.

During the year ended September 30, 2023 the City received various smaller grants for the acquisition of fire equipment.

Numerous other grants are pending approval, or authorization to proceed.

REQUIRED SUPPLEMENTARY INFORMATION

City of Cottondale, Florida  
 Budgetary Comparison Schedule – General Fund  
 For the Year Ended September 30, 2023

	Budgeted Amounts		Actual Amounts (GAAP Basis)
	Original	Final	
<b>REVENUES</b>			
Taxes	\$ 250,845	\$ 250,845	\$ 289,861
Licenses & Permits	74,250	74,250	94,294
Intergovernmental Revenues	137,197	137,197	183,887
Charges for Services	13,125	13,125	14,384
Judgments and Fines	25,400	25,400	24,654
Miscellaneous Revenues	5,060	5,060	2,374
Total Revenues	<u>505,877</u>	<u>505,877</u>	<u>609,454</u>
<b>EXPENDITURES</b>			
Current:			
General Government	222,913	222,913	208,014
Public Safety	337,866	337,866	280,258
Transportation	-	-	646
Health Services	150	150	57
Culture/Recreation	34,350	34,350	63,351
Capital Outlay	29,500	29,500	58,757
Total Expenditures	<u>624,779</u>	<u>624,779</u>	<u>611,083</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(118,902)</u>	<u>(118,902)</u>	<u>(1,629)</u>
<b>OTHER FINANCING</b>			
<b>SOURCES (USES)</b>			
Proceeds From Private Contribution	-	-	25,695
Proceeds From Sale of Capital Assets	-	-	1,069
Transfers Out	-	-	(10,138)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>16,626</u>
Net Change in Fund Balances	(118,902)	(118,902)	14,997
Fund Balances - beginning	523,960	523,960	523,960
Fund Balances - ending	<u>\$ 405,058</u>	<u>\$ 405,058</u>	<u>\$ 538,957</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, 2023

	Budgeted Amounts		Actual Amounts
	Original	Final	(GAAP Basis)
<b>REVENUES</b>			
Taxes	\$ 44,476	\$ 40,000	\$ 43,334
Charges for Services	13,181	13,181	13,180
Miscellaneous Revenues	10	10	492
Total Revenues	57,667	53,191	57,006
<b>EXPENDITURES</b>			
Current:			
Transportation	134,905	105,419	99,374
Debt service - Interest	5,500	-	-
Total Expenditures	140,405	105,419	99,374
Excess (Deficiency) of Revenues over Expenditures	(82,738)	(52,228)	(42,368)
<b>OTHER FINANCING</b>			
<b>SOURCES (USES)</b>			
Transfers In	-	10,137	10,138
Total Other Financing Sources (Uses)	-	10,137	10,138
Net Change in Fund Balances	(82,738)	(42,091)	(32,230)
Fund Balances - beginning	161,003	161,003	161,003
Fund Balances - ending	\$ 78,265	\$ 118,912	\$ 128,773

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.

City of Cottondale, Florida  
 Schedule of Expenditures of State Financial Assistance  
 For the Year Ended September 30, 2023

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<u>Grantor/Program Title</u>	<u>Pass Through Grantor</u>	<u>CSFA Number</u>	<u>Contract/Grant Number</u>	<u>Current Expenditures</u>
Department of Environmental Protection State Revolving Fund Wastewater Treatment Facility Construction; Wastewater Restoration Assistance 3720000	N/A	37.077 37.075	CW-320392	\$ 807,360
Department of Transportation Small County Outreach Program (SCOP) Highway Operations	N/A	55.009	SG320393	180,552
Department of Financial Services Volunteer Firefighter Grant Assistance Program Professional Training Standards 43300400	N/A	43.006	FM747	<u>15,920</u>
Total Expenditures of State Financial Assistance				<u>\$ 1,003,832</u>

Notes to the Schedule of Expenditures of State Financial Assistance

- A. This schedule includes the state award activity of the City of Cottondale, Florida, under programs of the State of Florida, for the year ended September 30, 2023. The information in this schedule is presented in accordance with the requirements of the Florida Single Audit Act. Because this schedule presents only a selected portion of the operations of the City, it is not intended to, and does not represent the financial position, changes in net position, or cash flows of the City.
- B. Expenditures reported on this schedule are reported on the accrual basis of accounting.
- C. The Water Restoration Assistance Grant under catalog number 37.077 was granted for the amount of \$883,754 as a loan with an offsetting grant from the Small Community Wastewater Facility Grant, catalog number 37.075, in the amount of \$707,003 This left an initial net loan of \$176,751 to be repaid April 15, 2024. The final loan payable was determined at \$176,019 plus fees of \$17,600.

# 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, 2023. 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, 2023.

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

*Grimsley & Associates*

Marianna, Florida  
June 26, 2024

Grimsley and Associates, P.A.  
Certified Public Accountants

# GRIMSLEY & ASSOCIATES

Professional Association

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MEMBER  
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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, 2023, 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 30, 2023.

### **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 26, 2024

Grimsley and Associates, P.A.  
Certified Public Accountants

# GRIMSLEY & ASSOCIATES

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OWEN W. GRIMSLEY, C.P.A.

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF THE FLORIDA AUDITOR GENERAL**

Board of Directors  
City of Cottdale, Florida  
Marianna, Florida

### **Report on Compliance for Each Major State Project**

#### ***Opinion on Each Major State Project***

We have audited City of Cottdale, Florida's (the District) compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of its major state projects for the year ended September 30, 2023. The District's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2023.

#### ***Basis for Opinion on Each Major State Project***

We conducted our audit of compliance 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 Florida Auditor General. Our responsibility under those standards and Chapter 10.550, Rules of the Auditor General are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

## **Responsibilities of Management for Compliance**

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

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

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Cottondale, Florida's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards. *Government Auditing Standards*, and Chapter 10.550, Rules of the Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Cottondale, Florida's compliance with the requirements of each major state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.550, Rules of the Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Cottondale, Florida's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Cottondale, Florida's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Chapter 10.550, but not for the purpose of expressing an opinion on the effectiveness of City of Cottondale, Florida's internal control over compliance. Accordingly, no such opinion is expressed.

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

## Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

*Grimsley & Associates*

June 26, 2024  
Marianna, Florida

Grimsley & Associates, P.A.  
Certified Public Accountants

City of Cottondale, Florida  
 Schedule of Findings and Questioned Costs  
 September 30, 2023

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**Section I - Summary of Auditor's Results**

***Financial Statements***

1. Type of auditor's report issued	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
c. Noncompliance material to the financial statements noted?	No

***State Projects***

1. Type of auditor's report issued on compliance for major programs	Unmodified
2. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	None noted
3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)?	None noted
4. Identification of major programs	

<b>CSFA Number</b>	<b>State Project</b>
37.077	Wastewater Treatment Facility Construction

5. Dollar threshold used to distinguish between type A and type B programs	\$301,150
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City of Cottondale, Florida  
Schedule of Findings and Questioned Costs  
September 30, 2023

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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.

Response – The City has a limited staff and understands that some areas do no have optimum delegated duties. However, we segregate the handling of money as best we can.

**Section III – Federal Award Findings and Questioned Costs**

None noted.

**Section IV – State Project Findings and Questioned Costs**

None noted.

**Section V – Summary of Prior Year Audit**

None Noted.

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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, 2023, and have issued our report thereon dated June 26, 2024.

### **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 26, 2024, 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 #	2021-22 FY Finding #	2020-21 FY Finding #
N/A	N/A	N/A
N/A	N/A	N/A
N/A	2016-05	2016-05

The schedule of findings items are as follows:

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2021-22 FY Finding #	2020-21 FY Finding #
2003-001	2003-001	2003-001
N/A	N/A	2019-001
N/A	N/A	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

None

### Current Year Findings

None

Marianna, Florida  
June 26, 2024

*Grimsley & Associates*

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