

City of Cottondale, Florida

Annual Financial Report

September 30, 2019

CITY OF COTTONDALE, FLORIDA
AS OF SEPTEMBER 30, 2019

MAYOR

James Elmore

MAYOR PRO-TEM

Curtis C. Benefield

COUNCIL MEMBERS

Brian Braxton

Mark Drummond (Through Mid September 2019)

Jane Springer

CITY CLERK

Theresa Brannen

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GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

OWEN W. GRIMSLEY, C.P.A.

MEMBER
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cottondale, Florida as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Cottondale, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cottondale, Florida, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9 and 32-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020, on our consideration of the City of Cottondale, Florida's internal control over financial reporting on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Cottondale, Florida's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cottondale, Florida's internal control over financial reporting and compliance.

Grimsley & Associates

Marianna, Florida
December 7, 2020

Grimsley & Associates, P.A.
Certified Public Accountants

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

The Entity's 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, (the approved budget), and (e) identify individual fund issues of concerns.

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

Financial Highlights

The assets of the Entity exceeded its liabilities at September 30, 2019 by \$7,622,549 (Net Position). Of this amount \$1,221,123 (unrestricted Net Position) may be used to meet the Entity's ongoing obligations to citizens and creditors. However, unrestricted Net Position includes insurance proceeds unspent as of year end totaling \$705,053 intended to be used on hurricane damage repairs and property replacements.

The Entity's total Net Position increased by \$397,678 during the year ended September 30, 2019.

Entity Highlights

On October 10, 2018, the City was impacted by Hurricane Michael, a category 5 hurricane as it crossed the gulf coast shore line. Although the City is several miles inland, the effect was still classified as a major hurricane. The storm did major damage to the City's water tank, recreation park, significant damage to several buildings and other property. Additionally, many of the City's utility customers were severely affected. As a result, utility collections in October and November were delayed. Billings for those services, for those months were based on base rates as reading meters was not possible in many cases. Operations and collections resumed during December 2018, however, billings and collections were down somewhat due to loss of residential and business locations. During the year ended September 30, 2019, the City received insurance for hurricane losses totaling \$641,346. The City also received \$139,128 FEMA Grant funds for repairs and rehabilitation. Subsequent to year end, additional FEMA funds were received in the amount of \$126,889.

The City's elevated water tank top was blown completely off and the pump house for well number 2 was destroyed. A State Revolving Fund (SRF) grant/loan in the amount of \$957,587 was secured to erect a new water tank and conduct other repairs. The City is required to provide funds in the amount of \$229,756 for the project. This will be covered by insurance proceeds. This project is incomplete as of the time of this report.

Other projects include a \$600,000 CDBG Grant for water system upgrades and a SCOP grant of \$253,495 for street paving. These projects were begun in spring 2020.

During March 2020, state and federal orders required restrictions on individual and business movements and operations to help prevent the spread of a COVID-19 virus. The City limited access to City properties, however, operations continued as normally as possible. This did however affect the revenues and collections from the City's utility system due to business shutdowns and individual's loss of employment.

Using This Annual Report

The financial statement's 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 statement for the first time combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations. The statements include a Statement of Net Position and a Statement of Activities that are designed to provide consolidated financial information about the governmental activities of the Entity presented on the accrual basis of accounting.

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

The Statement of Activities presents information showing how the Entity's Net Position changed during the 2019 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 10-11 of this report.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 32-33 of this report.

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

Proprietary Funds

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They can be found on pages 19-31 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.) have not been reported nor depreciated in governmental financial statements. This new statement requires that these assets be valued and reported within the governmental column of government-wide statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

MANAGEMENT DISCUSSION AND ANALYSIS

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, 2019						
	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
Current and other Assets	\$ 461,613	\$ 834,198	\$ 518,823	\$ 806,676	\$ 980,436	\$ 1,640,874
Capital Assets	<u>1,882,628</u>	<u>1,710,720</u>	<u>5,632,078</u>	<u>5,476,323</u>	<u>7,514,706</u>	<u>7,187,043</u>
Total Assets	<u>2,344,241</u>	<u>2,544,918</u>	<u>6,150,901</u>	<u>6,282,999</u>	<u>8,495,142</u>	<u>8,827,917</u>
Current Liabilities	35,011	41,169	75,749	122,030	110,760	163,199
Non Current Liabilities	<u>70,676</u>	<u>55,355</u>	<u>1,088,835</u>	<u>986,814</u>	<u>1,159,511</u>	<u>1,042,169</u>
Total Liabilities	<u>105,687</u>	<u>96,524</u>	<u>1,164,584</u>	<u>1,108,844</u>	<u>1,270,271</u>	<u>1,205,368</u>
Net Position						
Invested in Capital Assets, net of related debt	1,882,259	1,710,719	4,547,929	4,392,174	6,494,166	6,102,893
Restricted	134,317	166,223	175,929	132,310	351,068	298,533
Unrestricted	<u>221,978</u>	<u>571,452</u>	<u>262,459</u>	<u>649,671</u>	<u>519,467</u>	<u>1,221,123</u>
Total Net Position	<u>\$ 2,238,554</u>	<u>\$ 2,448,394</u>	<u>\$ 4,986,317</u>	<u>\$ 5,174,155</u>	<u>\$ 7,364,701</u>	<u>\$ 7,622,549</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Statement of Activities

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

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
REVENUES						
Program Revenues						
Charges for Services	\$ 186,434	\$ 140,584	\$ 560,953	\$ 545,009	\$ 747,387	\$ 685,593
Operating Grants and Contributions	23,942	102,128	-	60,961	23,942	163,089
Capital Grants and Contributions	<u>29,100</u>	<u>59,769</u>	<u>-</u>	<u>-</u>	<u>29,100</u>	<u>59,769</u>
Total Program Revenues	<u>239,476</u>	<u>302,481</u>	<u>560,953</u>	<u>605,970</u>	<u>800,429</u>	<u>908,451</u>
General Revenues						
Taxes - Other	284,876	303,362	-	-	284,876	303,362
Property Taxes	64,682	62,074	-	-	64,682	62,074
Transfers	1,536	2,287	(1,536)	(2,287)	-	-
Gain (Loss) on Disposition of Assets	-	(3,753)	-	310,000	-	306,247
Insurance Proceeds - Hurricane Damage	-	147,162	-	40,163	-	187,325
Miscellaneous	<u>13,823</u>	<u>28,428</u>	<u>7,324</u>	<u>488</u>	<u>21,147</u>	<u>28,916</u>
Total General Revenues	<u>364,917</u>	<u>539,560</u>	<u>5,788</u>	<u>348,364</u>	<u>370,705</u>	<u>887,924</u>
Total Revenues	<u>604,393</u>	<u>842,041</u>	<u>566,741</u>	<u>954,334</u>	<u>1,171,134</u>	<u>1,796,375</u>
EXPENSES						
Governmental Activities						
General Government	160,280	211,288	-	-	160,280	211,288
Public Safety	297,167	283,614	-	-	297,167	283,614
Human Services	199	25	-	-	199	25
Transportation	124,567	58,160	-	-	124,567	58,160
Culture/Recreation	63,297	79,114	-	-	63,297	79,114
Interest on Debt	505	-	-	-	505	-
Business-type Activities						
Water & Sewer	<u>-</u>	<u>-</u>	<u>664,949</u>	<u>766,496</u>	<u>664,949</u>	<u>766,496</u>
Total Expenses	<u>646,015</u>	<u>632,201</u>	<u>664,949</u>	<u>766,496</u>	<u>1,310,964</u>	<u>1,398,697</u>
Change in Net Position	(41,622)	209,840	(98,208)	187,838	(139,830)	397,678
Net Position - Beginning	<u>2,280,176</u>	<u>2,238,554</u>	<u>5,084,525</u>	<u>4,986,317</u>	<u>7,364,701</u>	<u>7,224,871</u>
Net Position - Ending	<u>\$ 2,238,554</u>	<u>\$ 2,448,394</u>	<u>\$ 4,986,317</u>	<u>\$ 5,174,155</u>	<u>\$ 7,224,871</u>	<u>\$ 7,622,549</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Governmental Funds

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

As of September 30, 2019, the Entity's governmental funds reported combined ending fund balances of \$783,129. Of this amount \$478,915 was unrestricted and unassigned. However, unexpended insurance funds are included in unrestricted and unassigned totaling \$346,163, intended to be used for hurricane repairs and replacements.

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 Theresa Brannen at Cottdale City Hall at 850-352-4361.

FINANCIAL STATEMENTS

City of Cottondale, Florida
Statement of Net Position
September 30, 2019

	Primary Government		
	Governmental		Business-type Total
	Activities	Activities	
ASSETS			
Cash and Cash Equivalents	\$ 576,613	\$ 621,716	\$ 1,198,329
Accounts Receivable	14,143	56,086	70,229
Prepaid Expenses	11,080	6,665	17,745
Inventory	-	1,555	1,555
Due from other Governments	48,632	-	48,632
Restricted Assets	203,958	94,536	298,494
Internal Balances	(20,228)	20,228	-
Capital Assets:			
Land and Construction in Progress	336,585	2,000	338,585
Other Capital Assets, Net of Depreciation	<u>1,374,135</u>	<u>5,474,323</u>	<u>6,848,458</u>
Total Capital Assets	<u>1,710,720</u>	<u>5,476,323</u>	<u>7,187,043</u>
Other Assets	<u>-</u>	<u>5,890</u>	<u>5,890</u>
Total Assets	<u>2,544,918</u>	<u>6,282,999</u>	<u>8,827,917</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	41,169	22,396	63,565
Customer Deposits	-	45,707	45,707
Long Term Liabilities:			
Due within one year	-	53,927	53,927
Due in more than one year	45,455	986,814	1,032,269
Deferred Revenue	<u>9,900</u>	<u>-</u>	<u>9,900</u>
Total Liabilities	<u>96,524</u>	<u>1,108,844</u>	<u>1,205,368</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	1,710,719	4,392,174	6,102,893
Restricted for:			
Street and Roads	166,223	-	166,223
Debt Service	-	27,406	27,406
Other Purposes	-	104,904	104,904
Unrestricted	<u>571,452</u>	<u>649,671</u>	<u>1,221,123</u>
Total Net Position	<u>\$ 2,448,394</u>	<u>\$ 5,174,155</u>	<u>\$ 7,622,549</u>

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

City of Cottondale, Florida
Statement of Activities
For the Year Ended September 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government</u>	
					<u>Business-type Activities</u>		
Governmental Activities:							
General Government	\$ 211,288	\$ 70,329	\$ 78,167	\$ -	\$ (62,792)		\$ (62,792)
Public Safety	283,614	53,518	20,000	59,769	(150,327)		(150,327)
Transportation	58,160	11,711	-	-	(46,449)		(46,449)
Health Services	25	5,026	-	-	5,001		5,001
Culture/Recreation	79,114	-	3,961	-	(75,153)		(75,153)
Total Governmental Activities	<u>632,201</u>	<u>140,584</u>	<u>102,128</u>	<u>59,769</u>	<u>(329,720)</u>		<u>(329,720)</u>
Business-type Activities:							
Enterprise Fund	766,496	545,009	60,961	-	-	\$ (160,526)	(160,526)
Total Business Type Activities	<u>766,496</u>	<u>545,009</u>	<u>60,961</u>	<u>-</u>	<u>-</u>	<u>(160,526)</u>	<u>(160,526)</u>
Total Primary Government	<u>\$ 1,398,697</u>	<u>\$ 685,593</u>	<u>\$ 163,089</u>	<u>\$ 59,769</u>	<u>(329,720)</u>	<u>(160,526)</u>	<u>(490,246)</u>
General Revenues:							
Taxes:							
Property taxes, levied for general purposes					62,074	-	62,074
Taxes - Other					303,362	-	303,362
Gain (Loss) on Disposition of Assets					(3,753)	310,000	306,247
Inurance Proceeds - Hurricane Damage					147,162	40,163	187,325
Miscellaneous					28,428	488	28,916
Transfers					2,287	(2,287)	-
Total General Revenues and Transfers					<u>539,560</u>	<u>348,364</u>	<u>887,924</u>
Change in Net Position					209,840	187,838	397,678
Net Position - beginning					<u>2,238,554</u>	<u>4,986,317</u>	<u>7,224,871</u>
Net Position - ending					<u>\$ 2,448,394</u>	<u>\$ 5,174,155</u>	<u>\$ 7,622,549</u>

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

City of Cottondale, Florida
Balance Sheet
Governmental Funds
September 30, 2019

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Other</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 575,613	\$ 203,958	\$ 1,000	\$ 780,571
Accounts Receivable - net	14,143	-	-	14,143
Prepaid Expenses	11,080	-	-	11,080
Due from Other Funds	41,312	-	-	41,312
Due from other Governments	44,180	4,452	-	48,632
Total Assets	<u>\$ 686,328</u>	<u>\$ 208,410</u>	<u>\$ 1,000</u>	<u>\$ 895,738</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts Payable and

Accrued Expenses	\$ 40,294	\$ 875	\$ -	\$ 41,169
Due to Other Funds	\$ 20,228	\$ 41,312	-	61,540
Due to Other Funds	<u>9,900</u>	<u>-</u>	<u>-</u>	<u>9,900</u>
Total Liabilities	<u>70,422</u>	<u>42,187</u>	<u>-</u>	<u>112,609</u>

Fund Balances:

Nonspendable:

Prepaid Expenses	11,080	-	-	11,080
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Restricted:

Transportation	-	166,223	-	166,223
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Assigned:

Police Education/ Automation	94,569	-	-	94,569
Other	31,342	-	1,000	32,342

Unassigned	<u>478,915</u>	<u>-</u>	<u>-</u>	<u>478,915</u>
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Total Fund Balances	<u>615,906</u>	<u>166,223</u>	<u>1,000</u>	<u>783,129</u>
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Total Liabilities & Fund Balances	<u>\$ 686,328</u>	<u>\$ 208,410</u>	<u>\$ 1,000</u>	<u>\$ 895,738</u>
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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, 2019

Total Fund Balances - Total Governmental Funds \$ 783,129

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. 1,710,720

Some liabilities, including loans payable are not
due and payable in the current period and therefore
are not reported in the funds. (45,455)

Total Net Position \$ 2,448,394

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, 2019

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Other</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 214,281	\$ 44,010	\$ -	\$ 258,291
Licenses & Permits	69,848	-	-	69,848
Intergovernmental Revenues	237,647	-	-	237,647
Charges for Services	15,651	11,711	-	27,362
Judgments and Fines	43,374	-	-	43,374
Miscellaneous Revenues	<u>28,421</u>	<u>7</u>	-	<u>28,428</u>
Total Revenues	<u>609,222</u>	<u>55,728</u>	-	<u>664,950</u>
EXPENDITURES				
Current:				
General Government	201,638	-	-	201,638
Public Safety	259,133	-	-	259,133
Transportation	23,439	23,364	-	46,803
Culture/Recreation	30,389	-	-	30,389
Capital Outlay	<u>88,467</u>	<u>458</u>	-	<u>88,925</u>
Total Expenditures	<u>603,066</u>	<u>23,822</u>	-	<u>626,888</u>
Excess (deficiency) of revenues over expenditures	<u>6,156</u>	<u>31,906</u>	-	<u>38,062</u>
OTHER FINANCING SOURCES (USES)				
Proceeds From Disposition of Assets	140,021	-	-	140,021
Proceeds From Hurricane Claims	147,162	-	-	147,162
Private Contribution	31,395	-	-	31,395
Transfers In	<u>2,287</u>	-	-	<u>2,287</u>
Total Other Financing Sources (Uses)	<u>320,865</u>	-	-	<u>320,865</u>
Net Change in Fund Balances	327,021	31,906	-	358,927
Fund Balances - beginning	<u>288,885</u>	<u>134,317</u>	<u>1,000</u>	<u>424,202</u>
Fund Balances - ending	<u>\$ 615,906</u>	<u>\$ 166,223</u>	<u>\$ 1,000</u>	<u>\$ 783,129</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, 2019

Net change in fund balances - Total Governmental Funds	\$ 358,927
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation, \$102,993, added to net capital dispositions, \$68,915 in the the current period.	(171,908)
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 net reduction in Long Term Accrued Leave.	<u>22,821</u>
Change in net position of governmental activities	<u>\$ 209,840</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, 2019

	Business Type <u>Activities</u> <u>Enterprise</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 621,716
Accounts Receivable - Net	56,086
Prepaid Expenses	6,665
Inventory	1,555
Due From Other Funds	20,228
Total Current Assets	706,250
Noncurrent Assets:	
Restricted Assets - Cash	94,536
Capital Assets:	
Land	2,000
Improvements Other than Buildings	8,120,632
Machinery and Equipment	76,164
Less Accumulated Depreciation	(2,722,473)
Other Assets	5,890
Total Noncurrent Assets	5,576,749
Total Assets	6,282,999
LIABILITIES	
Current Liabilities:	
Accounts Payable	13,708
Accrued Expenses	8,688
Current Portion of Bonds & Notes	53,927
Total Current Liabilities	76,323
Noncurrent Liabilities:	
Customer Deposits	45,707
Accrued leave	7,292
Bonds and Notes Payable after One Year	979,522
Total Noncurrent Liabilities	1,032,521
Total Liabilities	1,108,844
NET POSITION	
Invested in Capital Assets, Net of Related Debt	4,392,174
Restricted:	
Debt Service	27,406
Other Purposes	104,904
Unrestricted	649,671
Total Net Position	\$ 5,174,155

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, 2019

	Business Type <u>Activities</u> <u>Enterprise</u>
OPERATING REVENUES:	
Charges for Services	\$ 530,439
Miscellaneous Charges and Fees	14,570
Total Charges for Services	<u>545,009</u>
OPERATING EXPENSES:	
Personal Services	202,946
Contractual Services	149,429
Utilities	76,653
Repairs and Maintenance	94,615
Insurance	19,102
Other Supplies and Expenses	20,374
Depreciation and Amortization	160,228
Total Operating Expenses	<u>723,347</u>
Operating Income (Loss)	<u>(178,338)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	488
FEMA - Hurricane Grant	60,961
Gain in Disposition of Assets	310,000
Insurance Proceeds- Hurricane Damage	40,163
Interest Expense	(43,149)
Total Nonoperating Revenue (Expenses)	<u>368,463</u>
(Loss) before Contributions and Transfers	190,125
Transfers Out	<u>(2,287)</u>
Change in Net Position	187,838
Net Position, beginning of year	<u>4,986,317</u>
Net Position, end of year	<u><u>\$ 5,174,155</u></u>

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

City of Cottondale, Florida
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2019

	Business Type <u>Activities</u> <u>Enterprise</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 535,146
Payments to Suppliers	(199,658)
Payments to Employees	<u>(370,201)</u>
Net Cash Provided by Operating Activities	<u>(34,713)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(4,000)
Disposition of Capital Assets	310,000
Principal Paid on Capital Debt	(50,700)
Interest Paid on Capital Debt	(43,305)
Repayment of Interfund Loans	(891)
FEMA Hurricane Grant	60,961
Insurance Proceeds - Hurricane Damage	40,163
Transfers To Other Funds	<u>(2,287)</u>
Net Cash Used by Capital and Related Financing Activities	<u>309,941</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	<u>488</u>
Net Cash Provided by Investing Related Activities	<u>488</u>
Net Increase in Cash and Cash Equivalents	275,716
Cash and Cash Equivalents, beginning of year	<u>440,536</u>
Cash and Cash Equivalents, end of year	<u>\$ 716,252</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Income (Loss)	\$ (178,338)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation and Amortization	160,228
Change in Assets and Liabilities:	
Accounts Receivable	(11,038)
Prepaid Expenses	(681)
Accounts Payable and Accrued Expenses	(6,059)
Customer Deposits	<u>1,175</u>
Net Cash Provided by Operating Activities	<u>\$ (34,713)</u>

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

NOTES TO FINANCIAL STATEMENTS

City of Cottondale, Florida
Notes to Financial Statements
September 30, 2019

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, 2019.

Reporting entity-

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

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

D. FUND TYPES AND MAJOR FUNDS

The City reports the following major governmental funds:

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

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

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

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 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	5-10 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;
- 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;

City of Cottondale, Florida
Notes to Financial Statements
September 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

- 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, 2019 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 3.8542 mills for the October 2018 through September 2019 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 at April 1, are converted, by the County, into Tax Certificates. Therefore, there are no significant taxes receivable at year end.

I. BUDGET PROCESS

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

J. RISK MANAGEMENT AND INSURANCE

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

The City believes the level of insurance purchased is adequate to protect it from material loss. No significant changes in coverage or major claims have been made in the last three years. However, subsequent to year end, Hurricane Michael caused significant damage to City properties and several material claims were filed.

City of Cottondale, Florida
Notes to Financial Statements
September 30, 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

K. ESTIMATES

The preparation of financial statement 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, 2019, the City had the following cash deposits:

Amount insured by FDIC and FSLIC	\$ 250,000
Amount Subject to Custodial Risk (Risk of loss due to bank failure) Collateralized with securities pledged by the financial institution and held in trust, but not in the City's name)	<u>1,285,422</u>
Total Deposits With Financial Institutions	1,535,422
Petty Cash on Hand	<u>600</u>
TOTAL	<u>\$ 1,536,022</u>

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

NOTE 3 – RECEIVABLES

At September 30, 2019, the City reported receivables as follows:

GENERAL FUND	
Due from State of Florida	\$ 39,589
Due from Jackson County	4,591
Other Receivables	<u>14,143</u>
TOTAL	<u>\$ 58,323</u>
TRANSPORTATION FUND	
Due from State of Florida	\$ 3,782
Due from Jackson County	<u>670</u>
TOTAL	<u>\$ 4,452</u>
ENTERPRISE FUND	
Utility Service	\$ 58,404
Less Allowance for Uncollectible Accounts	<u>(2,318)</u>
NET	<u>\$ 56,086</u>

City of Cottondale, Florida
Notes to Financial Statements
September 30, 2019

NOTE 4 – INTERFUND BALANCES AND ACTIVITY

At September 30, 2019, the following interfund loans were recorded. These amounts are expected to be repaid currently.

<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Enterprise Fund	Operating Expense	\$ <u>20,228</u>
Transportation Fund	General Fund	Operating Expense	\$ <u>41,312</u>

During the year ended September 30, 2019, the following interfund transfers were recorded.

<u>Transfer From</u>	<u>Transfer To</u>	<u>Purpose</u>	<u>Amount</u>
Enterprise Fund	General Fund	Operations	\$ <u>2,287</u>

NOTE 5 – CAPITAL ASSETS

Capital Asset Activity for the year ended September 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets not being depreciated:				
Land	\$ 336,585	\$ -	\$ -	\$ 336,585
Total	<u>336,585</u>	<u>-</u>	<u>-</u>	<u>336,585</u>
Capital Assets being depreciated:				
Buildings & Improvements	414,401	10,100	(4,210)	420,291
Improvements other than buildings	1,665,538	-	(140,000)	1,525,538
Equipment	766,756	64,759	(16,210)	815,305
Total	<u>2,846,695</u>	<u>74,859</u>	<u>(160,420)</u>	<u>2,761,134</u>
Less Accumulated Depreciation:				
Buildings & Improvements	220,897	9,245	(1,133)	229,009
Improvements other than buildings	307,430	52,058	-	359,488
Equipment	772,325	41,690	(15,513)	798,502
Total	<u>1,300,652</u>	<u>102,993</u>	<u>(16,646)</u>	<u>1,386,999</u>
Net Capital Assets being depreciated	<u>1,546,043</u>	<u>(28,134)</u>	<u>(143,774)</u>	<u>1,374,135</u>
Net Governmental Activity Capital Assets	<u>\$ 1,882,628</u>	<u>\$ (28,134)</u>	<u>\$ (143,774)</u>	<u>\$ 1,710,720</u>

City of Cottondale, Florida
Notes to Financial Statements
September 30, 2019

NOTE 5 – CAPITAL ASSETS – Continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business Type Activities				
Capital Assets not being depreciated:				
Land	\$ 2,000	\$ -	\$ -	\$ 2,000
Total	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Capital Assets being depreciated:				
Buildings	-	4,000	-	4,000
Improvements other than buildings	8,116,173	-	-	8,116,173
Equipment	<u>76,623</u>	<u>-</u>	<u>-</u>	<u>76,623</u>
Total	<u>8,192,796</u>	<u>4,000</u>	<u>-</u>	<u>8,196,796</u>
Less Accumulated Depreciation:				
Buildings	-	27	-	27
Improvements other than buildings	2,487,598	158,684	-	2,646,282
Equipment	<u>75,120</u>	<u>1,044</u>	<u>-</u>	<u>76,164</u>
Total	<u>2,562,718</u>	<u>159,755</u>	<u>-</u>	<u>2,722,473</u>
Net Capital Assets being depreciated	<u>5,630,078</u>	<u>(155,755)</u>	<u>-</u>	<u>5,474,323</u>
Net Business Type Activity Capital Assets	<u>\$ 5,632,078</u>	<u>\$ (155,755)</u>	<u>\$ -</u>	<u>\$ 5,476,323</u>

Depreciation expense was charged to Governmental Activity functions as follows:

General Government	\$ 9,697
Public Safety:	
Police	21,061
Fire	12,586
Human Services	25
Transportation	10,899
Recreation	<u>48,725</u>
Total	<u>\$ 102,993</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>Bond Issue</u>		<u>Total</u>
	<u>1985</u>	<u>1999</u>	
Unamortized bond issue costs - beginning of year	\$ 594	\$ 5,769	\$ 6,363
Less: Current year amortization	<u>(198)</u>	<u>(275)</u>	<u>(473)</u>
Unamortized bond issue costs - end of year	<u>\$ 396</u>	<u>\$ 5,494</u>	<u>\$ 5,890</u>

Unamortized bond issue costs are included in other assets.

City of Cottondale, Florida
Notes to Financial Statements
September 30, 2019

NOTE 7 – NOTES PAYABLE AND LONG TERM DEBT

Governmental Activities:

Long Term Debt

General Government Long Term Debt, other than accrued leave, was extinguished during the current year.

Changes in governmental activities long term debt are as follows for the year ended September 30, 2019:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Accrued Leave	\$ 68,276	\$ -	\$ (22,821)	\$ 45,455
Total	<u>\$ 68,276</u>	<u>\$ -</u>	<u>\$ (22,821)</u>	<u>\$ 45,455</u>

The current portion of Accrued Leave, \$23,336, is included in Accrued Expenses.

Business Type Activities:

ENTERPRISE FUND - WATER, SEWER & SOLID WASTE COLLECTION SYSTEM

The annual requirements to amortize debt outstanding as of September 30, 2019 are as follows:

WATER AND SEWER SYSTEM REVENUE BONDS - Series 1981

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

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 7,000	\$ 700
2021	7,000	350
Totals	<u>\$ 14,000</u>	<u>\$ 1,050</u>

City of Cottondale, Florida
Notes to Financial Statements
September 30, 2019

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

WATER AND SEWER REVENUE BONDS – 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>
2020	\$	10,000	\$	3,300
2021		10,000		2,800
2022		11,000		2,300
2023		11,000		1,750
2024		12,000		1,200
2025		12,000		600
Totals	\$	<u>66,000</u>	\$	<u>11,950</u>

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>
2020	\$	24,000	\$	33,750
2021		25,000		32,670
2022		26,000		31,545
2023		27,000		30,375
2024		29,000		29,160
2025-2029		161,000		125,460
2030-2034		202,000		85,635
2035-2039		256,000		35,955
Totals	\$	<u>750,000</u>	\$	<u>404,550</u>

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

- A. All cash income derived from the ownership and operation of the system shall be deposited into the “Revenue Fund”.
- B. The “Sinking Fund” is to be used exclusively for the purpose of paying principle and interest on the bonds and is to be funded by transferring on or before the 15th of each month from the “Revenue Fund”, 1/12 of the next annual interest and principle requirements.
- C. The “Reserve Account” is to be established by transferring on or before the 15th of each month from the “Revenue Fund”, the sum of one twelfth of one tenth of the Maximum Bond Service requirement until the account reaches, and to maintain,

City of Cottondale, Florida
Notes to Financial Statements
September 30, 2019

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

the maximum debt service requirement. The funds in this account shall be used only for paying the cost of repairing or replacing any damage to the system caused by an unforeseen catastrophe, construction improvements or extensions to increase net revenues, and paying principal and interest in the event that the Sinking Fund is insufficient to meet such payments.

- D. The "Operation and Maintenance Fund" is to be used exclusively for the purpose of receiving funds transferred monthly from the Revenue Fund and for paying the current expense of the system pursuant to the annual budget. Any balance remaining in the "Operation and Maintenance Fund" at the end of the fiscal year over and above the amount required to pay expenses incurred during said fiscal year shall be deposited into the revenue fund.

STATE REVOLVING FUND LOAN – Agreement Number WW320312

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

<u>Due Date</u>		<u>Principal</u>		<u>Interest</u>
2020	\$	12,927	\$	3,544
2021		13,156		3,314
2022		13,390		3,080
2023		13,629		2,843
2024		13,871		2,600
2025-2029		73,141		9,212
2030-2033		63,335		2,548
Totals	\$	<u>203,449</u>	\$	<u>27,141</u>

Project funding through the Capitalization Grants for State Revolving Funds totaled \$1,331,871. The excess over the loan amount is considered principal forgiveness. This excess has been recorded as Contributed Capital in the Enterprise Fund.

The agreement requires monthly payments to a sinking fund sufficient to fund the next semi-annual payment.

Summary of changes in all business type activity long term debt:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Revenue Bonds	\$ 868,000	\$ -	\$ (38,000)	\$ 830,000
Revenue Notes	216,149	-	(12,701)	203,448
Accrued Leave	4,686	2,607	-	7,293
Total	<u>\$ 1,088,835</u>	<u>\$ 2,607</u>	<u>\$ (50,701)</u>	<u>\$ 1,040,741</u>

City of Cottondale, Florida
Notes to Financial Statements
September 30, 2019

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

The current portion of Accrued Leave, \$5,889, is included in Accrued Expenses.

Total interest accrued and charged to expense in the Enterprise Fund for the year ended September 30, 2019, was \$43,149.

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, 2019 the following Net Assets were restricted.

General governmental activities:

Transportation Fund:

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

Business Type Activities:

Enterprise Fund -

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

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

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

NOTE 9 – APPROPRIATIONS

During September 2018, the City adopted a budget for the 2018-2019 fiscal year which included General Fund appropriations of \$566,104 and Enterprise Fund appropriations of \$640,324. Additionally, the budget included appropriations of \$55,499 for Special Revenue Funds. Actual expenditures in the General Fund exceeded appropriations by \$36,962 and \$31,677 in the Special Revenue Transportation Fund. Although the budgets were not amended to cover the additional expenditures, there were sufficient resources to cover outflows.

City of Cottondale, Florida
Notes to Financial Statements
September 30, 2019

NOTE 10 - RETIREMENT SYSTEM

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

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

Employee contributions to the plan for the year ended September 30, 2019 totaled \$10,192 and were matched by employer contributions of the same amount. Non-vested plan contributions on employee termination are forfeited and may be applied toward future required contributions.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

COMPENSATED ABSENCES

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

NOTE 12 - FRANCHISE FEE INCOME

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

	<u>Fee Rate</u>	<u>Revenue</u>
Electricity Sales	6%	<u>\$ 66,887</u>

NOTE 13 – HURRICANE MICHAEL EFFECT ON THE CITY

On October 10, 2018, the City was impacted by hurricane Michael, a category 5 hurricane as it crossed the gulf coast shore line. Although the City is several miles inland, the storm was still classified as a major hurricane as it passed near the City. The storm did major damage to the City's water tank and recreation park and significant damage to several buildings and other property. Additionally, many of the City's utility customers were severely affected. As a result, utility collections in October and November 2018 were delayed. Billings for utility services for those months were billed using base rates as

City of Cottondale, Florida
Notes to Financial Statements
September 30, 2019

NOTE 13 – HURRICANE MICHAEL EFFECT ON THE CITY – Continued

reading meters was not possible in many cases. Operations and collections resumed in December 2018 although lower due to the loss of some residences and businesses.

During the year ended September 30, 2019, the City received FEMA Grants for assistance with operations and repairs totaling \$139,128 of which \$78,167 and \$60,961 were deposited to the General Fund and Enterprise Fund respectively. Subsequent to year end additional FEMA funds totaling \$126,889 were received.

Additionally, as of year end, the City received insurance proceeds for damage and loss of property totaling \$641,346 of which \$291,183 and \$350,163 were deposited to the General Fund and Enterprise Fund respectively. Of these amounts \$140,021 was classified as proceeds for loss of capital equipment in the General Fund and \$310,000 in the Enterprise Fund.

Repairs and replacement of property continues into 2020.

NOTE 14 – GRANTS, PROJECTS AND SUBSEQUENT EVENTS

Community Development Block Grant (CDBG) - \$600,000. This grant was awarded for the purpose of community revitalization through the upgrading of water lines in the northeastern corner of the City. The Notice of Funds availability was dated November 13, 2019. Project engineering began spring of 2020. The project close out date is March 15, 2022.

Small County Outreach Program Grant (SCOP) - \$253,495. The City was awarded a SCOP grant July 16, 2019 for the purpose of repaving certain streets within the City. Notice to proceed was given April 6, 2020. Construction began in May 2020. The project expiration date is September 20, 2020.

State Revolving Fund (SRF) - \$870,787. This grant/loan was awarded November 2019 for the purpose of constructing a new elevated water tank and rebuilding of pump house number 2 that was destroyed by hurricane Michael. Total project costs are set at \$1,187,343 with funding as follows: SRF construction loan/forgiveness \$781,651; SRF planning/design loan forgiveness, \$86,800, loan \$89,136; and City funds of \$229,756. Construction started spring 2020. The project expiration date is March 15, 2021. The City's portion will be funded by insurance proceeds.

During the year ended September 30, 2019 and subsequent, the City received various smaller grants for the acquisition of fire equipment and a fire truck.

COVID-19 – In March 2020, the nation was effectively shut down due to a pandemic caused by the COVID-19 virus. Although the City offices closed to the public, operations continued with little interruption. However, due to many City residents being laid off and businesses being required to shut down, utility service collections have been affected.

REQUIRED SUPPLEMENTARY INFORMATION

City of Cottondale, Florida
 Budgetary Comparison Schedule – General Fund
 For the Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		Actual Amounts
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>
REVENUES			
Taxes	\$ 215,238	\$ 215,238	\$ 214,281
Licenses & Permits	79,500	79,500	69,848
Intergovernmental Revenues	120,341	120,341	237,647
Charges for Services	15,500	15,500	15,651
Judgments and Fines	88,000	88,000	43,374
Miscellaneous Revenues	<u>12,525</u>	<u>12,525</u>	<u>28,421</u>
Total Revenues	<u>531,104</u>	<u>531,104</u>	<u>609,222</u>
EXPENDITURES			
Current:			
General Government	172,893	172,893	201,638
Public Safety	271,861	271,861	259,133
Transportation	31,050	31,050	23,439
Health Services	300	300	-
Culture/Recreation	30,000	30,000	30,389
Capital Outlay	<u>60,000</u>	<u>60,000</u>	<u>88,467</u>
Total Expenditures	<u>566,104</u>	<u>566,104</u>	<u>603,066</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(35,000)</u>	<u>(35,000)</u>	<u>6,156</u>
OTHER FINANCING			
SOURCES (USES)			
Proceeds From Disposition of Capital Assets	-	-	140,021
Inurance Proceeds - Hurricane Damages	-	-	147,162
Private Contribution	-	-	31,395
Transfers In	<u>-</u>	<u>-</u>	<u>2,287</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>320,865</u>
Net Change in Fund Balances	(35,000)	(35,000)	327,021
Fund Balances - beginning	<u>288,885</u>	<u>288,885</u>	<u>288,885</u>
Fund Balances - ending	<u>\$ 253,885</u>	<u>\$ 253,885</u>	<u>\$ 615,906</u>

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
 Budgetary Comparison Schedule – Transportation Fund
 For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts
	Original	Final	(GAAP Basis)
REVENUES			
Taxes	\$ 43,789	\$ 43,789	\$ 44,010
Charges for Services	11,710	11,710	11,711
Miscellaneous Revenues	-	-	7
Total Revenues	55,499	55,499	55,728
EXPENDITURES			
Current:			
Transportation	38,410	38,410	23,364
Capital Outlay	17,089	17,089	458
Total Expenditures	55,499	55,499	23,822
Excess (Deficiency) of Revenues over Expenditures	-	-	31,906
Net Change in Fund Balances	-	-	31,906
Fund Balances - beginning	134,317	134,317	134,317
Fund Balances - ending	\$ 134,317	\$ 134,317	\$ 166,223

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

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

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

GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

MEMBER
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

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

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

We have examined the City of Cottondale, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2019. 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, 2019.

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
December 7, 2020

Grimsley and Associates, P.A.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORTS RQUIRED BY
GOVERNMENT AUDITING STANDARDS

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

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, 2019, 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 December 7, 2020.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2019-001 and 2019-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weaknesses, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as items 3002-001 to be a significant deficiency.

Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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

Grimsley & Associates

Marianna, Florida
December 7, 2020

Grimsley and Associates, P.A.
Certified Public Accountants

SCHEDULE OF FINDINGS

City of Cottondale, Florida
Schedule of Findings
September 30, 2019

2003-001

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

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

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

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

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

2019-001

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

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

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

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

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

City of Cottondale, Florida
Schedule of Findings
September 30, 2019

2019-002

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

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

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

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

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

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

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OWEN W. GRIMSLEY, C.P.A.

INDEPENDENT AUDITOR'S REPORT TO CITY MANAGEMENT

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

Report on the Financial Statements

We have audited the financial statements of the City of Cottondale, Florida, as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated December 7, 2020.

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 December 7, 2020 should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding 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 #	2017-18 FY Finding #	2016-17 FY Finding #
2016-01	2016-01	2016-01
2016-03	2016-03	2016-03
2016-05	2016-05	2016-05

The schedule of findings items are as follows:

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2017-18 FY Finding #	2016-17 FY Finding #
2003-001	2003-001	2003-001
2019-001	N/A	N/A
2019-002	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

Additional Matters

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

Purpose of this Letter

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

Prior Year Findings

2016-01

Budget Comparison – The City’s computerized accounting system has the capability to produce reports comparing income and expenditures to budget amounts. However, the budget information must be entered into the system at the first of the fiscal year. This was done in years past, but has not been done accurately in recent years. We recommend the budget be entered into the system and periodic comparison reports be prepared for better financial management. For the current year, the City Clerk made a concerted effort to include the budget information in the accounting system, however there were a number of mistakes, some material. There was no apparent follow up to ensure the information that was entered was correct. As stated previously, we strongly recommend accurate budget information be entered into the City’s accounting system to provide meaningful and timely budgetary comparisons.

2016-03

Billing System Complexity – While reviewing the utility billing system reports, we noted an excessive number of separate “adjustment” line items. Having such a complicated report makes reconciling the actual revenue accounts difficult or impossible. We discussed this with the City Clerk and she indicated she would be streamlining this area – There appear to still be many questionable line items.

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

2016-05

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

Current Year Findings

None

Marianna, Florida
December 7, 2020

Grimsley & Associates

Grimsley and Associates, P.A.
Certified Public Accountants

RESPONSE TO AUDIT FINDINGS



2018 - 19 Audit Findings

December 7, 2020

State of Florida
Auditor General
David W. Martin, CPA
Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399

2003-01 – Segregation of duties

The City has limited staff of two full time and one part time employees. An effort will be made to allocate duties and use Council members to review and approve procedures where possible

2016-01 – Budget Comparison

The current budget has been entered in our accounting system for comparison of reports for current and previous year for accuracy and information.

2016-03 – Billing System Complexity

We have minimized the adjustment line items for easier reconciling. However, there are certain adjustment lines that are necessary to the completion of transactions.

2016-05 – Small Liability Accounts

All accounts will be visited on a periodic basis, reconciling, adjusting and making corrections to make sure the accounts are accurate.

2019-01 – Adjustments

The city will seek training in the process to correct this situation. Policies will be established and reports will be printed and checked on a regular basis.

2019-02 – Reviews of financial records

A monthly review system by the council and will be instituted to help expose errors and reduce or eliminate them.

James A. Elmore

Mayor