

TOWN OF CAMPBELLTON
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2007

TOWN OF CAMPBELLTON, FLORIDA

MAYOR

Aggie Curry

COUNCIL MEMBERS

Wanda Moore
Rev. James Robinson
Danny Taylor
Ronnie Griffin
Alex McKinnie

CITY CLERK

Brenda Griffin

AUDITORS

Grimsley, Cavin & Company, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

DALE L. CAVIN, C.P.A.

DONNA F. ROGERS, C.P.A.

INDEPENDENT AUDITOR'S REPORT

MEMBERS
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Town Council Members
Town of Campbellton
Campbellton, Florida 32426

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 Town of Campbellton, Florida, as of and for the year ended September 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Campbellton, Florida's management. 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 the 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Campbellton, Florida, as of September 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2008, on our consideration of the Town of Campbellton, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on page 22 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town of Campbellton, Florida, has not presented the management discussion and analysis that accounting principles generally accepted in the United States of America require to supplement, although not required to be part of the basic financial statements.

June 30, 2008

Grimsley, Cavin & Company

Grimsley, Cavin & Company, P.A.
Certified Public Accountants

FINANCIAL STATEMENTS

Town of Campbellton, Florida
Statement of Net Assets
September 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 166,840	\$ 11,179	\$ 178,019
Restricted Assets	-	18,270	18,270
Accounts Receivable	-	3,441	3,441
Due from other Governments	10,659	-	10,659
Due from other funds	64,649	(64,649)	-
Capital Assets:			
Land, Improvements, and Construction In Progress	108,002	7,709	108,002
Other Capital Assets, Net of Depreciation	<u>590,587</u>	<u>545,470</u>	<u>1,143,766</u>
Total Capital Assets	<u>698,589</u>	<u>553,179</u>	<u>1,251,768</u>
Total Assets	<u>940,737</u>	<u>521,420</u>	<u>1,462,157</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	1,656	1,305	2,961
Long Term Liabilities:			
Due within one year	3,017	8,820	11,837
Due in more than one year	<u>9,112</u>	<u>114,675</u>	<u>123,787</u>
Total Liabilities	<u>13,785</u>	<u>124,800</u>	<u>138,585</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	686,460	430,830	1,117,290
Restricted for:			
Debt Service	-	18,270	18,270
Unrestricted (deficit)	<u>240,492</u>	<u>(52,480)</u>	<u>188,012</u>
Total Net Assets	<u>\$ 926,952</u>	<u>\$ 396,620</u>	<u>\$ 1,323,572</u>

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

Town of Campbellton, Florida
Statement of Activities
For the Year Ending September 30, 2007

	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 101,036	\$ 15,014	\$ 22,825	\$ -
Public Safety	27,500	937	13,774	-
Physical Environment	1,990	13,402	-	-
Transportation	15,209	-	-	-
Culture/Recreation	<u>18,216</u>	<u>1,055</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>163,951</u>	<u>30,408</u>	<u>36,599</u>	<u>-</u>
Business-type Activities:				
Water	61,114	30,966	-	-
Cable	<u>9,195</u>	<u>7,777</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 234,260</u>	<u>\$ 69,151</u>	<u>\$ 36,599</u>	<u>\$ -</u>
General Revenues:				
Taxes:				
Taxes - Other				
Interest Income				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - beginning				
Net Assets - ending				

Net (Expense) Revenue and Changes in Net Assets

Primary Government

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (63,197)		\$ (63,197)
(12,789)		(12,789)
11,412		11,412
(15,209)		(15,209)
<u>(17,161)</u>		<u>(17,161)</u>
<u>(96,944)</u>		<u>(96,944)</u>
-	(30,148)	(30,148)
<u>-</u>	<u>(1,418)</u>	<u>(1,418)</u>
<u>(96,944)</u>	<u>(31,566)</u>	<u>(128,510)</u>
42,739	-	42,739
4,150	917	5,067
23,417	-	23,417
<u>(6,286)</u>	<u>6,286</u>	<u>-</u>
<u>64,020</u>	<u>7,203</u>	<u>71,223</u>
<u>(32,924)</u>	<u>(24,363)</u>	<u>(57,287)</u>
<u>959,876</u>	<u>420,983</u>	<u>1,380,859</u>
<u>\$ 926,952</u>	<u>\$ 396,620</u>	<u>\$ 1,323,572</u>

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

Town of Campbellton, Florida
 Balance Sheet
 Governmental Funds
 For the Year Ending September 30, 2007

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash	\$ 166,840	\$ 166,840
Due from other Governments	10,659	10,659
Due from other Funds	<u>64,649</u>	<u>64,649</u>
Total Assets	<u>\$ 242,148</u>	<u>\$ 242,148</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts Payable	\$ 1,656	\$ 1,656
Total Liabilities	<u>1,656</u>	<u>1,656</u>

Fund Balances:

Unreserved - Undesignated	<u>240,492</u>	<u>240,492</u>
Total Fund Balances	<u>240,492</u>	<u>240,492</u>
Total Liabilities & Fund Balances	<u>\$ 242,148</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	\$ 698,589
Some liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(12,129)</u>
Total net assets of governmental activities	<u>\$ 926,952</u>

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

Town of Campbellton
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2007

	General Fund	Total Governmental Funds
REVENUES		
Taxes	\$ 42,739	\$ 42,739
Permits, Fees & Licenses	8,499	8,499
Intergovernmental Revenues	36,599	36,599
Charges for Services	15,457	15,457
Fines & Forfeitures	6,452	6,452
Investment Income	4,150	4,150
Miscellaneous Revenues	<u>23,417</u>	<u>23,417</u>
Total Revenues	<u>137,313</u>	<u>137,313</u>
EXPENDITURES		
Current:		
General Government	98,174	98,174
Public Safety	23,896	23,896
Physical Environment	1,990	1,990
Transportation	13,472	13,472
Culture/Recreation	7,244	7,244
Debt Service:		
Principal	2,870	2,870
Interest	<u>697</u>	<u>697</u>
Total Expenditures	<u>148,343</u>	<u>148,343</u>
Excess (deficiency) of revenues over expenditures	<u>(11,030)</u>	<u>(11,030)</u>
OTHER FINANCING SOURCES (USES)		
Transfers Out	<u>(6,286)</u>	<u>(6,286)</u>
Total Other Financing Sources (Uses)	<u>(6,286)</u>	<u>(6,286)</u>
Net Change in Fund Balances	(17,316)	(17,316)
Fund Balances - beginning	<u>257,808</u>	<u>257,808</u>
Fund Balances - ending	<u>\$240,492</u>	<u>\$ 240,492</u>

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

Town of Campbellton, Florida
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ending September 30, 2007

Net change in fund balances - total governmental funds \$ (17,316)

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 those assets, is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (18,478)

Debt Proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments: 2,870

Change in net assets of governmental activities \$ (32,924)

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

Town of Campbellton, Florida
Statement of Net Assets – Proprietary Funds
September 30, 2007

	<u>Water</u>	<u>Other</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 10,514	\$ 665	\$ 11,179
Accounts Receivable	<u>2,414</u>	<u>1,027</u>	<u>3,441</u>
Total Current Assets	<u>12,928</u>	<u>1,692</u>	<u>14,620</u>
Noncurrent Assets:			
Cash and Cash Equivalents	18,270	-	18,270
Capital Assets:			
Construction in Process	7,709	-	7,709
Waterworks System	831,151	-	831,151
Machinery and Equipment	11,449	25,000	36,449
Less Accumulated Depreciation	<u>(320,984)</u>	<u>(1,146)</u>	<u>(322,130)</u>
Total Capital Assets	<u>529,325</u>	<u>23,854</u>	<u>553,179</u>
Total Noncurrent Assets	<u>547,595</u>	<u>23,854</u>	<u>571,449</u>
Total Assets	<u>560,523</u>	<u>25,546</u>	<u>586,069</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	797	508	1,305
Note Payable due with one year	3,820	5,000	8,820
Due to other funds	<u>58,193</u>	<u>6,456</u>	<u>64,649</u>
Total Current Liabilities	<u>62,810</u>	<u>11,964</u>	<u>74,774</u>
Noncurrent Liabilities:			
Notes Payable due after One Year	<u>99,675</u>	<u>15,000</u>	<u>114,675</u>
Total Noncurrent Liabilities	<u>99,675</u>	<u>15,000</u>	<u>114,675</u>
Total Liabilities	<u>162,485</u>	<u>26,964</u>	<u>189,449</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	425,830	5,000	430,830
Restricted:			
Other Purposes	18,270	-	18,270
Unrestricted	<u>(46,062)</u>	<u>(6,418)</u>	<u>(52,480)</u>
Total Net Assets	<u>\$ 398,038</u>	<u>\$ (1,418)</u>	<u>\$ 396,620</u>

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

Town of Campbellton, Florida
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year September 30, 2007

	<u>Water</u>	<u>Other</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for Services	<u>\$ 30,966</u>	<u>\$ 7,777</u>	<u>\$ 38,743</u>
OPERATING EXPENSES:			
Contractual Services	15,685	2,069	17,754
Operating Supplies and Miscellaneous	14,711	5,980	20,691
Depreciation	<u>27,711</u>	<u>1,146</u>	<u>28,857</u>
Total Operating Expenditures	<u>58,107</u>	<u>9,195</u>	<u>67,302</u>
Operating Loss	<u>(27,141)</u>	<u>(1,418)</u>	<u>(28,559)</u>
Nonoperating Revenues (Expenses):			
Interest Income	917	-	917
Interest Expense	(3,007)	-	(3,007)
Transfers In	<u>6,286</u>	<u>-</u>	<u>6,286</u>
Total Nonoperating Revenue (Expenses)	<u>4,196</u>	<u>-</u>	<u>4,196</u>
Change in Net Assets	(22,945)	(1,418)	(24,363)
Net Assets, beginning of year	<u>420,983</u>	<u>-</u>	<u>420,983</u>
Net Assets, end of year	<u>\$ 398,038</u>	<u>\$ (1,418)</u>	<u>\$ 396,620</u>

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

Town of Campbellton, Florida
Statement of Cash Flows – Proprietary Fund
For the Year September 30, 2007

	<u>Water</u>	<u>Other</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 30,550	\$ 6,750	\$ 37,300
Payments to Suppliers	<u>30,430</u>	<u>(7,541)</u>	<u>(37,971)</u>
Net Cash used in Operating Activities	<u>120</u>	<u>(791)</u>	<u>(671)</u>
 Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Capital Debt	(3,956)	(5,000)	(8,956)
Interest Paid on Capital Debt	(3,008)	-	(3,008)
Proceeds from Capital Debt	7,827	25,000	32,827
Purchase of Capital Assets	(7,709)	(25,000)	(32,709)
Contributed Capital	<u>-</u>	<u>6,456</u>	<u>6,456</u>
Net Cash Provided by Capital and Related Financing Activities:	<u>(6,846)</u>	<u>1,456</u>	<u>(5,390)</u>
 Cash Flows from Noncapital Financing Activities:			
Transfers from other funds	<u>6,286</u>	<u>-</u>	<u>6,286</u>
 Cash Flows from Investing Activities:			
Interest Income	<u>917</u>	<u>-</u>	<u>917</u>
Net Increase in Cash and Cash Equivalents	477	665	1,142
Cash and Cash Equivalents, beginning of year	<u>28,307</u>	<u>-</u>	<u>28,307</u>
Cash and Cash Equivalents, end of year	<u>\$ 28,784</u>	<u>\$ 665</u>	<u>\$ 29,449</u>
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities:			
Operating Loss	\$ (27,141)	\$ (1,418)	\$ (28,559)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:			
Depreciation	27,711	1,146	28,857
Change in Assets and Liabilities:			
Accounts Receivable	(416)	(1,027)	(1,443)
Accounts Payable	<u>(34)</u>	<u>508</u>	<u>474</u>
Net Cash used in Operating Activities	<u>\$ 120</u>	<u>\$ (791)</u>	<u>\$ (671)</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Introduction

The financial statements of the Town of Campbellton, Florida, are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the Town's financial activities for the fiscal year ended September 30, 2007.

Reporting Entity

The Town of Campbellton, Florida, (the Town) is located in northwest Florida in Jackson County. The Town operates under an elected Mayor and Town Council and serves approximately 500 residents. The Town provides a full range of municipal services, including fire protection, public works activities, parks and recreation, and general administrative services. In addition, the Town operates a water utility.

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town of Campbellton, Florida, as a whole excluding fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town 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 Town'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 not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for the governmental and proprietary funds. Non-major governmental funds are reported in separate columns

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Accounting

The government-wide statements are reported 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). Reimbursements are reported as reductions to expenses. 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 are reported 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 Town 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, except for debt principal and interest which are recorded as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

Fund Types and Major Funds

Governmental Funds

The Town reports the following major governmental funds:

General Fund – reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Proprietary Funds

The Town reports the following major proprietary funds:

Water – accounts for the revenues and expenses, capital assets and debt for the utility department of the Town.

Cash and Investments

Amounts shown as cash include cash in checking accounts, cash on hand, cash in savings accounts and certificates of deposits.

Restricted Assets

Restricted Assets consist of cash and investments, which are required by resolution to be set-aside for specific purposes and is therefore unavailable for general operating purposes.

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, right of ways, stormwater system, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Property, plant and equipment with an initial, individual cost that exceeds \$5,000 and estimated useful lives of over one year are recorded as capital assets. Roads, bridges, and sidewalks are capitalized when their initial costs exceed \$25,000 and possess estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

GASB Statement No. 34 requires the Town to report and depreciate new infrastructure assets effective October 1, 2003. These infrastructure assets are likely to be the largest assets class of the Town.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	20-50
Electrical, sewer, water and wastewater system	10-50
Equipment	5-20
Infrastructure	25

Major outlays for capital assets and improvements are capitalized as projects are constructed. For assets constructed with governmental funds resources, interest during construction is not capitalized.

Property Taxes

Under Florida Law, the assessment of all properties and the collection of all Town municipal and school board property taxes are consolidated in the offices of the Property Appraiser and Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10 mills for general operations. The Town's millage rate for the year ended September 30, 2007 was 2.0 mills

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES – Continued

Long-Term Debt

In the government-wide financial statements, outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds of debt as other financial sources of the current period.

Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes.

Risk Management and Insurance

The Town insures itself against losses from casualty, accident and dishonesty by purchasing municipal insurance through a local insurance agency. The Town believes the level of insurance purchased is adequate to protect against material loss. No significant changes in coverage or claims have been made in the last year.

Estimates

The preparation of financial statements in conformity with general 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.

Budgets and Budgetary Accounting

The Town uses the following procedures in establishing the budgetary data reflected in the financial statements.

1. The Town adopts its budget in accordance with Chapters 166 and 200, Florida Statutes.
 - (a) The Town follows an internal hearing process to set the proposed tentative budget and millage.
 - (b) Public hearings are then held to adopt both a tentative budget and millage, and a final budget and millage, in accordance with Chapters 166 and 200, Florida Statutes.
 - (c) Budget amendments are made in accordance with applicable Florida Statutes
2. Budgets are adopted for the General Fund and Special Revenue Funds.
3. All Budgets are adopted in accordance with Generally Accepted Accounting Principles.
4. Florida Statutes do not require adoption of budgets for Debt Service Funds.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES – Continued

Budgets and Budgetary Accounting – Continued

5. Level of Control – Expenditures may not exceed appropriations and are controlled in the following manner:

- (a) The budget is controlled according to Chapter 166, Florida Statutes, at the total fund level.
- (b) Any budget amendments or transfer of funds must be approved by the Town.

Compensated Absences

The Town maintains a policy that permits employees to accumulate earned but unused vacation and sick pay benefits that will be paid to employees upon separation from Town services if certain criteria are met. These benefits, plus their related tax costs are classified as compensated absences. Employees may be paid for unused vacation hours accrued up to a maximum amount. Payment of unused sick leave, upon termination, is also provided for up to varying amounts.

At September 30, 2007, there was no sick or annual leave accrued that were significant to the financial statements.

NOTE 2 – CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

At year-end, the carrying amount of the Town's deposits was \$196,289 and the bank balance was \$197,349.

Custodial Credit

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits (in excess of FDIC insurance) may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of September 30, 2007, \$97,349 of the government's bank balance was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's Trust department not in the Town's name	<u>\$97,349</u>
---	-----------------

Florida Statutes authorize the Town to invest in certificates of deposit, repurchase agreements and the State Treasurer's Investment Pool. In addition, the Statutes allow the Town to invest in bonds, notes or other obligations of the United States Government, certain bonds of any state or local government unit, and bonds issued by certain government agencies.

For the purpose of the statement of cash flows, the Town considers cash and cash equivalents to include cash and investments with an original maturity or three months or less.

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2007

NOTE 3 – RECEIVABLES

The Town reported receivables as follows:

GENERAL FUND		
Due from Other Governments		<u>\$ 10,659</u>
ENTERPRISE FUND - WATER SYSTEM		
Water Fees		<u>\$ 2,414</u>
ENTERPRISE FUND - CABLE		
Cable Fees		<u>\$ 1,027</u>

No allowances for uncollectible accounts are considered necessary.

NOTE 4 – INTERNAL BALANCES

At September 30, 2007, the City had interfund receivables and payables that resulted from various interfund transactions as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Water Fund	General Fund	\$ 58,193
Cable Fund	General Fund	<u>6,456</u>
		<u>\$ 64,649</u>
<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Water Fund	<u>\$ 6,286</u>

NOTE 5 – RESTRICTED ASSETS

The amounts recorded in the Business-type activity fund restricted for debt services associated to the payment of Enterprise fund notes payable.

Cash – Debt Service	<u>\$ 18,270</u>
---------------------	------------------

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2007

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ending September 30, 2007 was as follows:

	BEGINNING			ENDING
	<u>BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 108,002	\$ -	\$ -	\$ 108,002
Capital assets, being depreciated:				
Buildings	387,438	-	-	387,438
Improvements other than buildings	263,381	-	-	263,381
Equipment	<u>84,962</u>	<u>-</u>	<u>10,994</u>	<u>73,968</u>
Total capital assets being depreciated:	<u>735,781</u>	<u>-</u>	<u>10,994</u>	<u>724,787</u>
Less: accumulated depreciation for:				
Buildings	(85,564)	(8,093)	-	(93,657)
Improvements other than buildings	(6,992)	(5,268)	-	(12,260)
Equipment	<u>(34,159)</u>	<u>(5,118)</u>	<u>10,994</u>	<u>(28,283)</u>
Total Accumulated Depreciation	<u>(126,745)</u>	<u>(18,478)</u>	<u>10,994</u>	<u>(134,200)</u>
Total capital assets being depreciated, net	<u>609,036</u>	<u>(18,478)</u>	<u>10,994</u>	<u>590,587</u>
Governmental activities capital assets, net	<u>\$ 717,038</u>	<u>\$ (18,478)</u>	<u>\$ 10,994</u>	<u>\$ 698,589</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 2,862
Public safety	2,908
Transportation	1,736
Culture and recreation	<u>10,972</u>
Total governmental depreciation expense	<u>\$ 18,478</u>

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2007

NOTE 5 – CAPITAL ASSETS – Continued

	BEGINNING <u>BALANCE</u>	INCREASES	DECREASES	ENDING <u>BALANCE</u>
Business-type activities:				
Capital assets, not being depreciated:				
Construction in process	-	7,709	-	7,709
Capital assets, being depreciated:				
Buildings, Equipment & Utility System	842,600	-	-	842,600
Cable System	-	25,000	-	25,000
Total capital assets being depreciated:	842,600	25,000	-	867,600
Less: accumulated depreciation for:				
Buildings, Equipment & Utility System	(293,273)	(27,711)	-	(320,984)
Cable System	-	(1,146)	-	(1,146)
Total Accumulated Depreciation	(296,273)	(28,857)	-	(322,130)
Total capital assets being depreciated, net	549,327	(3,857)	-	545,470
Business-type activities capital assets, net	<u>\$ 549,327</u>	<u>\$ 3,852</u>	<u>\$ -</u>	<u>\$ 553,179</u>

NOTE 6 - LONG TERM DEBT

Governmental Activities

Notes payable

\$15,000, secured by 1999 International Fire Truck. Payable in quarterly installment of \$891.84, interest at 5.00%. 12,129

Total governmental activities \$ 12,129

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2007

NOTE 6 - LONG TERM DEBT - Continued

Business-type activities

Revenue Bonds:

Water Bonds –2007A Series

Authorized \$27,000 and issued \$7,727 interest at 4.5%, principal and interest payable annually on September 1, with principal payments beginning in 2007, collateralized by net revenues of the system.

Bonds were sold to U.S. Department of Agriculture, Rural Development

\$ 7,451

Notes payable:

Water Fund

\$108,000, note payable to Florida DEP State Revolving Fund payable in semiannual installments of \$2,770, including interest at 2.99%.

\$ 96,044

Cable Fund

\$25,000 payable in yearly installments of \$5,000, no stated interest.

20,000

Total Notes payable

\$ 116,044

Total Business-Type Activities

\$ 123,495

Debt Service requirements on the governmental activities long-term debt at September 30, 2007 are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2008	\$ 3,017	\$ 550	\$ 3,567
2009	3,171	397	3,568
2010	3,332	235	3,567
2011	<u>2,609</u>	<u>66</u>	<u>2,675</u>
	<u>\$ 12,129</u>	<u>\$ 1,248</u>	<u>\$ 13,377</u>

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2007

NOTE 6 - LONG TERM DEBT – Continued

The following is the debt service requirements for the business type activities revenue bond and notes payable at September 30, 2007:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2008	\$ 8,820	\$ 3,187	\$ 12,007
2009	8,952	3,055	12,007
2010	9,089	2,918	12,007
2011	9,230	2,777	12,007
2012	4,377	2,630	7,007
2013-2017	17,809	11,198	29,007
2018-2022	19,203	8,493	27,696
2023-2027	22,275	5,421	27,696
2028-2032	23,740	1,858	25,598
	<u>\$ 123,495</u>	<u>\$ 41,537</u>	<u>\$ 165,032</u>

Long-term debt activity for the year ended September 30, 2007, was as follows:

	<u>BEGINNING</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING</u>	<u>DUE</u>
	<u>BALANCE</u>			<u>BALANCE</u>	<u>WITHIN</u>
					<u>ONE YEAR</u>
Governmental activities:					
Notes payable	\$ 15,000	\$ -	\$ 2,871	\$ 12,129	\$ 3,017
Business-type activities:					
Revenue bonds	-	7,827	376	7,451	1,132
Notes Payable	99,624	25,000	8,580	116,044	7,688
	<u>99,624</u>	<u>32,827</u>	<u>8,956</u>	<u>123,495</u>	<u>8,820</u>
Total	<u>\$ 114,624</u>	<u>\$ 32,827</u>	<u>\$ 11,827</u>	<u>\$ 135,624</u>	<u>\$ 11,837</u>

NOTE 7 – WATER SYSTEM REVENUE BONDS

The Resolution No. 06-04 adopted August 8, 2006 and supplemented by Resolution No. 07-06, adopted June 12, 2007 requires the establishment of certain "trust funds" to ensure repayment of the Water System Revenue Bonds. A summary of these requirements is as follows:

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2007

NOTE 7 – WATER SYSTEM REVENUE BONDS – Continued

- A. All cash income for the ownership and operation of the system shall be deposited into the "Revenue Fund" on or before the 15th day of each month. Transfers are to be made to certain accounts.
- B. 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 expenses of the system pursuant to the annual budget.
- C. Revenues shall be transferred into the "Bond Reserve Account" until the balance is equal to the Reserve Fund Requirement. The Reserve Fund Requirement does not exceed the lesser of 1) maximum annual debt service on the Bonds, 2) 125% of average annual debt service on the Bonds, or 3) 10% of the original principal amounts of the Bonds. 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 "Sinking Fund" is to be used exclusively for the purpose of paying principal and interest on the revenue bonds and is to be funded by transferring each month from the "Reserve Fund" one-twelfth of the next annual interest and principal requirement.
- E. Excess funds not required by the above accounts are to be transferred to a Redemption Account. This account is to be used to redeem the Bonds in inverse order or to acquire outstanding bonds subject to limitations.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Town of Campbellton, Florida
Budgetary Comparison Schedule – General Fund
For the Year Ending September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>
REVENUES			
Taxes	\$ 48,121	\$ 41,710	\$ 42,739
Permits, Fees & Licenses	6,080	8,640	8,499
Intergovernmental Revenues	32,415	31,505	36,599
Charges for Services	17,437	13,755	15,457
Fines & Forfeitures	-	5,500	6,452
Investment Income	500	225	4,150
Miscellaneous Revenues	<u>9,700</u>	<u>15,051</u>	<u>23,417</u>
Total Revenues	<u>114,253</u>	<u>116,386</u>	<u>137,313</u>
EXPENDITURES			
Current:			
General Government	53,705	94,746	98,174
Public Safety	29,288	27,260	23,896
Physical Environment	22,175	20,000	1,990
Transportation	18,361	13,250	13,472
Culture/Recreation	9,508	5,000	7,244
Debt Service:			
Principal	3,600	5,568	2,870
Interest	<u>-</u>	<u>-</u>	<u>697</u>
Total Expenditures	<u>136,637</u>	<u>165,824</u>	<u>148,343</u>
Excess (deficiency) of revenues over expenditures	<u>(22,384)</u>	<u>(49,438)</u>	<u>(11,030)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	11,365	-
Transfers Out	<u>(6,264)</u>	<u>(6,264)</u>	<u>(6,286)</u>
Total Other Financing Sources (Uses)	<u>(6,264)</u>	<u>5,101</u>	<u>(6,286)</u>
Net Change in Fund Balances	(28,648)	(44,337)	(17,316)
Fund Balances - beginning	<u>257,808</u>	<u>257,808</u>	<u>257,808</u>
Fund Balances - ending	<u>\$ 229,160</u>	<u>\$ 213,471</u>	<u>\$ 240,492</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.

INDEPENDENT AUDITOR'S REPORT
REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS

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

GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

DALE L. CAVIN, C.P.A.

DONNA F. ROGERS, C.P.A.

MEMBERS
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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 Town Council Members
Town of Campbellton
Campbellton, Florida 32426

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Campbellton, Florida, as of and for the year ended September 30, 2007, which collectively comprise the Town of Campbellton, Florida's basic financial statements and have issued our report thereon dated June 30, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Campbellton, Florida's internal control over financial reporting as a basis for designing our auditing procedures 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 Town of Campbellton, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Campbellton, Florida's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Town of Campbellton, Florida's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Campbellton, Florida's financial statements that is more than inconsequential will not be prevented or detected by the Town of Campbellton, Florida's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 04-1 and 07-1 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Campbellton, Florida's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 07-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Campbellton, Florida's financial statements are free of 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 under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town of Campbellton, Florida in a separate letter dated June 30, 2008.

The Town of Campbellton, Florida's response to the findings identified in our audit is described in the management response section of this report. We did not audit the Town of Campbellton, Florida's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Town Council, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

June 30, 2008

Grimsley, Cavin & Company
Grimsley, Cavin & Company, P.A.
Certified Public Accountants

SCHEDULE OF FINDINGS

Town of Campbellton
Schedule of Findings
Year Ended September 30, 2007

04-01

Criteria – Custody of assets, record keeping and recording of assets should have adequate separation.

Condition – Due to the size of the organization, proper separation of duties may not be feasible.

Effect – Internal controls lack proper checks and balances due to the size of the organization.

Cause – This is a small bookkeeping system.

Recommendation – Management should remain very active and involved in the day-to-day operations. Controls should be established to provide checks and balances.

07-1

Criteria – An entity's system of internal control over financial reporting should include controls over the prevention, detection and correction of misstatements in the audited financial statements.

Condition – The Town relies on the external auditor to assist with preparing and explaining financial statements in conformity with generally accepted accounting principles.

Effect – Since the auditor cannot be a part of an entity's system of internal accounting control, the Town's system of internal accounting control over the financial reporting is not sufficient to prevent, detect or correct misstatements in the audited financial statements.

Cause – The Town has a small accounting staff necessitated by the overall small size of the entity. They do not consider it cost effective to develop and maintain a system of internal accounting control sufficient by itself to allow the preparation of financial statements in accordance with generally accepted accounting principles, nor to maintain internal staff with sufficient knowledge to develop and maintain controls to prevent, detect or correct misstatements in audited financial statements.

Recommendation – The Town should continue to consider the effects of the cost of developing and benefits of implementing such a system as compared with understanding that due to the size of their accounting department, they will continue to need external assistance with the preparation and understanding of financial statements in accordance with generally accepted accounting principles.

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

GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

DALE L. CAVIN, C.P.A.

DONNA F. ROGERS, C.P.A.

MEMBERS
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Mayor and Town Council Members
Town of Campbellton
Campbellton, Florida 32426

We have audited the financial statement of the Town of Campbellton, Florida, as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated June 30, 2008.

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. We have issued our Independent Auditor's Report on Compliance and Internal Control over Financial Reporting, and Schedule of Findings. Disclosures in those reports and schedule, which are dated June 30, 2008, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

- 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 significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report except as noted below under the heading Prior Year Findings and Recommendations.
- Section 10.554(1)(i) 2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town of Campbellton, Florida, complied with Section 218.415, Florida Statutes.

- Section 10.554(1)(i) 3., Rules of the Auditor General, requires that we address in the management letter any recommendation to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i) 4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statement that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i) 5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statement, considering both quantitative and qualitative factors; (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i) 7.a., Rules of the Auditor General, requires a statement to be included as to whether or not the local governmental entity has met on or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of any specific condition(s) met. In connection with our audit, we determined that the Town of Campbellton, Florida, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i) 7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Town of Campbellton, Florida, for the fiscal year ended September 30, 2007, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2007. In connection with our audit, we determined that these two reports were in agreement.
- Section 10.554(1)(i) 7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information of the Town of Campbellton, Florida, and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Prior Year Findings

Record Keeping

The Town had misplaced several reports related to the water billing system, although we were able to satisfy ourselves through other audit procedures, we recommend the town maintain better record-keeping procedures and filing of documents necessary for the benefit of the Town. This item has not been corrected for the 2007 fiscal year. All records for the 2008 fiscal year are in the town's possession.

Asset Inventory

The Town did not take a physical inventory; it is recommended that a physical inventory be taken on an annual basis in order to maintain an accurate inventory listing, and to be able to account for the Town's assets. This item was not corrected for the September 30, 2007 fiscal year end; however, they have begun work on a 2008 inventory.

Current Year Findings

Cancellation of Invoices

It was noted that the Town does not cancel invoices after payment; it is recommended that all invoices be stamped "paid" in order to prevent duplicate payment of invoices.

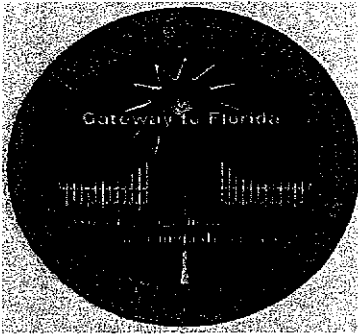
This management letter is intended solely for the information of the Town of Campbellton, Florida, and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

June 30, 2008

Grimsley, Cavin & Company

Grimsley, Cavin & Company, P.A.
Certified Public Accountants

RESPONSE TO AUDIT FINDINGS



Town of Campbellton

5283 Highway 231
Post Office Box 38
Campbellton, Florida 32426

Phone: (850) 263-4535
Fax: (850) 263-8502
Email: tc32426@bellsouth.net

June 30, 2008

Grimsley and Cavin
P. O. Box 220
4243 Lafayette Street
Marianna, FL 32447-0220

Dear Mr. Grimsley:

The Town of Campbellton has received the FY 2006-7 Audit recommendations from your firm, including your recommendations for improving the financial management activities of the Town. After review of the report, we wish to respond to two items in the Schedule of Findings on Page 25 of the report:

1. Item 07-1 deals with the Town's inability to prepare its own financial statements or to recognize errors in the audited statements, which are prepared by the same firm that subsequently performs the audit on them. This was identified as a material weakness in our financial control system.

First I wish to point out that this is not a new practice. The Town's Auditor has both prepared and audited the Town's statements since it was incorporated in the 1920's. Apparently a new rule now classifies this as a material weakness.

The Town of Campbellton must now address this issue. Since, however, we have just received this notice and are only 30 days from the close of FY 07-08, and only 60 days from beginning the audit for that year to meet a tight 6-30-09 due date, it is doubtful that we can resolve anything by the next audit report.

During FY 08/09, we will research this issue, scheduling discussions with other towns, the county, grant agencies and other offices to clarify what we need to do to correct this deficiency. Perhaps there are systems or training programs which will enable employees with accounting background to learn to prepare the financial statements in house. Perhaps a second contract

auditor will be required, or perhaps these actions will be cost prohibitive and we will be forced to continue the status quo.

It is certainly the desire of the Town to comply with the directive, and cost will be the biggest constraint. It will be extremely difficult to find a cost effective solution given the current economic environment and the need to reduce costs where possible. We therefore welcome any suggestions and request some time to work out a strategy to implement this requirement.

2. Item 04-01 deals with separating responsibilities for custody of assets, record keeping and recording of assets, which is difficult with a small staff. However, we will do the best we can and make the following assignments:

A. Custody of Assets: This is the responsibility of the assigned council member for his or her respective area as follows: Fire, Police and Safety Commissioner, Road and Street Commissioner, Water and Wastewater Commissioner, Parks, Cable and Internet Commissioner, Building /Physical Environment Commissioner, and overall Office/Administration – Mayor.

B. Responsibility for keeping records concerning the maintenance, repairs, need for replacement equipment, or repair of buildings or streets, is assigned to the full-time worker who performs maintenance and repair.

C. Recording assets is the responsibility of the Town Clerk.

In addition, management will remain active and involved in the day-to-day operations in which each council member approves purchases and invoices in his/her area and checks are signed by two parties including the Mayor, Clerk, or President of the Council.

On Page 28 of the report we wish to respond to two prior year findings:

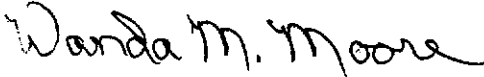
1. Record Keeping: The Town was unable to supply the auditor with some water usage reports because we had supplied Florida Rural Water with the requested to conduct a rate study. We did not maintain copies of the report and were unable to get the information needed for audit prior to completion of the audit. In the future, copies will be made in order for the town to keep control of the information.

2. Asset Inventory: Regretfully, the asset inventory listing given to the auditor did not include certain information required for the schedule. In the future we will include asset description, date purchased, amount, class life, and source of funding for audit purposes. Each Council Member is assigned responsibility for submitting an inventory listing to the office for FY 2008 for items on hand. The Clerk and other staff will be available to assist them as needed.

Finally the current year finding on page 28 indicated that the Town should stamp all invoices "paid" in order to prevent duplication of payment. This will be done for the FY2007-8 audit and future years.

The Council of the Town of Campbellton appreciates your help and that of your staff in completing the audit report, and we hope to implement your recommendations in a timely manner.

Sincerely,



Wanda M. Moore

President, Town Council