

CITY OF COTTONDALE, FLORIDA

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2024

CITY OF COTTONDALE, FLORIDA
AS OF SEPTEMBER 30, 2024

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MAYOR PRO-TEM

Carrol Benefield

COUNCIL MEMBERS

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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 Cottondale, 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 Cottondale, Florida as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise City of Cottondale, Florida's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cottondale, Florida, as of and for the year ended September 30, 2024, 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 Cottondale, Florida and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial 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 5-10 and 35-36 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 expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 expenditures of federal awards 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 October 2, 2025, 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
October 2, 2025

Grimsley & Associates, P.A.
Certified Public Accountants

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

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

Since the Management's Discussion and Analysis (MD&A) is designed to focus on current year's activities, resulting changes and currently known facts, please read it in conjunction with the Entity's financial statement (beginning on page 9).

Financial Highlights

The assets of the Entity exceeded its liabilities at September 30, 2024 by \$11,159,977 (Net Position). Of this amount \$1,010,031 (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 \$1,369,391 during the year ended September 30, 2024. 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 Cottondale commission, staff, and residents continue to look forward to what the coming infrastructure changes, provided by both federal and state grants, will accomplish. The administrative office continues to work with FloridaCommerce and Administration and Engineering teams to make a growing future for Cottondale. In addition to grants, Cottondale has had other improvements.

The Cottondale Volunteer Fire Department closed out on a Volunteer Fire Assistant Grant, which provided Cottondale with a total of \$4,977 in radios and much needed tools. The Fire Chief is working to seek funding to replace the old tanker truck.

The Florida Department of Transportation awarded Cottondale 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.

Cottondale 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 in the current fiscal year. Final City debt on this project was repaid in March of 2024, \$193,697.

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 began in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

During Fiscal Year 2023-2024 Cottondale received the following federal grant funds related to ongoing CDBG projects: CDBG-CV grants in the amount of \$102,452, CDBG-HTR grant in the amount of \$5,000, and CDBG-DR in the amount of \$529,707. Progress continues on these projects.

Using This Annual Report

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

This discussion and analysis 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 2024 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.

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 11-12 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 35-36 of this report. The City amended its budget of the General Fund for the current year increasing revenues and expenses by \$200,000. The City also amended its budget of the Transportation Fund for the current year increasing expenditures by \$13,310.

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 20-34 of this report.

Infrastructure Assets

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

MANAGEMENT DISCUSSION AND ANALYSIS

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, 2024

	Governmental Activities		Business-Type Activities		Total	
	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>
Current and Other Assets	\$1,204,998	\$1,489,524	\$ 751,028	\$ 824,091	\$1,956,026	\$ 2,313,615
Capital Assets	<u>2,997,673</u>	<u>3,356,723</u>	<u>6,649,193</u>	<u>7,396,290</u>	<u>9,646,866</u>	<u>10,753,013</u>
Total Assets	<u>4,202,671</u>	<u>4,846,247</u>	<u>7,400,221</u>	<u>8,220,381</u>	<u>11,602,892</u>	<u>13,066,628</u>
Current Liabilities	219,909	546,219	144,817	188,789	364,726	735,008
Non Current Liabilities	<u>24,865</u>	<u>11,525</u>	<u>850,689</u>	<u>794,497</u>	<u>875,554</u>	<u>806,022</u>
Total Liabilities	<u>244,774</u>	<u>557,744</u>	<u>995,506</u>	<u>983,286</u>	<u>1,240,280</u>	<u>1,541,030</u>
Deferred Revenues	<u>513,667</u>	<u>307,262</u>	<u>58,359</u>	<u>58,359</u>	<u>572,026</u>	<u>365,621</u>
Net Position						
Invested in Capital Assets, net of related debt	2,997,166	3,356,723	5,242,460	6,554,744	8,239,626	9,911,467
Restricted	128,776	104,679	135,343	133,800	264,119	238,479
Unrestricted	<u>318,288</u>	<u>519,839</u>	<u>968,553</u>	<u>490,192</u>	<u>1,286,841</u>	<u>1,010,031</u>
Total Net Position	<u>\$3,444,230</u>	<u>\$3,981,241</u>	<u>\$6,346,356</u>	<u>\$7,178,736</u>	<u>\$9,790,586</u>	<u>\$11,159,977</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Statement of Activities

The following schedule reflects the condensed Statement of Activities for the current and prior years

STATEMENT OF ACTIVITY
For the Year Ended September 30, 2024

	Governmental Activities		Business-Type Activities		Total	
	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>
Revenues						
Program Revenues						
Charges for Services	146,512	134,917	670,784	719,185	817,296	854,102
Operating Grants and Contributions	24,989	27,324	-	-	24,989	27,324
Capital Grants and Contributions	869,089	1,609,109	-	36,000	869,089	1,645,109
Total Program Revenues	<u>1,040,590</u>	<u>1,771,350</u>	<u>670,784</u>	<u>755,185</u>	<u>1,711,374</u>	<u>2,526,535</u>
General Revenues and Transfers						
Taxes - Other	377,819	388,970	-	-	377,819	388,970
Property Taxes	82,787	93,686	-	-	82,787	93,686
Loss on Disposition of Assets	(602)	-	-	-	(602)	-
Transfers	-	(909,689)	-	909,689	-	-
Miscellaneous	2,927	11,158	385	495	3,312	11,653
Total General Revenues and Transfers	<u>462,931</u>	<u>(415,875)</u>	<u>385</u>	<u>910,184</u>	<u>463,316</u>	<u>494,309</u>
Total Revenues	<u>1,503,521</u>	<u>1,355,475</u>	<u>671,169</u>	<u>1,665,369</u>	<u>2,174,690</u>	<u>3,020,844</u>
Expenses						
Governmental Activities						
General Government	211,004	224,612	-	-	211,004	224,612
Public Safety	355,570	373,605	-	-	355,570	373,605
Physical Environment	57	-	-	-	57	-
Transportation	122,738	111,698	-	-	122,738	111,698
Culture/Recreation	113,119	108,549	-	-	113,119	108,549
Business-type Activities						
Water & Sewer	-	-	822,410	832,989	822,410	832,989
Total Expenses	<u>802,488</u>	<u>818,464</u>	<u>822,410</u>	<u>832,989</u>	<u>1,624,898</u>	<u>1,651,453</u>
Change in Net Position	701,033	537,011	(151,241)	832,380	549,792	1,369,391
Net Position - beginning	<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>
Net Position - ending	<u>3,444,230</u>	<u>3,981,241</u>	<u>6,346,356</u>	<u>7,178,736</u>	<u>9,790,586</u>	<u>11,159,977</u>

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, 2024, the Entity's governmental funds reported combined ending fund balances of \$636,043. Of this amount \$457,646 was unrestricted and unassigned.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Cottdale City Hall at 850-352-4361.

FINANCIAL STATEMENTS

City of Cottondale, Florida
Statement of Net Position
September 30, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 284,083	\$ 562,710	\$ 846,793
Accounts Receivable	28,616	63,806	92,422
Inventory	-	1,555	1,555
Due from other Governments	816,022	36,000	852,022
Restricted Assets	381,118	135,585	516,703
Internal Balances	(20,315)	20,315	-
Capital Assets:			
Land and Construction in Progress	1,638,528	125,104	1,763,632
Other Capital Assets, Net of Depreciation	1,718,195	7,271,186	8,989,381
Total Capital Assets	3,356,723	7,396,290	10,753,013
Other Assets	-	4,120	4,120
Total Assets	4,846,247	8,220,381	13,066,628
LIABILITIES			
Accounts Payable and Accrued Expenses	546,219	74,159	620,378
Customer Deposits	-	49,072	49,072
Long Term Liabilities:			
Due within one year	-	65,558	65,558
Due in more than one year	11,525	794,497	806,022
Deferred Revenue	307,262	58,359	365,621
Total Liabilities	865,006	1,041,645	1,906,651
NET POSITION			
Invested in Capital Assets, Net of Related Debt	3,356,723	6,554,744	9,911,467
Restricted for:			
Street and Roads	104,575	-	104,575
Debt Service	-	33,207	33,207
Other Purposes	104	100,593	100,697
Unrestricted	519,839	490,192	1,010,031
Total Net Position	\$ 3,981,241	\$ 7,178,736	\$ 11,159,977

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, 2024

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental Activities:							
General Government	\$ 224,612	\$ 85,780	\$ 3,722	\$ -	\$ (135,110)		\$ (135,110)
Public Safety	373,605	30,677	20,000	29,020	(293,908)		(293,908)
Transportation	111,698	12,690	-	-	(99,008)		(99,008)
Physical Environment	-	-	-	1,382,689	1,382,689		1,382,689
Culture/Recreation	108,549	5,770	3,602	197,400	98,223		98,223
Total governmental activities	<u>818,464</u>	<u>134,917</u>	<u>27,324</u>	<u>1,609,109</u>	<u>952,886</u>		<u>952,886</u>
Business-type Activities:							
Enterprise Fund	<u>832,989</u>	<u>719,185</u>	<u>-</u>	<u>36,000</u>	<u>-</u>	<u>\$ (77,804)</u>	<u>(77,804)</u>
Total business type activities	<u>832,989</u>	<u>719,185</u>	<u>-</u>	<u>36,000</u>	<u>-</u>	<u>(77,804)</u>	<u>(77,804)</u>
Total primary government	<u>\$ 1,651,453</u>	<u>\$ 854,102</u>	<u>\$ 27,324</u>	<u>\$ 1,645,109</u>	<u>952,886</u>	<u>(77,804)</u>	<u>875,082</u>
General Revenues:							
Taxes:							
Property taxes, levied for general purposes					93,686	-	93,686
Taxes - Other					388,970	-	388,970
Miscellaneous					11,158	495	11,653
Transfers					(909,689)	909,689	-
Total General Revenues and Transfers					<u>(415,875)</u>	<u>910,184</u>	<u>494,309</u>
Change in Net Position					537,011	832,380	1,369,391
Net Position - beginning					<u>3,444,230</u>	<u>6,346,356</u>	<u>9,790,586</u>
Net Position - ending					<u>\$ 3,981,241</u>	<u>\$ 7,178,736</u>	<u>\$ 11,159,977</u>

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

City of Cottondale, Florida
Balance Sheet
Governmental Funds
September 30, 2024

	General Fund	Transportation Fund	ARPA Meters Fund	CDBG Disaster Recovery	CDBG Hometown Revitalization	Other	Total Governmental Funds
ASSETS							
Cash	\$ 284,083	\$ 198,859	\$ 173,581	\$ 3	\$ 800	\$ 4	\$ 657,330
Accounts Receivable - net	28,616	-	-	-	-	-	28,616
Due from Other Funds	53,575	-	72,100	-	-	-	125,675
Due from other Governments	233,072	7,871	-	393,373	113,481	76,096	823,893
Total Assets	<u>\$ 599,346</u>	<u>\$ 206,730</u>	<u>\$ 245,681</u>	<u>\$ 393,376</u>	<u>\$ 114,281</u>	<u>\$ 76,100</u>	<u>\$ 1,635,514</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable and Accrued Expenses	\$ 29,755	\$ 4,610	\$ -	\$ 393,373	\$ 113,481	\$ 5,000	\$ 546,219
Due to Other Funds	20,315	53,575	-	3	1,000	71,097	145,990
Deferred Revenue	17,712	43,970	245,580	-	-	-	307,262
Total Liabilities	<u>67,782</u>	<u>102,155</u>	<u>245,580</u>	<u>393,376</u>	<u>114,481</u>	<u>76,097</u>	<u>999,471</u>
Fund Balances:							
Restricted:							
Transportation	-	104,575	-	-	-	-	104,575
Other	-	-	101	-	-	3	104
Assigned							
Police Education	4,328	-	-	-	-	-	4,328
Other	69,390	-	-	-	-	-	69,390
Unassigned	457,846	-	-	-	(200)	-	457,646
Total Fund Balances	<u>531,564</u>	<u>104,575</u>	<u>101</u>	<u>-</u>	<u>(200)</u>	<u>3</u>	<u>636,043</u>
Total Liabilities & Fund Balances	<u>\$ 599,346</u>	<u>\$ 206,730</u>	<u>\$ 245,681</u>	<u>\$ 393,376</u>	<u>\$ 114,281</u>	<u>\$ 76,100</u>	<u>\$ 1,635,514</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, 2024

Total Fund Balances - Total Governmental Funds	\$ 636,043
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.	3,356,723
Some liabilities, including loans payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(11,525)</u>
Total Net Position	<u>\$ 3,981,241</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, 2024

	General Fund	Transportation Fund	ARPA Meters Fund	CDBG Disaster Recovery	CDBG Hometown Revitalization	Other	Total Governmental Funds
REVENUES							
Taxes	\$ 314,674	\$ 40,790	\$ -	\$ -	\$ -	\$ -	\$ 355,464
Licenses & Permits	85,431	-	-	-	-	-	85,431
Intergovernmental Revenues	356,893	-	202,684	807,315	118,480	254,210	1,739,582
Charges for Services	23,023	12,691	-	-	-	-	35,714
Judgments and Fines	13,773	-	-	-	-	-	13,773
Miscellaneous Revenues	11,096	11	24	-	-	26	11,157
Total Revenues	<u>804,890</u>	<u>53,492</u>	<u>202,708</u>	<u>807,315</u>	<u>118,480</u>	<u>254,236</u>	<u>2,241,121</u>
EXPENDITURES							
Current:							
General Government	219,616	-	-	-	-	-	219,616
Public Safety	317,698	-	-	-	-	-	317,698
Transportation	459	87,890	-	-	-	-	88,349
Culture/Recreation	46,729	-	-	-	-	-	46,729
Capital Outlay	239,374	2,250	-	807,315	118,480	251,725	1,419,144
Total Expenditures	<u>823,876</u>	<u>90,140</u>	<u>-</u>	<u>807,315</u>	<u>118,480</u>	<u>251,725</u>	<u>2,091,536</u>
Excess (deficiency) of revenues over expenditures	<u>(18,986)</u>	<u>(36,648)</u>	<u>202,708</u>	<u>-</u>	<u>-</u>	<u>2,511</u>	<u>149,585</u>
OTHER FINANCING SOURCES (USES)							
Proceeds From Private Contribution	24,043	-	-	-	-	-	24,043
Transfers In	-	12,450	779	-	-	-	13,229
Transfers Out	(12,450)	-	(9,005)	-	-	(781)	(22,236)
Total Other Financing Sources (Uses)	<u>11,593</u>	<u>12,450</u>	<u>(8,226)</u>	<u>-</u>	<u>-</u>	<u>(781)</u>	<u>15,036</u>
Net Change in Fund Balances	(7,393)	(24,198)	194,482	-	-	1,730	164,621
Fund Balances - beginning	538,957	128,773	(194,381)	-	(200)	(1,727)	471,422
Fund Balances - ending	<u>\$ 531,564</u>	<u>\$ 104,575</u>	<u>\$ 101</u>	<u>\$ -</u>	<u>\$ (200)</u>	<u>\$ 3</u>	<u>\$ 636,043</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, 2024

Net change in fund balances - Total Governmental Funds	\$ 164,621
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which current capital asset additions, \$1,419,130, exceeded net capital asset dispositions, \$(900,682) and depreciation, (\$159,398).</p>	359,050
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the decrease due net decrease in Long Term Accrued Leave, \$5,940.</p>	<u>13,340</u>
Change in net position of governmental activities	<u>\$ 537,011</u>

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

City of Cottondale, Florida
Statement of Net Position
Proprietary Fund
September 30, 2024

	Business Type <u>Activities</u> <u>Enterprise</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 562,710
Accounts Receivable	63,806
Due from Other Governments	36,000
Inventory	1,555
Due From Other Funds	20,315
Total Current Assets	684,386
Noncurrent Assets:	
Restricted Assets - Cash	135,585
Capital Assets:	
Land	5,324
Construction in Progress	119,780
Buildings	14,000
Improvements Other than Buildings	10,809,217
Machinery and Equipment	101,792
Less Accumulated Depreciation	(3,653,823)
Other Assets	4,120
Total Noncurrent Assets	7,535,995
Total Assets	8,220,381
LIABILITIES	
Current Liabilities:	
Accounts Payable	58,460
Accrued Expenses	15,699
Current Portion of Bonds & Notes	65,558
Deferred Revenue	58,359
Total Current Liabilities	198,076
Noncurrent Liabilities:	
Customer Deposits	49,072
Accrued leave	18,509
Bonds and Notes Payable after One Year	775,988
Total Noncurrent Liabilities	843,569
Total Liabilities	1,041,645
NET POSITION	
Invested in Capital Assets, Net of Related Debt	6,554,744
Restricted:	
Debt Service	33,207
Other Purposes	100,593
Unrestricted	490,192
Total Net Position	\$ 7,178,736

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, 2024

	Business Type <u>Activities</u> <u>Enterprise</u>
OPERATING REVENUES:	
Charges for Services	\$ 707,522
Miscellaneous Charges and Fees	11,663
Total Charges for Services	719,185
OPERATING EXPENSES:	
Personal Services	186,640
Contractual Services	214,208
Utilities	84,359
Repairs and Maintenance	28,278
Insurance	45,825
Other Supplies and Expenses	26,764
Depreciation and Amortization	213,292
Total Operating Expenses	799,366
Operating Income (Loss)	(80,181)
NONOPERATING REVENUES (EXPENSES)	
Interest Income	495
Interest Expense	(33,623)
Total Nonoperating Revenue (Expenses)	(33,128)
(Loss) before Contributions and Transfers	(113,309)
Contribution from Other Government	36,000
Contribution from Construction Funds	900,682
Transfers In	9,007
Change in Net Position	832,380
Net Position, beginning of year	6,346,356
Net Position, end of year	\$ 7,178,736

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, 2024

	Business Type <u>Activities</u> <u>Enterprise</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 729,239
Payments to Suppliers	(391,021)
Payments to Employees	<u>(178,241)</u>
Net Cash Provided by Operating Activities	<u>159,977</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(23,432)
Principal Paid on Capital Debt	(65,187)
Interest Paid on Capital Debt	(33,971)
Transfers From other Funds	9,007
Repayment of loans Other Funds	<u>2,543</u>
Net Cash Used by Capital and Related Financing Activities	<u>(111,040)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	<u>495</u>
Net Cash Used by Investing Related Activities	<u>495</u>
Net Increase in Cash and Cash Equivalents	49,432
Cash and Cash Equivalents, beginning of year	<u>648,863</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 698,295</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	\$ (80,181)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation and Amortization	213,292
Change in Assets and Liabilities:	
Accounts Receivable	9,551
Accounts Payable and Accrued Expenses	16,812
Customer Deposits	<u>503</u>
Net Cash Provided by Operating Activities	<u><u>\$ 159,977</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2024

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, 2024.

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.

CDBG Disaster Recovery Grant – established to account for disaster recovery. This project is primarily funded by a Department of Housing and Urban Development CDBG grant.

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

CDBG Hometown Revitalization Fund – established to account for hometown revitalization. This project is primarily funded by a Department of Housing and Urban Development CDBG 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 Cottdale, Florida
Notes to the Financial Statements
September 30, 2024

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, 2024 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 4.5 mills for the October 2023 through September 2024 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 Cottdale. The annual budget for the General Fund and Transportation Fund were prepared consistent with generally accepted accounting principles. Legal level of control was established at the fund total level.

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

J. RISK MANAGEMENT AND INSURANCE

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

The City believes the level of insurance purchased is adequate to protect it from material loss. There have been no significant changes in coverage.

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, 2024, 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.	1,128,183
Total Deposits With Financial Institutions	1,378,183
Petty Cash on Hand	600
TOTAL	\$ 1,378,783
Book Balances at Year End	\$ 1,355,625

Restricted Assets include cash in the amount of \$508,832

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, 2024

NOTE 3 – RECEIVABLES

At September 30, 2024, the City reported receivables as follows:

	General Fund	Transportation Fund	Governmental Grant Funds	Enterprise Fund
Due from State of Florida	\$ 232,064	\$ 7,240	\$ 582,950	\$ 36,000
Due from Jackson County	1,008	631	-	-
Other Receivables	28,616	-	-	-
Utility Service	-	-	-	66,124
Less Allowance for Uncollectible Accounts	-	-	-	(2,318)
NET TOTAL	<u>\$ 261,688</u>	<u>\$ 7,871</u>	<u>\$ 582,950</u>	<u>\$ 99,806</u>

NOTE 4 – INTERFUND BALANCES AND ACTIVITY

At September 30, 2024, 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>\$ 20,315</u>
Transportation Fund	General Fund	Operating Expense	<u>\$ 53,575</u>
CDBG Disaster Recovery	ARPA Fund	Construction Expense	<u>\$ 3</u>
HMGP Grant	ARPA Fund	Construction Expense	<u>\$ 70,396</u>
Hometown Revitalization	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>\$ 12,450</u>
ARPA Fund	Enterprise Fund	Construction Expense	<u>\$ 9,007</u>
CW SRF Construction	ARPA Fund	Construction Expense	<u>\$ 781</u>

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2024

NOTE 5 – CAPITAL ASSETS

Capital Asset Activity for the year ended September 30, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 336,585	\$ 700	\$ -	\$ 337,285
Construction In Progress	827,719	1,374,206	(900,682)	1,301,243
Total	1,164,304	1,374,906	(900,682)	1,638,528
Capital Assets Being Depreciated:				
Buildings & Improvements	439,911	-	-	439,911
Improvements Other Than Buildings	1,611,638	3,722	-	1,615,360
Streets & Roads	549,822	-	-	549,822
Equipment	1,151,273	40,502	-	1,191,775
Total	3,752,644	44,224	-	3,796,868
Less Accumulated Depreciation:				
Buildings & Improvements	270,159	10,370	-	280,529
Improvements Other Than Buildings	781,548	57,838	-	839,386
Streets & Roads	24,768	13,745	-	38,513
Equipment	842,800	77,445	-	920,245
Total	1,919,275	159,398	-	2,078,673
Net Capital Assets Being Depreciated	1,833,369	(115,174)	-	1,718,195
Net Governmental Activity Capital Assets	\$ 2,997,673	\$ 1,259,732	\$ (900,682)	\$ 3,356,723
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets Not Being Depreciated:				
Construction In Progress	\$ 79,755	\$ 40,025	\$ -	\$ 119,780
Land	5,324	-	-	5,324
Total	85,079	40,025	-	125,104
Capital Assets Being Depreciated:				
Buildings	14,000	-	-	14,000
Improvements Other Than Buildings	9,908,535	900,682	-	10,809,217
Equipment	82,385	19,407	-	101,792
Total	10,004,920	920,089	-	10,925,009
Less Accumulated Depreciation:				
Buildings	1,384	360	-	1,744
Improvements Other Than Buildings	3,365,203	209,543	-	3,574,746
Equipment	74,219	3,114	-	77,333
Total	3,440,806	213,017	-	3,653,823
Net Capital Assets Being Depreciated	6,564,114	707,072	-	7,271,186
Net Business-Type Activity Capital Assets	\$ 6,649,193	\$ 747,097	\$ -	\$ 7,396,290

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2024

NOTE 5 – CAPITAL ASSETS – Continued

Depreciation expense was charged to Governmental Activity functions as follows:

General Government	\$	2,755
Public Safety:		
Police		22,711
Fire		48,763
Transportation		23,586
Recreation		61,583
Total	<u>\$</u>	<u>159,398</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	\$	4,395
Less: Current year amortization		<u>(275)</u>
Unamortized bond issue costs - end of year	<u>\$</u>	<u>4,120</u>

Unamortized bond issue costs are included in other assets.

NOTE 7 – NOTES PAYABLE AND LONG-TERM DEBT

Governmental Activities:

Long Term Debt - General Fund

Long Term Accrued Leave	<u>\$ 11,525</u>
Total Long Term Debt	<u>\$ 11,525</u>

Changes in governmental activities short term notes and long-term debt are as follows for the year ended September 30, 2024:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>	<u>Current</u>
Accrued Leave	24,865	-	(13,340)	11,525	7,245
Total	<u>\$ 24,865</u>	<u>\$ -</u>	<u>\$ (13,340)</u>	<u>\$ 11,525</u>	<u>\$ 7,245</u>

The current portion of Accrued Leave, \$7,245, is included in Accrued Expenses.

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2024

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

Business-Type Activities:

Enterprise Fund- Water, Sewer & Solid Waste Collection System

The annual requirements to amortize bonded debt outstanding as of September 30, 2024 are as follows:

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>
2025	12,000	600
Totals	\$ 12,000	\$ 600

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>
2025	29,000	27,855
2026	31,000	26,550
2027	32,000	25,155
2028	34,000	23,715
2029	35,000	22,185
2030-3034	202,000	85,635
2035-2039	256,000	35,955
Totals	\$ 619,000	\$ 247,050

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

- A. All cash income derived from the ownership and operation of the system shall be deposited into the Revenue Fund account.
- B. The Sinking Fund is to be used exclusively for the purpose of paying principal and interest on the bonds and is to be funded by transferring on or before the 15th of each month from the Revenue Fund account, one twelfth of the next annual interest and principal requirements.

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2024

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

- C. The Reserve Account is to be established by transferring on or before the 15th of each month from the Revenue Fund account, the sum of one twelfth of one tenth of the maximum bond service requirement until the account reaches, and 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.

The annual requirements to amortize revenue notes outstanding as of September 30, 2024 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>
2025	13,993	2,477
2026	14,242	2,228
2027	14,495	1,975
2028	14,753	1,718
2029	15,015	1,455
2030-2034	70,942	3,177
Totals	<u>\$ 143,440</u>	<u>\$ 13,030</u>

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2024

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

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>
2025	8,810	763
2026	8,938	635
2027	9,069	505
2028	9,200	373
2029	9,334	239
2030-2034	9,471	103
Totals	<u>\$ 54,822</u>	<u>\$ 2,618</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>
2025	1,755	\$ -
2026	1,755	-
2027	1,755	-
2028	1,755	-
2029	1,755	-
2030-2034	3,507	-
Totals	<u>\$ 12,282</u>	<u>\$ -</u>

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	\$ 672,000	\$ -	\$ (41,000)	\$ 631,000	\$ 41,000
Revenue Notes	234,733	-	(24,187)	210,546	24,558
Accrued Leave	16,110	2,399	-	18,509	7,525
Total	<u>\$ 922,843</u>	<u>\$ 2,399</u>	<u>\$ (65,187)</u>	<u>\$ 860,055</u>	<u>\$ 73,083</u>

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2024

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

The current portion of Accrued Leave, \$7,525, is included in Accrued Expenses.

Total interest accrued and charged to expense in the Enterprise Fund for the year ended September 30, 2024 was \$34,538.

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, 2024 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.

NOTE 9 – APPROPRIATIONS

During September 2023, the City adopted a budget for the 2023-2024 fiscal year which included General Fund appropriations of \$643,013 and Enterprise Fund appropriations of \$815,504. Additionally, the budget included appropriations of \$130,252 for Special Revenue Funds and \$9,329,099 for Capital Project Funds.

The budget of the Transportation Fund Special Revenue was amended to increase expenditures by \$13,310 to \$143,562.

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2024

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, 2024 totaled \$16,883 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.

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 – 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. The interfund loan was repaid during the current year. During the current year, loans from this fund were made to other grant construction funds to supplement those projects. As of September 30, 2024, all but \$72,100 of these loans were repaid.

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. This transfer was repaid by April 15, 2024. This project is completed as of September 30, 2024.

Small Counties Outreach Program Grant – (SCOP) – 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. This project is still in progress as of September 30, 2024

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. 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. These projects are still in progress as of September 30, 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. This project is still in progress as of September 30, 2024.

City of Cottondale, Florida
Notes to the Financial Statements
September 30, 2024

NOTE 13 – GRANTS, PROJECTS AND SUBSEQUENT EVENTS – continued

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 during the current year.

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. This project is still in progress as of September 30, 2024.

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. This project is still in progress as of September 30, 2024.

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 must be complete by April 2026.

During the year ended September 30, 2024 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, 2024

	Budgeted Amounts		Actual Amounts
	Original	Final	(GAAP Basis)
REVENUES			
Taxes	\$ 306,676	\$ 306,676	\$ 314,674
Licenses & Permits	86,200	86,800	85,431
Intergovernmental Revenues	152,569	352,569	356,893
Charges for Services	16,530	16,530	23,023
Judgments and Fines	27,200	27,200	13,773
Miscellaneous Revenues	5,405	4,805	11,096
Total Revenues	594,580	794,580	804,890
EXPENDITURES			
Current:			
General Government	230,385	230,385	219,616
Public Safety	329,633	329,633	317,698
Transportation	-	-	459
Human Services	900	900	-
Culture/Recreation	45,595	45,595	46,729
Capital Outlay	24,500	224,500	239,374
Total Expenditures	631,013	831,013	823,876
Excess (Deficiency) of Revenues over Expenditures	(36,433)	(36,433)	(18,986)
OTHER FINANCING			
SOURCES (USES)			
Proceeds From Private Contribution	-	-	24,043
Transfers Out	(12,000)	(12,000)	(12,450)
Total Other Financing Sources (Uses)	(12,000)	(12,000)	11,593
Net Change in Fund Balances	(48,433)	(48,433)	(7,393)
Fund Balances - beginning	538,957	538,957	538,957
Fund Balances - ending	\$ 490,524	\$ 490,524	\$ 531,564

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, 2024

	Budgeted Amounts		Actual Amounts (GAAP Basis)
	Original	Final	
REVENUES			
Taxes	\$ 42,820	\$ 42,820	\$ 40,790
Charges for Services	12,691	12,691	12,691
Miscellaneous Revenues	10	10	11
Total Revenues	55,521	55,521	53,492
EXPENDITURES			
Current:			
Transportation	83,252	96,562	87,890
Capital Outlay	47,000	47,000	2,250
Total Expenditures	130,252	143,562	90,140
Excess (Deficiency) of Revenues over Expenditures	(74,731)	(88,041)	(36,648)
OTHER FINANCING SOURCES (USES)			
Transfers In	12,450	12,450	12,450
Total Other Financing Sources (Uses)	12,450	12,450	12,450
Net Change in Fund Balances	(62,281)	(75,591)	(24,198)
Fund Balances - beginning	128,773	128,773	128,773
Fund Balances - ending	\$ 66,492	\$ 53,182	\$ 104,575

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, 2024

Federal Agency			
Pass through Entity		Contract/ Grant	
Name of cluster	CFDA	No.	Expenditures
Federal Program	No.	No.	Expenditures
U.S. Department of the Treasury			
Pass through the State of Florida Executive Office of the Governor			
American Rescue Plan Act	21.027	Covid-19 Y5147	\$ 202,684
Total U.S. Department of the Treasury			<u>202,684</u>
U.S. Department of Agriculture and Consumer Services			
Volunteer Fire Assistnce Grant	10.664	N/A	4,977
Total U.S. Department of Agriculture and Consumer Services			<u>4,977</u>
U.S. Department of Energy			
Pass through the State of Florida Department of Agriculture			
State Energy Program	81.41	30787	197,400
Total U.S. Department of Energy			<u>197,400</u>
U.S. Department of Housing and Urban Development			
Pass through the State of Florida Department of Commerce			
Community Development Block Grants - Hometown Revitalization	14.228	M0042	118,481
Community Development Block Grants - DR Grant	14.228	M0165	197,765
Community Development Block Grants - DR Grant	14.228	M0019	502,138
Community Development Block Grants - DR Grant	14.228	M0170	107,412
Community Development Block Grants - CV Grant	14.228	22CV-S15	103,152
Community Development Block Grants - DB Grant	14.228	23DB-N08	5,000
Total U.S. Department of Housing and Urban Development			<u>1,033,948</u>
U.S. Department of Homeland Security, Federal Emergency Management Agency			
Pass through the State of Florida Executive Office of the Governor			
Hazard Mitigation Grant Program (HMGP)	97.039	4399-095-R	50,978
Hazard Mitigation Grant Program (HMGP)	97.039	M0158	19,417
			<u>70,395</u>
Pass through the State of Florida Executive Office of the Governor			
Public Assisntnace (Presidentially Declared Disasters) - Hurricane Michael	97.036	596002868	3,722
Total Public Assistance (Presidentiall Declared Disasters)			<u>3,722</u>
Total U.S. Department of Homeland Security, Federal Emergency Management Agency			<u>74,117</u>
Total Federal Awards			<u>1,513,126</u>

City of Cottondale, Florida
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2024

NOTE 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant spending of the City of Cottondale, Florida (the "City") and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not represent the financial position of the City.

NOTE 2: REPORTING ENTITY

The City for purposes of the supplementary Schedule of Expenditures of Federal Awards includes all the funds of the primary government as defined by GASB 14, *The Financial Reporting Entity*.

NOTE 3: OTHER TYPES OF FINANCIAL ASSISTANCE

There were no other types of financial assistance to include endowments, insurance in effect, non-cash assistance, donated property, or free rent received or included in the Schedule of Expenditures of Federal Awards.

NOTE 4: CONTINGENCIES

Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the City does not believe that such disallowance, if any, would have a material effect on the financial position of the City.

NOTE 5: LOANS AND LOAN GUARANTEES

The City did not have any loans or loan guarantee programs required to be reported on the Schedule for the fiscal year ended September 30, 2024.

NOTE 6: FEDERAL AND STATE PASS-THROUGH FUNDS

The City is also a sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as "pass-through" are considered direct.

NOTE 7: SUBRECIPIENTS

During the year ended September 30, 2024, the City had no subrecipients.

GRIMSLEY & ASSOCIATES

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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, 2024. 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, 2024.

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
October 2, 2025

Grimsley and Associates, P.A.
Certified Public Accountants

GRIMSLEY & ASSOCIATES

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OWEN W. GRIMSLEY, C.P.A.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cottondale, Florida, as of and for the year ended September 30, 2024, 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, 2024.

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
October 2, 2025

Grimsley and Associates, P.A.
Certified Public Accountants

GRIMSLEY & ASSOCIATES

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OWEN W. GRIMSLEY, C.P.A.

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

Board of Directors
City of Cottondale, Florida
Marianna, Florida

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with 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 the audit requirement of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor Responsibilities for the audit of Compliance section of our report.

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on 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 the Uniform Guidance 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 federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding 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 the Uniform Guidance, 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 federal program 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 federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Grimsley & Associates

October 2, 2025
Marianna, Florida

Grimsley & Associates, P.A.
Certified Public Accountants

City of Cottondale, Florida
 Schedule of Findings and Questioned Costs
 September 30, 2024

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

Federal Programs

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	

CSFA Number	State Project
14.228	Community Development Block Grants

5. Dollar threshold used to distinguish between type A and type B programs	\$750,000
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City of Cottondale, Florida
Schedule of Findings and Questioned Costs
September 30, 2024

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.

GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

MEMBER
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

INDEPENDENT AUDITOR'S REPORT TO CITY MANAGEMENT

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

Report on the Financial Statements

We have audited the financial statements of the City of Cottondale, Florida, as of and for the fiscal year ended September 30, 2024, and have issued our report thereon dated October 2, 2025.

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 October 2, 2025, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding 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 #	2022-23 FY Finding #	2021-22 FY Finding #
N/A	N/A	N/A
N/A	N/A	N/A
N/A	N/A	2016-05

The schedule of findings items are as follows:

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2022-23 FY Finding #	2021-22 FY Finding #
2003-001	2003-001	2003-001
N/A	N/A	N/A
N/A	N/A	N/A

Official Title and Legal Authority

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

Financial Condition and Management

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

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

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

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

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, did not operate within the City's geographical boundaries during the fiscal year under audit.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but 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.

Marianna, Florida
October 2, 2025

Grimsley & Associates

Grimsley and Associates, P.A.
Certified Public Accountants