

CITY OF COTTONDALE, FLORIDA

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2020

CITY OF COTTONDALE, FLORIDA  
AS OF SEPTEMBER 30, 2020

MAYOR

James Elmore

MAYOR PRO-TEM

Curtis C. Benefield

COUNCIL MEMBERS

Brian Braxton

Mark Drummond

Jane Springer

CITY CLERK

Theresa Brannen

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INDEPENDENT AUDITOR'S REPORT

# GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

OWEN W. GRIMSLEY, C.P.A.

MEMBER  
FLORIDA INSTITUTE AND  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cottondale, Florida as of and for the year ended September 30, 2020, 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, 2020, 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 37-38 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cottondale, Florida's basic financial statements. The accompanying schedule of expenditures of state projects is presented for the purposes of additional analysis as required by Chapter 10.550, *Rules of the Auditor General*, and is 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 in 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 schedule of expenditures of state projects is 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 our report dated October 15, 2021, 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  
October 15, 2021

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, the approved budget, and (e) identify individual fund issues of concern.

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

### **Financial Highlights**

The assets of the Entity exceeded its liabilities at September 30, 2020 by \$8,802,410 (Net Position). Of this amount \$1,227,373 (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 \$1,179,861 during the year ended September 30, 2020. Much of this increase is due to the receipt of grants used for capitalized assets and work in process on water and road projects.

### **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, 2020, the City received additional insurance for hurricane losses totaling \$172,763. The City also received \$169,636 FEMA Grant funds for repairs and rehabilitation. Repairs and renovations continue into 2021.

The City's elevated water tank top was blown completely off and the pump house for well number 2 was destroyed. A State Revolving Fund (SRF) grant/loan in the amount of \$957,587 was secured to erect a new water tank and conduct other repairs. The City is required to provide funds in the amount of \$229,756 for the project. This will be covered by insurance proceeds. This project was completed in the spring of 2021.

Other projects include a \$600,000 CDBG Grant for water system upgrades. This project was started in the current year, but continues into 2021. A SCOP grant of \$253,495 for street paving was received in the current year. This project was completed as of September 30, 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,

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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.

The City received several smaller grants during the year and after year end for police and fire department equipment, a SEARCH Grant and other 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 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 2020 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 users of governmental financial statements will find the fund financial statements presentation more familiar.

### **Governmental Funds**

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

## **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. Significant governmental funds used in the current year are the General Fund, Transportation Fund, CDBG Grant Fund, SCOP Grant Fund and SRF Tank Construction Fund.

The Entity adopts an annual appropriated budget for its various funds. Budgetary comparison statements have been provided for the General and Transportation funds to demonstrate compliance with the budget and are presented as required supplemental information. This information may be found on pages 33-34 of this report. The City did not amend its budgets for the current year resulting in reported over expenditures in the General Fund, Enterprise Fund and SRF Tank Construction Fund.

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

### **Proprietary Funds**

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

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

### **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 19-32 of this report.

### **Infrastructure Assets**

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Statement of Net Position

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

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
Current and Other Assets	\$ 834,198	\$ 982,812	\$ 806,676	\$ 879,449	\$ 1,640,874	\$ 1,862,261
Capital Assets	<u>1,710,720</u>	<u>3,124,926</u>	<u>5,476,323</u>	<u>5,339,311</u>	<u>7,187,043</u>	<u>8,464,237</u>
Total Assets	<u>2,544,918</u>	<u>4,107,738</u>	<u>6,282,999</u>	<u>6,218,760</u>	<u>8,827,917</u>	<u>10,326,498</u>
Current Liabilities	41,169	200,181	122,030	100,382	163,199	300,563
Non Current Liabilities	<u>55,355</u>	<u>127,078</u>	<u>986,814</u>	<u>980,734</u>	<u>1,042,169</u>	<u>1,107,812</u>
Total Liabilities	<u>96,524</u>	<u>327,259</u>	<u>1,108,844</u>	<u>1,081,116</u>	<u>1,205,368</u>	<u>1,408,375</u>
Deferred Revenues	<u>-</u>	<u>75,223</u>	<u>-</u>	<u>40,490</u>	<u>-</u>	<u>115,713</u>
Net Position						
Invested in Capital Assets, net of related debt	1,710,719	2,905,634	4,392,174	4,359,789	6,102,893	7,265,423
Restricted	166,223	168,868	132,310	140,746	298,533	309,614
Unrestricted	<u>571,452</u>	<u>630,754</u>	<u>649,671</u>	<u>596,619</u>	<u>1,221,123</u>	<u>1,227,373</u>
Total Net Position	<u>\$ 2,448,394</u>	<u>\$ 3,705,256</u>	<u>\$ 5,174,155</u>	<u>\$ 5,097,154</u>	<u>\$ 7,622,549</u>	<u>\$ 8,802,410</u>

# MANAGEMENT DISCUSSION AND ANALYSIS

## Statement of Activities

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

### STATEMENT OF ACTIVITIES For the Year Ended September 30, 2020

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
<b>REVENUES</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 140,584	\$ 137,550	\$ 545,009	\$ 596,639	\$ 685,593	\$ 734,189
Operating Grants and Contributions	102,128	23,904	60,961	-	163,089	23,904
Capital Grants and Contributions	59,769	1,308,041	-	59,784	59,769	1,367,825
<b>Total Program Revenues</b>	<u>302,481</u>	<u>1,469,495</u>	<u>605,970</u>	<u>656,423</u>	<u>908,451</u>	<u>2,125,918</u>
<b>General Revenues</b>						
Taxes - Other	303,362	305,272	-	-	303,362	305,272
Property Taxes	62,074	63,551	-	-	62,074	63,551
Transfers	2,287	(23,580)	(2,287)	23,580	-	-
Gain (Loss) on Disposition of Assets	(3,753)	-	310,000	-	306,247	-
Insurance Proceeds - Hurricane Damage	147,162	96,327	40,163	76,436	187,325	172,763
Miscellaneous	28,428	19,894	488	159	28,916	20,053
<b>Total General Revenues</b>	<u>539,560</u>	<u>461,464</u>	<u>348,364</u>	<u>100,175</u>	<u>887,924</u>	<u>561,639</u>
<b>Total Revenues</b>	<u>842,041</u>	<u>1,930,959</u>	<u>954,334</u>	<u>756,598</u>	<u>1,796,375</u>	<u>2,687,557</u>
<b>EXPENSES</b>						
<b>Governmental Activities</b>						
General Government	211,288	200,090	-	-	211,288	200,090
Public Safety	283,614	313,029	-	-	283,614	313,029
Physical Environment	-	2,019	-	-	-	2,019
Human Services	25	914	-	-	25	914
Transportation	58,160	78,864	-	-	58,160	78,864
Culture/Recreation	79,114	77,037	-	-	79,114	77,037
Interest on Debt	-	2,144	-	-	-	2,144
<b>Business-type Activities</b>						
Water & Sewer	-	-	766,496	833,599	766,496	833,599
<b>Total Expenses</b>	<u>632,201</u>	<u>674,097</u>	<u>766,496</u>	<u>833,599</u>	<u>1,398,697</u>	<u>1,507,696</u>
Change in Net Position	209,840	1,256,862	187,838	(77,001)	397,678	1,179,861
Net Position - Beginning	<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>
Net Position - Ending	<u>\$ 2,448,394</u>	<u>\$ 3,705,256</u>	<u>\$ 5,174,155</u>	<u>\$ 5,097,154</u>	<u>\$ 7,622,549</u>	<u>\$ 8,802,410</u>

## **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, 2020, the Entity's governmental funds reported combined ending fund balances of \$715,725. Of this amount \$404,994 was unrestricted and unassigned. However, significant unexpended insurance funds are included in unrestricted and unassigned intended to be used for continuing 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 Cottondale City Hall at 850-352-4361.

## FINANCIAL STATEMENTS



City of Cottondale, Florida  
Statement of Net Position  
September 30, 2020

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	Primary Government		
	Governmental Business-Type		
	Activities	Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 526,668	\$ 683,834	\$ 1,210,502
Accounts Receivable	16,292	55,546	71,838
Prepaid Expenses	11,633	7,158	18,791
Inventory	-	1,555	1,555
Due from Other Governments	18,439	-	18,439
Restricted Assets	395,264	140,455	535,719
Internal Balances	14,516	(14,516)	-
Capital Assets:			
Land and Construction in Progress	1,394,202	14,324	1,408,526
Other Capital Assets, Net of Depreciation	<u>1,730,724</u>	<u>5,324,987</u>	<u>7,055,711</u>
Total Capital Assets	<u>3,124,926</u>	<u>5,339,311</u>	<u>8,464,237</u>
Other Assets	<u>-</u>	<u>5,417</u>	<u>5,417</u>
Total Assets	<u>4,107,738</u>	<u>6,218,760</u>	<u>10,326,498</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	191,864	45,226	237,090
Customer Deposits	-	46,008	46,008
Long Term Liabilities:			
Due within one year	8,317	55,156	63,473
Due in more than one year	127,078	934,726	1,061,804
Deferred Revenue	<u>75,223</u>	<u>40,490</u>	<u>115,713</u>
Total Liabilities	<u>402,482</u>	<u>1,121,606</u>	<u>1,524,088</u>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	2,905,634	4,359,789	7,265,423
Restricted for:			
Streets and Roads	168,868	-	168,868
Debt Service	-	35,752	35,752
Other Purposes	-	104,994	104,994
Unrestricted	<u>630,754</u>	<u>596,619</u>	<u>1,227,373</u>
Total Net Position	<u>\$ 3,705,256</u>	<u>\$ 5,097,154</u>	<u>\$ 8,802,410</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, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General Government	\$ 200,090	\$ 77,841	\$ -	\$ 43,789	\$ (78,460)		\$ (78,460)
Public Safety	313,029	32,224	20,000	81,801	(179,004)		(179,004)
Transportation	78,864	12,062	-	247,863	181,061		181,061
Physical Environment	2,019	-	-	934,588	932,569		932,569
Health Services	914	15,423	-	-	14,509		14,509
Culture/Recreation	77,037	-	3,904	-	(73,133)		(73,133)
Debt Service - Interest	2,144	-	-	-	(2,144)		(2,144)
<b>Total Governmental Activities</b>	<u>674,097</u>	<u>137,550</u>	<u>23,904</u>	<u>1,308,041</u>	<u>795,398</u>		<u>795,398</u>
<b>Business-Type Activities:</b>							
Enterprise Fund	833,599	596,639	-	59,784	-	\$ (177,176)	(177,176)
<b>Total Business Type Activities</b>	<u>833,599</u>	<u>596,639</u>	<u>-</u>	<u>59,784</u>	<u>-</u>	<u>(177,176)</u>	<u>(177,176)</u>
<b>Total Primary Government</b>	<u>\$ 1,507,696</u>	<u>\$ 734,189</u>	<u>\$ 23,904</u>	<u>\$ 1,367,825</u>	<u>795,398</u>	<u>(177,176)</u>	<u>618,222</u>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property Taxes, Levied for General Purposes					63,551	-	63,551
Taxes - Other					305,272	-	305,272
Inurance Proceeds - Hurricane Damage					96,327	76,436	172,763
Miscellaneous					19,894	159	20,053
Transfers					(23,580)	23,580	-
<b>Total General Revenues and Transfers</b>					<u>461,464</u>	<u>100,175</u>	<u>561,639</u>
Change in Net Position					1,256,862	(77,001)	1,179,861
Net Position - beginning					2,448,394	5,174,155	7,622,549
Net Position - ending					<u>\$ 3,705,256</u>	<u>\$ 5,097,154</u>	<u>\$ 8,802,410</u>

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

City of Cottondale, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2020

	General Fund	Transportation Fund	SRF Grant Construction Fund	SCOP Grant Construction Fund	Other	Total Governmental Funds
<b>ASSETS</b>						
Cash	\$ 525,668	\$ 293,130	\$ 34,200	\$ -	\$ 1,000	\$ 853,998
Accounts Receivable - net	16,292	-	-	-	-	16,292
Prepaid Expenses	11,633	-	-	-	-	11,633
Due from Other Funds	71,962	-	36,229	-	-	108,191
Due from Other Governments	18,439	7,890	49,854	-	10,190	86,373
Total Assets	<u>\$ 643,994</u>	<u>\$ 301,020</u>	<u>\$ 120,283</u>	<u>\$ -</u>	<u>\$ 11,190</u>	<u>\$ 1,076,487</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts Payable and Accrued Expenses	\$ 43,202	\$ 18,189	\$ 120,283	\$ -	\$ 10,190	\$ 191,864
Due to Other Funds	26,744	66,931	-	-	-	93,675
Deferred Revenues	28,191	47,032	-	-	-	75,223
Total Liabilities	<u>98,137</u>	<u>132,152</u>	<u>120,283</u>	<u>-</u>	<u>10,190</u>	<u>360,762</u>
Fund Balances:						
Nonspendable:						
Prepaid Expenses	11,633	-	-	-	-	11,633
Restricted:						
Transportation	-	168,868	-	-	-	168,868
Assigned:						
Police Education/Automation	1,217	-	-	-	-	1,217
Other	128,013	-	-	-	1,000	129,013
Unassigned	404,994	-	-	-	-	404,994
Total Fund Balances	<u>545,857</u>	<u>168,868</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>715,725</u>
Total Liabilities & Fund Balances	<u>\$ 643,994</u>	<u>\$ 301,020</u>	<u>\$ 120,283</u>	<u>\$ -</u>	<u>\$ 11,190</u>	<u>\$ 1,076,487</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, 2020

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Total Fund Balances - Total Governmental Funds \$ 715,724

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. 3,124,926

Some liabilities, including loans payable are not  
due and payable in the current period and therefore  
are not reported in the funds. (135,395)

Total Net Position \$ 3,705,255

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, 2020

	General Fund	Transportation Fund	SRF Grant Construction Fund	SCOP Grant Construction Fund	Other	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 224,600	\$ 41,782	\$ -	\$ -	\$ -	\$ 266,382
Licenses & Permits	77,559	-	-	-	-	77,559
Intergovernmental Revenues	251,936	-	868,451	247,863	66,137	1,434,387
Charges for Services	15,706	12,062	-	-	-	27,768
Judgments and Fines	32,224	-	-	-	-	32,224
Miscellaneous Revenues	16,781	3,111	-	-	-	19,892
Total Revenues	<u>618,806</u>	<u>56,955</u>	<u>868,451</u>	<u>247,863</u>	<u>66,137</u>	<u>1,858,212</u>
<b>EXPENDITURES</b>						
Current:						
General Government	190,040	-	-	-	-	190,040
Public Safety	267,816	-	-	-	-	267,816
Transportation	31,523	35,926	-	-	-	67,449
Human Services	353	-	-	-	-	353
Culture/Recreation	24,203	-	-	-	-	24,203
Capital Outlay	211,438	16,240	991,480	247,863	66,137	1,533,158
Debt Service - Interest	-	2,144	-	-	-	2,144
Total Expenditures	<u>725,373</u>	<u>54,310</u>	<u>991,480</u>	<u>247,863</u>	<u>66,137</u>	<u>2,085,163</u>
Excess (deficiency) of revenues over expenditures	<u>(106,567)</u>	<u>2,645</u>	<u>(123,029)</u>	<u>-</u>	<u>-</u>	<u>(226,951)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds From SRF Loan	-	-	86,800	-	-	86,800
Proceeds From Hurricane Claims	96,327	-	-	-	-	96,327
Transfers In	6,016	-	36,229	-	-	42,245
Transfers Out	(65,825)	-	-	-	-	(65,825)
Total Other Financing Sources (Uses)	<u>36,518</u>	<u>-</u>	<u>123,029</u>	<u>-</u>	<u>-</u>	<u>159,547</u>
Net Changes In Fund Balances	(70,049)	2,645	-	-	-	(67,404)
Fund Balances - beginning	615,906	166,223	-	-	1,000	783,129
Fund Balances - ending	<u>\$ 545,857</u>	<u>\$ 168,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 715,725</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, 2020

---

Net change in fund balances - Total Governmental Funds \$ (67,404)

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 net capital asset additions, \$1,528,009, exceeded depreciation, \$113,803 in the current period. 1,414,206

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 increase in long term debt, \$88,819 and the net increase in long term accrued leave, \$1,121. (89,940)

Change in net position of governmental activities \$ 1,256,862

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, 2020

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	<u>Business-Type Activities Enterprise</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 683,834
Accounts Receivable - Net	55,546
Prepaid Expenses	7,158
Inventory	1,555
Due From Other Funds	21,713
Total Current Assets	769,806
Noncurrent Assets:	
Restricted Assets - Cash	140,455
Capital Assets:	
Land	5,324
Construction In Progress	9,000
Buildings	14,000
Improvements Other than Buildings	8,116,172
Machinery and Equipment	76,624
Less Accumulated Depreciation	(2,881,809)
Other Assets	5,417
Total Noncurrent Assets	5,485,183
Total Assets	6,254,989
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	31,040
Accrued Expenses	14,186
Due to Other Funds	36,229
Current Portion of Bonds & Notes	55,156
Deferred Revenues	40,490
Total Current Liabilities	177,101
Noncurrent Liabilities:	
Customer Deposits	46,008
Accrued Leave	10,360
Bonds and Notes Payable after One Year	924,366
Total Noncurrent Liabilities	980,734
Total Liabilities	1,157,835
<b>NET POSITION</b>	
Invested in Capital Assets, Net of Related Debt	4,359,789
Restricted:	
Debt Service	35,752
Other Purposes	104,994
Unrestricted	596,619
Total Net Position	\$ 5,097,154

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, 2020

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	Business-Type Activities <u>Enterprise</u>
<b>OPERATING REVENUES:</b>	
Charges for Services	\$ 591,449
Miscellaneous Charges and Fees	5,190
Total Charges for Services	<u>596,639</u>
<b>OPERATING EXPENSES:</b>	
Personal Services	194,822
Contractual Services	196,902
Utilities	87,056
Repairs and Maintenance	110,805
Insurance	21,982
Other Supplies and Expenses	21,101
Depreciation and Amortization	159,809
Total Operating Expenses	<u>792,477</u>
Operating Income (Loss)	<u>(195,838)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest Income	159
FEMA - Hurricane Grant	12,534
Insurance Proceeds- Hurricane Damage	76,436
Interest Expense	(41,122)
Total Nonoperating Revenue (Expenses)	<u>48,007</u>
(Loss) before Contributions and Transfers	(147,831)
Contributions From Other Governments	47,250
Transfers In	65,825
Transfers Out	<u>(42,245)</u>
Change in Net Position	(77,001)
Net Position - beginning	<u>5,174,155</u>
Net Position - ending	<u>\$ 5,097,154</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, 2020

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	Business-Type <u>Activities</u> <u>Enterprise</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 597,480
Payments to Suppliers	(421,007)
Payments to Employees	<u>(186,084)</u>
Net Cash Provided by Operating Activities	<u>(9,611)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of Capital Assets	(22,324)
Principal Paid on Capital Debt	(53,927)
Interest Paid on Capital Debt	(41,294)
Increase in Interfund Loans	40,483
FEMA Hurricane Grant	47,285
Contributions from Other Governments	47,250
Insurance Proceeds - Hurricane Damage	76,436
Transfers from Other Funds	65,825
Transfers to Other Funds	<u>(42,245)</u>
Net Cash Used by Capital and Related Financing Activities	<u>117,489</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Income	<u>159</u>
Net Cash Provided by Investing Related Activities	<u>159</u>
Net Increase in Cash and Cash Equivalents	108,037
Cash and Cash Equivalents, beginning	<u>716,252</u>
Cash and Cash Equivalents, ending	<u>\$ 824,289</u>
<b>Reconciliation of Operating Loss to Net Cash</b>	
<b>Used in Operating Activities:</b>	
Operating Income (Loss)	\$ (195,838)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation and Amortization	159,809
Change in Assets and Liabilities:	
Accounts Receivable	540
Prepaid Expenses	(493)
Accounts Payable and Accrued Expenses	26,070
Customer Deposits	<u>301</u>
Net Cash Provided by Operating Activities	<u>\$ (9,611)</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, 2020

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING**

Introduction-

The accounting and reporting framework and the more significant accounting policies and principles and practices of the City of Cottondale, Florida (City) are discussed in the various sections of this Note. The remainder of the notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2020.

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).

City of Cottondale, Florida  
Notes to Financial Statements  
September 30, 2020

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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.

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

SCOP Grant Construction Fund – established to account for a road rebuild project due to severe damage by Hurricane Michael. This is primarily funded by a State of Florida Small County Outreach Program Grant.

City of Cottondale, Florida  
Notes to Financial Statements  
September 30, 2020

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

The City reports the following major proprietary funds:

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

E. INVENTORIES

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

F. CAPITAL ASSETS AND DEPRECIATION

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

Vehicles and Equipment	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;

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

At September 30, 2020 the City did not have any committed funds. Funds were considered assigned funds for cash balances set aside for the Police and Fire Equipment and Infrastructure accounts.

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

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

H. PROPERTY TAXES

The City voted a local millage rate for the assessment of ad valorem property taxes. This rate was set at 4.1373 mills for the October 2019 through September 2020 budget year. The Jackson County Property Appraiser's office includes this assessment with county wide property tax assessments. The Jackson County Tax Collector is charged with collecting these revenues and distributing to the City its share of these collections.

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

I. BUDGET PROCESS

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

J. RISK MANAGEMENT AND INSURANCE

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

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

City of Cottondale, Florida  
Notes to Financial Statements  
September 30, 2020

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - Continued

K. ESTIMATES

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

NOTE 2 – CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

The City, in accordance with state and local regulations, deposits its cash funds in approved financial institutions. The financial institution is required to pledge U.S. Government Securities as collateral for such funds. All deposits are in checking accounts, bank money market accounts, or certificates of deposit. At September 30, 2020, 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>1,440,309</u>
Total Deposits With Financial Institutions	1,690,309
Petty Cash on Hand	<u>600</u>
TOTAL	<u>\$ 1,690,909</u>

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

City of Cottondale, Florida  
Notes to Financial Statements  
September 30, 2020

**NOTE 3 – RECEIVABLES**

At September 30, 2020, the City reported receivables as follows:

GENERAL FUND		
Due from State of Florida	\$	16,499
Due from Jackson County		1,940
Other Receivables		<u>16,292</u>
TOTAL	\$	<u>34,731</u>
TRANSPORTATION FUND		
Due from State of Florida	\$	7,228
Due from Jackson County		<u>662</u>
TOTAL	\$	<u>7,890</u>
SRF GRANT CONSTRUCTION FUND		
Due from State of Florida	\$	<u>49,854</u>
CDBG GRANT CONSTRUCTION FUND		
Due from State of Florida	\$	<u>10,190</u>
ENTERPRISE FUND		
Utility Service	\$	57,864
Less Allowance for Uncollectible Accounts		<u>(2,318)</u>
NET	\$	<u>55,546</u>

**NOTE 4 – INTERFUND BALANCES AND ACTIVITY**

At September 30, 2020, 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>15,974</u>
General Fund	Enterprise Fund	Reallocation of FEMA Funds	\$ <u>5,739</u>
Transportation Fund	General Fund	Operating Expense	\$ <u>53,375</u>
Transportation Fund	General Fund	Reallocation of FEMA Funds	\$ <u>13,556</u>
Enterprise Fund	SRF Grant Const. Fund	Project Expenses	\$ <u>36,229</u>

During the year ended September 30, 2020, 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>59,809</u>
Enterprise Fund	SRF Tank Const. Fund	Project Expenses	\$ <u>36,229</u>



City of Cottondale, Florida  
Notes to Financial Statements  
September 30, 2020

**NOTE 5 – CAPITAL ASSETS**

Capital Asset Activity for the year ended September 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets not being depreciated:				
Land	\$ 336,585	-	-	336,585
Construction In Progress	<u>-</u>	<u>1,057,617</u>	<u>-</u>	<u>1,057,617</u>
Total	<u>336,585</u>	<u>1,057,617</u>	<u>-</u>	<u>1,394,202</u>
Capital Assets being depreciated:				
Buildings & Improvements	420,291	19,620	-	439,911
Improvements other than buildings	1,525,538	71,322	-	1,596,860
Streets & Roads	-	247,863	-	247,863
Equipment	<u>815,305</u>	<u>131,587</u>	<u>(11,018)</u>	<u>935,874</u>
Total	<u>2,761,134</u>	<u>470,392</u>	<u>(11,018)</u>	<u>3,220,508</u>
Less Accumulated Depreciation:				
Buildings & Improvements	229,009	10,043	-	239,052
Improvements other than buildings	359,488	55,379	-	414,867
Streets & Roads	-	516	-	516
Equipment	<u>798,502</u>	<u>47,865</u>	<u>(11,018)</u>	<u>835,349</u>
Total	<u>1,386,999</u>	<u>113,803</u>	<u>(11,018)</u>	<u>1,489,784</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities</b>				
Capital Assets not being depreciated:				
Construction In Progress	\$ -	\$ 9,000	\$ -	\$ 9,000
Land	<u>2,000</u>	<u>3,324</u>	<u>-</u>	<u>5,324</u>
Total	<u>2,000</u>	<u>12,324</u>	<u>-</u>	<u>14,324</u>
Capital Assets being depreciated:				
Buildings	4,000	10,000	-	14,000
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>8,196,796</u>	<u>10,000</u>	<u>-</u>	<u>8,206,796</u>
Less Accumulated Depreciation:				
Buildings	27	277	-	304
Improvements other than buildings	2,646,282	158,684	-	2,804,966
Equipment	<u>76,164</u>	<u>375</u>	<u>-</u>	<u>76,539</u>
Total	<u>2,722,473</u>	<u>159,336</u>	<u>-</u>	<u>2,881,809</u>
Net Capital Assets being depreciated	<u>5,474,323</u>	<u>(149,336)</u>	<u>-</u>	<u>5,324,987</u>
Net Business-Type Activity Capital Assets	<u>\$ 5,476,323</u>	<u>\$ (137,012)</u>	<u>\$ -</u>	<u>\$ 5,339,311</u>

City of Cottondale, Florida  
Notes to Financial Statements  
September 30, 2020

**NOTE 5 – CAPITAL ASSETS – Continued**

Depreciation expense was charged to Governmental Activity functions as follows:

General Government	\$	9,684
Public Safety:		
Police		19,570
Fire		20,275
Human Services		25
Transportation		11,415
Recreation		52,834
Total	\$	<u>113,803</u>

**NOTE 6 – BOND ISSUE COSTS**

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

	Bond Issue		Total
	1985	1999	
Unamortized bond issue costs - beginning of year	\$ 396	\$ 5,494	\$ 5,890
Less: Current year amortization	(198)	(275)	(473)
Unamortized bond issue costs - end of year	<u>\$ 198</u>	<u>\$ 5,219</u>	<u>\$ 5,417</u>

Unamortized bond issue costs are included in other assets.

**NOTE 7 – NOTES PAYABLE AND LONG TERM DEBT**

Governmental Activities:

Note Payable – State of Florida

State Revolving Fund loan as part of a Loan/Grant funded water tank construction project. Payable in semi-annual payments of \$4,787 including interest at 1.45%. Payments are due each October and April beginning October 2020 through April 2030. When the project is complete, the capital assets and debt will be transferred to the Enterprise Fund.

Collateralized by water system revenue.	\$ 88,819
Less Current Portion	<u>(8,317)</u>
Long Term Portion	80,502
Long Term Accrued Leave	<u>46,576</u>
Total Long Term Debt	<u>\$127,078</u>

City of Cottondale, Florida  
Notes to Financial Statements  
September 30, 2020

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

The City opened a short term line of credit at a local bank March 2020 in the amount of \$253,495 for the purpose of funding a road rebuilding project that would ultimately be funded by a State SCOP grant. They drew \$247,863 during the year. The line was repaid and closed September 2020.

Changes in governmental activities short term notes and long term debt are as follows for the year ended September 30, 2020:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Notes Payable	\$ -	\$ 336,682	\$ (247,863)	\$ 88,819
Accrued Leave	45,455	1,121	-	46,576
Total	<u>\$ 45,455</u>	<u>\$ 337,803</u>	<u>\$ (247,863)</u>	<u>\$ 135,395</u>

The current portion of Accrued Leave, \$27,313, 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, 2020 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>
2021	\$ 7,000	\$ 350
Totals	<u>\$ 7,000</u>	<u>\$ 350</u>

**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>
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>\$ 56,000</u>	<u>\$ 8,650</u>

City of Cottondale, Florida  
Notes to Financial Statements  
September 30, 2020

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

WATER AND SEWER SYSTEM REVENUE BONDS - B Series 1999

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

<u>Due Date</u>		<u>Principal</u>		<u>Interest</u>
2021	\$	25,000	\$	32,670
2022		26,000		31,545
2023		27,000		30,375
2024		29,000		29,160
2025		29,000		27,855
2026-2030		169,000		118,215
2031-2035		211,000		76,545
2036-2039		210,000		24,435
Totals	<u>\$</u>	<u>726,000</u>	<u>\$</u>	<u>370,800</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 15<sup>th</sup> of each month from the “Revenue Fund”, one twelfth of the next annual interest and principle requirements.
- C. The “Reserve Account” is to be established by transferring on or before the 15<sup>th</sup> of each month from the “Revenue Fund”, the sum of one twelfth of one tenth of the Maximum Bond Service requirement until the account reaches, and to maintain, the maximum debt service requirement. The funds in this account shall be used only for paying the cost of repairing or replacing any damage to the system caused by an unforeseen catastrophe, construction improvements or extensions to increase net revenues, and paying principal and interest in the event that the Sinking Fund is insufficient to meet such payments.
- D. The “Operation and Maintenance Fund” is to be used exclusively for the purpose of receiving funds transferred monthly from the Revenue Fund and for paying the current expense of the system pursuant to the annual budget. Any balance remaining in the “Operation and Maintenance Fund” at the end of the fiscal year over and above the amount required to pay expenses incurred during said fiscal year shall be deposited into the Revenue Fund.

City of Cottondale, Florida  
Notes to Financial Statements  
September 30, 2020

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

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>
2021	\$	13,156	\$	3,314
2022		13,390		3,080
2023		13,629		2,843
2024		13,871		2,600
2025		14,117		2,353
2026-2030		74,442		7,912
2031-2033		47,917		1,495
Totals	<u>\$</u>	<u>190,522</u>	<u>\$</u>	<u>23,597</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 Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Revenue Bonds	\$ 830,000	\$ -	\$ (41,000)	\$ 789,000
Revenue Notes	203,448	-	(12,926)	190,522
Accrued Leave	<u>7,293</u>	<u>3,067</u>	<u>-</u>	<u>10,360</u>
Total	<u>\$ 1,040,741</u>	<u>\$ 3,067</u>	<u>\$ (53,926)</u>	<u>\$ 989,882</u>

The current portion of Accrued Leave, \$11,559, is included in Accrued Expenses.

Total interest accrued and charged to expense in the Enterprise Fund for the year ended September 30, 2020, was \$41,122.

City of Cottondale, Florida  
Notes to Financial Statements  
September 30, 2020

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**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, 2020 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 2019, the City adopted a budget for the 2019-2020 fiscal year which included General Fund appropriations of \$569,575 and Enterprise Fund appropriations of \$633,598. Additionally, the budget included appropriations of \$70,975 for Special Revenue Funds and \$1,649,698 for Capital Project Funds. Actual expenditures in the General Fund exceeded appropriations by \$221,623, In the Enterprise Fund by \$82,438 and in the SRF Tank Construction Fund by \$272,027. Although the budgets were not amended to cover the additional expenditures, there were sufficient resources to cover outflows.

**NOTE 10 - RETIREMENT SYSTEM**

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

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

City of Cottondale, Florida  
Notes to Financial Statements  
September 30, 2020

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NOTE 10 - RETIREMENT SYSTEM - continued

Employee contributions to the plan for the year ended September 30, 2020 totaled \$9,748 and were matched by employer contributions of the same amount. Non-vested plan contributions on employee termination are forfeited and may be applied toward future required contributions.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Compensated Absences

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

NOTE 12 - FRANCHISE FEE INCOME

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

	<u>Fee Rate</u>	<u>Revenue</u>
Electricity Sales	6%	<u>\$ 73,290</u>

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

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

Although operations of the systems have been reasonably restored, repair and reconstruction continued through the year ended September 30, 2020 and beyond.

During the year ended September 30, 2020, the City received additional FEMA Grants for assistance with operations and repairs totaling \$169,636 of which \$69,579, \$47,032 and \$53,024 were deposited to the General Fund, Transportation Fund and Enterprise Fund respectively. However, only \$56,323 was expended, therefore, the remainder has been recorded as deferred revenues in the respective funds.

City of Cottondale, Florida  
Notes to Financial Statements  
September 30, 2020

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

Additionally, the City received additional insurance proceeds in the current year for damage and loss of property of which \$96,327 and \$76,436 was deposited to the General Fund and Enterprise Fund respectively.

Repairs and replacement of property continues into 2021.

COVID-19 – In March 2020, the nation was effectively shut down due to a pandemic caused by the COVID-19 virus. Although the City offices closed to the public, operations continued with little interruption. However, due to many City residents being laid off and businesses being required to shut down, utility service collections were affected. Subsequent to year end, the City received Covid Relief Grants to help with recovery.

**NOTE 14 – GRANTS, PROJECTS AND SUBSEQUENT EVENTS**

Community Development Block Grant (CDBG) - \$600,000. This grant was awarded for the purpose of community revitalization through the upgrading of water lines in the northeastern corner of the City. During the current year, the City expended \$66,137 related to this project. 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 expenditures in the current year totaled \$247,863. The project was completed in September 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 expenditures in the current year totaled \$991,480 including \$36,229 local input from insurance proceeds. This project was completed in the spring of 2021. An SRF grant for \$47,250 was received for assistance cleaning debris from the water tank. Subsequent to year end, the City was awarded additional SRF grant/loan funds totaling \$79,755 for repairs to its sewer system.

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

During the year ended September 30, 2020 and subsequent, the City received various smaller grants for the acquisition of fire and police equipment and USDA SEARCH Grant.



REQUIRED SUPPLEMENTARY INFORMATION

City of Cottondale, Florida  
 Budgetary Comparison Schedule – General Fund  
 For the Year Ended September 30, 2020

	<u>Budgeted Amounts</u>		Actual Amounts
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>
<b>REVENUES</b>			
Taxes	\$ 209,882	\$ 209,882	\$ 224,600
Licenses & Permits	71,500	71,500	77,559
Intergovernmental Revenues	172,303	172,303	251,936
Charges for Services	15,350	15,350	15,706
Judgments and Fines	57,500	57,500	32,224
Miscellaneous Revenues	13,040	13,040	16,781
Total Revenues	<u>539,575</u>	<u>539,575</u>	<u>618,806</u>
<b>EXPENDITURES</b>			
Current:			
General Government	165,732	165,732	190,040
Public Safety	267,061	267,061	267,816
Transportation	26,732	26,732	31,523
Health Services	300	300	353
Culture/Recreation	23,000	23,000	24,203
Capital Outlay	86,750	86,750	211,438
Total Expenditures	<u>569,575</u>	<u>569,575</u>	<u>725,373</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(30,000)</u>	<u>(30,000)</u>	<u>(106,567)</u>
<b>OTHER FINANCING</b>			
<b>SOURCES (USES)</b>			
Inurance Proceeds - Hurricane Damages	-	-	96,327
Transfers In	-	-	6,016
Transfers Out	-	-	(65,825)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>36,518</u>
Net Change in Fund Balances	(30,000)	(30,000)	(70,049)
Fund Balances - beginning	615,906	615,906	615,906
Fund Balances - ending	<u>\$ 585,906</u>	<u>\$ 585,906</u>	<u>\$ 545,857</u>

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

Intergovernmental Revenues and Capital Outlay Budget includes \$46,750 reflected in Capital Projects Budget, but recorded actual in the General Fund.

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

City of Cottondale, Florida  
 Budgetary Comparison Schedule – Transportation Fund  
 For the Year Ended September 30, 2020

	<u>Budgeted Amounts</u>		Actual Amounts
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>
<b>REVENUES</b>			
Taxes	\$ 43,913	\$ 43,913	\$ 41,782
Charges for Services	12,062	12,062	12,062
Miscellaneous Revenues	<u>-</u>	<u>-</u>	<u>3,111</u>
Total Revenues	<u>55,975</u>	<u>55,975</u>	<u>56,955</u>
<b>EXPENDITURES</b>			
Current:			
Transportation	35,975	35,975	35,926
Capital Outlay	35,000	35,000	16,240
Debt Service - Interest	<u>-</u>	<u>-</u>	<u>2,144</u>
Total Expenditures	<u>70,975</u>	<u>70,975</u>	<u>54,310</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(15,000)</u>	<u>(15,000)</u>	<u>2,645</u>
Net Change in Fund Balances	(15,000)	(15,000)	2,645
Fund Balances - beginning	<u>166,223</u>	<u>166,223</u>	<u>166,223</u>
Fund Balances - ending	<u>\$ 151,223</u>	<u>\$ 151,223</u>	<u>\$ 168,868</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.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

City of Cottondale, Florida  
 Schedule of Expenditures of State Financial Assistance  
 For the Year Ended September 30, 2020

<u>GRANTOR/ PROGRAM TITLE</u>	<u>CSFA NUMBER</u>	<u>CONTRACT/GRANT NUMBER</u>	<u>CURRENT EXPENDITURES</u>
<u>STATE OF FLORIDA</u>			
Department of Transportation			
Small County Outreach Program - Municipalities (MSCOP)	55.009	438896-2-54-01	\$ 247,863
Department of Environmental Protection			
Drinking Water Revolving Loan Fund	37.076	DW 320370	173,600
Drinking Water Revolving Loan Fund	37.076	DW 320371	781,651
Subrogation	37.075	SG 004	47,250
Department of Financial Services			
Volunteer Firefighter Assistance Program	43.006	FM505-A1	<u>35,051</u>
Total Expenditures of State Financial Assistance			<u>\$ 1,285,415</u>

NOTES TO SCHEDULE:

- A. This schedule includes the grant activity of the City of Cottondale, Florida, under programs of the state government for the year ended September 30, 2020. The information in this schedule is presented in accordance with the requirements of Department of Financial Services Rules, Chapter 691-5, Florida Administrative Code, State Financial Assistance, and presents only a selected portion of the operations of the City of Cottondale, Florida. Therefore, it is not intended to, and does not present the financial position, changes in net position, or cash flows of the City.
- B. Expenditures reported on this schedule are reported on the accrual basis of accounting.

INDEPENDENT ACCOUNTANTS' REPORT  
EXAMINATION REPORT

# GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

MEMBER  
FLORIDA INSTITUTE AND  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

## INDEPENDENT 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, 2020. 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, 2020.

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 15, 2021

Grimsley and Associates, P.A.  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY  
GOVERNMENTAL AUDITING STANDARDS



# GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

MEMBER  
FLORIDA INSTITUTE AND  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cottondale, Florida, as of and for the year ended September 30, 2020, 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 October 15, 2021.

### **Internal Control over Financial Reporting**

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

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

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as items 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  
October 15, 2021

Grimsley and Associates, P.A.  
Certified Public Accountants

# GRIMSLEY & ASSOCIATES

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CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

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

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

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

We have audited the City of Cottondale, Florida's compliance with the types of compliance requirements described in the Department of Financial Services' State Projects *Compliance Supplement* that could have a direct and material effect on each of the City of Cottondale, Florida's major state projects for the year ended September 30, 2020. The City of Cottondale, Florida's major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state projects.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Cottondale, Florida's major state projects based on our audit of the types of compliance requirements referred to above. 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 Chapter 10.550, *Rules of the Auditor General*. *Those standards and the Chapter 10.550, Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirement referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the City of Cottondale, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of the City of Cottdale, Florida's compliance.

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

In our opinion, the City of Cottdale, 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 state projects for the year ended September 30, 2020.

### **Report on Internal Control over Compliance**

Management of the City of Cottdale, Florida, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Cottdale, Florida's internal control over compliance with the types of requirement that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Cottdale, Florida's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be a material weaknesses or significant deficiencies. We did not identify an deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Honorable Mayor and City Council  
City of Cottondale, Florida  
Page 3

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 requirement of Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Marianna, Florida  
October 15, 2021

*Grimsley & Associates*

Grimsley and Associates, P.A.  
Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Cottondale, Florida  
Schedule of Findings and Questioned Costs  
September 30, 2020

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Section 1 – Summary of Auditor’s Results

1. The auditor’s report expresses an unmodified opinion on the statement of financial position of the City of Cottondale, Florida, as of September 30, 2020.
2. Significant deficiencies were noted in reference to the lack of separation of duties. Material weaknesses were noted in relation to lack of reconciliation of subsidiary records to the general ledger and proper financial and account management.
3. There were not audit findings relative to compliance and other matters for the City of Cottondale, Florida.
4. There were not significant deficiencies relative to the major state projects for the City of Cottondale, Florida.
5. The independent auditor’s report on compliance with requirements applicable to state projects expressed an unmodified opinion.
6. There were no compliance findings relative to the major state projects for the City of Cottondale, Florida.
7. The projects tested as major projects included the following:

<u>State Projects</u>	<u>State CSFA No.</u>
Drinking Water Revolving Loan Fund	37.076

8. The threshold for distinguishing Type A or Type B projects was \$750,000 for major state projects.
9. The City of Cottondale, Florida did not qualify as a low-risk auditee.

City of Cottondale, Florida  
Schedule of Findings and Questioned Costs  
September 30, 2020

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2003-001

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

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

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

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

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

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 and Questioned Costs  
September 30, 2020

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2019-002

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

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

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

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

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

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

# GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

MEMBER  
FLORIDA INSTITUTE AND  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

## INDEPENDENT AUDITOR'S REPORT TO CITY MANAGEMENT

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

### **Report on the Financial Statements**

We have audited the financial statements of the City of Cottondale, Florida, as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated October 15, 2021.

### **Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

### **Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated October 15, 2021, 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 #	2018-19 FY Finding #	2017-18 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 #	2018-19 FY Finding #	2017-18 FY Finding #
2003-001	2003-001	2003-001
2019-001	2019-001	N/A
2019-002	2019-002	N/A

**Official Title and Legal Authority**

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

**Financial Condition and Management**

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

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

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

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

*Grimsley & Associates*

Marianna, Florida  
October 15, 2021

Grimsley and Associates, P.A.  
Certified Public Accountants

## RESPONSE TO AUDIT FINDINGS

October 15, 2021

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

Reference: Response to the FY 2019-20 Schedule of Findings

2016-01 – Budget Comparison

The City of Cottondale has hired a new Deputy Clerk and is currently training on BusinessWorks, our accounting software. The budget will be entered into the 2021-22 fiscal year correctly.

2016-03 – Billing System Complexity

The number of lines was reduced during our FY 2019-20 by approximately 5 accounts. We hope this is satisfactory and reduces the difficulty of reconciling the actual revenue accounts.

2016-05 – Small Liability Accounts

The City of Cottondale has only just begun working on this problem. Our new Deputy Clerk has recently worked with one account in the FY 2020-21 and plans to grow to a point of evaluating the accounts monthly and correcting issues as they occur.

2003-001 - Segregation of duties

The city has a limited staff and understand that some areas do not have optimum delegated duties. We are working to correct the problem of allocating duties as best we can.

2019-001 – Financial and accounting management

We are seeking training for office personnel and plan to work with an individual consultant to help eliminate the problem and will monitor reports as required.



2019-002 – Errors

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

Best Regards,

A handwritten signature in cursive script that reads "Theresa Brannen".

Theresa Brannen

City Clerk | City of Cottondale

850.352.4361