

TOWN OF CAMPBELLTON
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2008

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, 2008, 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, 2008, and the respective changes in financial position, and cash flows, where applicable, 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 July 14, 2009, 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 24 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.

July 14, 2009

Grimsley, Cavin & Company

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

FINANCIAL STATEMENTS

Town of Campbellton, Florida
Statement of Net Assets
September 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 128,255	\$ 37,123	\$ 165,378
Restricted Assets	5,515	18,482	23,997
Accounts Receivable	-	3,245	3,245
Due from other Governments	16,031	-	16,031
Internal Balances	53,726	(53,726)	-
Prepaid Expenses	4,225	-	4,225
Capital Assets:			
Land, Improvements, and Construction In Progress	108,002	23,175	131,177
Other Capital Assets, Net of Depreciation	672,827	672,097	1,344,924
Total Capital Assets	780,829	695,272	1,476,101
Total Assets	988,581	700,396	1,688,977
LIABILITIES			
Accounts Payable and Accrued Expenses	13,728	2,264	15,992
Long Term Liabilities:			
Due within one year	5,231	8,211	13,442
Due in more than one year	25,906	139,312	165,218
Total Liabilities	44,865	149,787	194,652
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	749,692	547,749	1,297,441
Restricted for:			
Debt Service	5,515	-	5,515
Other Purposes	-	18,482	18,482
Unrestricted (deficit)	188,509	(15,622)	172,887
Total Net Assets	\$ 943,716	\$ 550,609	\$ 1,494,325

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

Town of Campbellton, Florida
Statement of Activities
For the Year Ended September 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Governmental Activities:							
General Government	\$ 128,461	\$ 77,000	\$ 25,000	\$ -	\$ (26,461)		\$ (26,461)
Public Safety	69,697	-	11,050	69,217	10,570		10,570
Physical Environment	6,195	-	-	-	(6,195)		(6,195)
Transportation	18,509	16,277	-	-	(2,232)		(2,232)
Culture/Recreation	15,895	1,217	-	16,640	1,962		1,962
Interest on long-term debt	668	-	-	-	(668)		(668)
Total governmental activities	239,425	94,494	36,050	85,857	(23,024)		(23,024)
Business-type Activities:							
Water	78,220	26,692	-	139,275	-	87,747	87,747
Cable	26,167	5,523	-	-	-	(20,644)	(20,644)
Total primary government	\$ 343,812	\$ 126,709	\$ 36,050	\$ 225,132	(23,024)	67,103	44,079
General Revenues:							
Taxes:							
Property taxes, levied for general purposes					13,458	-	13,458
Taxes - Other					34,353	-	34,353
Miscellaneous					51,441	27,422	78,863
Transfers					(59,464)	59,464	-
Total General Revenues and Transfers					39,788	86,886	126,674
Change in Net Assets					16,764	153,989	170,753
Net Assets - beginning					926,952	396,620	1,323,572
Net Assets - ending					\$ 943,716	\$ 550,609	\$ 1,494,325

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

Town of Campbellton, Florida
Balance Sheet
Governmental Funds
September 30, 2008

	General Fund	Total Governmental Funds
ASSETS		
Cash	\$ 128,255	\$ 128,255
Restricted Assets	5,515	5,515
Due from other Governments	16,031	16,031
Due from other Funds	88,929	88,929
Prepaid Expenses	4,225	4,225
Total Assets	<u>\$ 242,955</u>	<u>\$ 242,955</u>

LIABILITIES AND FUND BALANCES

Liabilities:		
Accounts Payable	\$ 13,728	\$ 13,728
Due to other Funds	35,203	35,203
Total Liabilities	<u>48,931</u>	<u>48,931</u>

Fund Balances:		
Reserved For:		
Debt Service	5,515	5,515
Unreserved -		
Undesignated	<u>188,509</u>	<u>188,509</u>
Total Fund Balances	<u>194,024</u>	<u>194,024</u>
Total Liabilities & Fund Balances	<u>\$ 242,955</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.	780,829
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Some liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(31,137)</u>
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Total net assets of governmental activities	<u>\$ 943,716</u>
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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, 2008

	<u>General Fund</u>	<u>Total Governmental Funds</u>
REVENUES		
Taxes	\$ 47,812	\$ 47,812
Permits, Fees & Licenses	9,224	9,224
Intergovernmental Revenues	146,167	146,167
Charges for Services	17,491	17,491
Fines & Forfeitures	67,777	67,777
Investment Income	3,789	3,789
Miscellaneous Revenues	23,393	23,393
Total Revenues	315,653	315,653
EXPENDITURES		
Current:		
General Government	125,599	125,599
Public Safety	66,789	66,789
Physical Environment	6,195	6,195
Transportation	17,480	17,480
Culture/Recreation	4,923	4,923
Debt Service:		
Principal	4,992	4,992
Interest	668	668
Capital Outlay	100,011	100,011
Total Expenditures	326,657	326,657
Excess (deficiency) of revenues over expenditures	(11,004)	(11,004)
OTHER FINANCING SOURCES (USES)		
Transfers In	1,146	1,146
Transfers Out	(60,610)	(60,610)
Debt issued	24,000	24,000
Total Other Financing Sources (Uses)	(35,464)	(35,464)
Net Change in Fund Balances	(46,468)	(46,468)
Fund Balances - beginning	240,492	240,492
Fund Balances - ending	\$ 194,024	\$ 194,024

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, 2008

Net change in fund balances - total governmental funds	\$ (46,468)
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 (\$100,011) exceeded depreciation (\$17,771) in the current period.	82,240
Debt proceeds provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the statement of net assets. Repayment of debt 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 payments.	<u>(19,008)</u>
Change in net assets of governmental activities	<u>\$ 16,764</u>

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, 2008

	<u>Water</u>	<u>Other</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 36,901	\$ 222	\$ 37,123
Accounts Receivable	1,967	1,278	3,245
Due from other funds	<u>21,850</u>	<u>13,353</u>	<u>35,203</u>
Total Current Assets	<u>60,718</u>	<u>14,853</u>	<u>75,571</u>
Noncurrent Assets:			
Cash and Cash Equivalents	18,482	-	18,482
Capital Assets:			
Construction in Process	23,175	-	23,175
Waterworks System	987,250	-	987,250
Machinery and Equipment	14,099	25,000	39,099
Less Accumulated Depreciation	<u>(351,856)</u>	<u>(2,396)</u>	<u>(354,252)</u>
Total Capital Assets	<u>672,668</u>	<u>22,604</u>	<u>695,272</u>
Total Noncurrent Assets	<u>691,150</u>	<u>22,604</u>	<u>713,754</u>
Total Assets	<u>751,868</u>	<u>37,457</u>	<u>789,325</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	963	1,301	2,264
Note Payable due with one year	3,211	5,000	8,211
Due to other funds	<u>59,069</u>	<u>29,860</u>	<u>88,929</u>
Total Current Liabilities	<u>63,243</u>	<u>36,161</u>	<u>99,404</u>
Noncurrent Liabilities:			
Notes Payable due after One Year	<u>129,312</u>	<u>10,000</u>	<u>139,312</u>
Total Noncurrent Liabilities	<u>129,312</u>	<u>10,000</u>	<u>139,312</u>
Total Liabilities	<u>192,555</u>	<u>46,161</u>	<u>238,716</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	540,145	7,604	547,749
Restricted:			
Other Purposes	18,482	-	18,482
Unrestricted	<u>686</u>	<u>(16,308)</u>	<u>(15,622)</u>
Total Net Assets	<u>\$ 559,313</u>	<u>\$ (8,704)</u>	<u>\$ 550,609</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, 2008

	<u>Water</u>	<u>Other</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for Services	\$ 26,692	\$ 5,523	\$ 32,215
Miscellaneous	11,854	13,353	25,207
Total Operating Revenue	38,546	18,876	57,422
OPERATING EXPENSES:			
Personal services	4,886	468	5,354
Supplies and services	35,241	21,470	56,711
Utilities	3,631	2,979	6,610
Depreciation	30,873	1,250	32,123
Total Operating Expenditures	74,631	26,167	100,798
Operating Loss	(36,085)	(7,291)	(43,376)
Nonoperating Revenues (Expenses):			
Interest Income	2,210	5	2,215
Interest Expense	(3,589)	-	(3,589)
Total Nonoperating Revenue (Expenses)	(1,379)	5	(1,374)
Income (loss) before contributions and transfers	(37,464)	(7,286)	(44,750)
Capital Contributions	139,275	-	139,275
Transfers In	60,610	-	60,610
Transfers Out	(1,146)	-	(1,146)
Change in Net Assets	161,275	(7,286)	153,989
Net Assets, beginning of year	398,038	(1,418)	396,620
Net Assets, end of year	\$ 559,313	\$ (8,704)	\$ 550,609

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, 2008

	<u>Water</u>	<u>Cable</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 38,993	\$ 18,625	\$ 57,618
Payments to Suppliers	(38,705)	(23,656)	(62,361)
Payments to Employees	<u>(4,886)</u>	<u>(468)</u>	<u>(5,354)</u>
Net Cash used in Operating Activities	<u>(4,598)</u>	<u>(5,499)</u>	<u>(10,097)</u>
 Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Capital Debt	(3,146)	(5,000)	(8,146)
Interest Paid on Capital Debt	(3,589)	-	(3,589)
Proceeds from Capital Debt	32,173	-	32,173
Purchase of Capital Assets	(174,216)	-	(174,216)
Contributed Capital	<u>118,301</u>	<u>10,051</u>	<u>128,352</u>
Net Cash Provided by Capital and Related Financing Activities:	<u>(30,477)</u>	<u>5,051</u>	<u>(25,426)</u>
 Cash Flows from Noncapital Financing Activities:			
Transfers from other funds	<u>59,464</u>	<u>-</u>	<u>59,464</u>
 Cash Flows from Investing Activities:			
Interest Income	<u>2,210</u>	<u>5</u>	<u>2,215</u>
 Net Increase in Cash and Cash Equivalents	26,599	(443)	26,156
Cash and Cash Equivalents, beginning of year	<u>28,784</u>	<u>665</u>	<u>29,449</u>
Cash and Cash Equivalents, end of year	<u>\$ 55,383</u>	<u>\$ 222</u>	<u>\$ 55,605</u>
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities:			
Operating Loss	\$ (36,085)	\$ (7,291)	\$ (43,376)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:			
Depreciation	30,873	1,250	32,123
Change in Assets and Liabilities:			
Accounts Receivable	448	(251)	197
Accounts Payable	<u>166</u>	<u>793</u>	<u>959</u>
Net Cash used in Operating Activities	<u>\$ (4,598)</u>	<u>\$ (5,499)</u>	<u>\$ (10,097)</u>

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

NOTES TO FINANCIAL STATEMENTS

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2008

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, 2008.

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, 2008

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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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.

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2008 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.

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 Chapter 166 and 200, Florida Statutes.
 - (a) The Town follows an internal hearing process to set the proposed tentative budget and millage.

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES – Continued

Budgets and Budgetary Accounting – Continued

- (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.
 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, 2008, 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 \$189,375 and the bank balance was \$207,354.

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2008

NOTE 2 – CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS - Continued

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, 2008 the town did not have any balances that were exposed to custodial credit risk.

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.

NOTE 3 – RECEIVABLES

The Town reported receivables as follows:

GENERAL FUND	
Due from Other Governments	<u>\$ 16,031</u>
ENTERPRISE FUND - WATER SYSTEM	
Water Fees	<u>\$ 1,967</u>
ENTERPRISE FUND - CABLE	
Cable Fees	<u>\$ 1,278</u>

No allowances for uncollectible accounts are considered necessary.

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2008

NOTE 4 – INTERNAL BALANCES

At September 30, 2008, the City had interfund receivables and payables that resulted from various interfund transactions as follows:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Due from Water Fund	\$ 59,069	\$ -	Operations
Due from Cable Fund	29,860		- Operations
Due to Water Fund	-	21,850	Grant Funds for Water
Due to Cable Fund	-	13,353	Insurance for cable damage
Water & Sewer Fund			
Due to General Fund	-	59,069	Operations
Due from General Fund	21,850		- Grant Funds for Water
Cable Fund			
Due to General Fund	-	29,860	Operations
Due from General Fund	13,353	-	Insurance for cable damage
	<u>\$ 124,132</u>	<u>\$ 124,132</u>	

	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>
General Fund			
Water Fund	\$ 1,146	\$ 60,610	Operations
Water Fund			
General Fund	<u>60,610</u>	<u>1,146</u>	Operations
	<u>\$ 61,756</u>	<u>\$ 61,756</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 \$ 18,482

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

Cash – Debt Service \$ 5,515

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2008

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ending September 30, 2008 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>73,968</u>	<u>100,011</u>	<u>2,650</u>	<u>171,329</u>
Total capital assets being depreciated:	<u>724,787</u>	<u>100,011</u>	<u>2,650</u>	<u>822,148</u>
Less: accumulated depreciation for:				
Buildings	(93,657)	(8,093)	-	(101,750)
Improvements other than buildings	(12,260)	(5,268)	-	(17,528)
Equipment	<u>(28,283)</u>	<u>(4,410)</u>	<u>(2,650)</u>	<u>(30,043)</u>
Total Accumulated Depreciation	<u>(134,200)</u>	<u>(17,771)</u>	<u>(2,650)</u>	<u>(149,321)</u>
Total capital assets being depreciated, net	<u>590,587</u>	<u>82,240</u>	<u>-</u>	<u>672,827</u>
Governmental activities capital assets, net	<u>\$ 698,589</u>	<u>\$ 82,240</u>	<u>\$ -</u>	<u>\$ 780,829</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 2,862
Public safety	2,908
Transportation	1,029
Culture and recreation	<u>10,972</u>
Total governmental depreciation expense	<u>\$ 17,771</u>

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2008

NOTE 6 – CAPITAL ASSETS – Continued

	<u>BEGINNING</u> <u>BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING</u> <u>BALANCE</u>
Business-type activities:				
Capital assets, not being depreciated:				
Construction in process	\$ 7,709	\$ 23,175	\$ 7,709	\$ 23,175
Capital assets, being depreciated:				
Buildings, Equipment & Utility System	842,600	158,750	-	1,001,350
Cable System	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Total capital assets being depreciated:	<u>867,600</u>	<u>158,750</u>	<u>-</u>	<u>1,026,350</u>
Less: accumulated depreciation for:				
Buildings, Equipment & Utility System	(320,984)	(30,873)	-	(351,857)
Cable System	<u>(1,146)</u>	<u>(1,250)</u>	<u>-</u>	<u>(2,396)</u>
Total Accumulated Depreciation	<u>(322,130)</u>	<u>(32,123)</u>	<u>-</u>	<u>(354,253)</u>
Total capital assets being depreciated, net	<u>545,470</u>	<u>126,627</u>	<u>-</u>	<u>672,097</u>
Business-type activities capital assets, net	<u>\$ 553,179</u>	<u>\$ 149,802</u>	<u>\$ 7,709</u>	<u>\$ 695,272</u>

NOTE 7 - 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%. \$ 9,113

Capital Improvement Revenue Bond

Authorized and issued \$24,000, interest at 4.25%, principal and interest payable annually on September 1, with payments beginning in 2008. Bonds were sold to U.S. Department of Agriculture, Rural Development 22,024

Total governmental activities \$ 31,137

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2008

NOTE 7 - LONG TERM DEBT - Continued

Business-type activities

Revenue Bonds:

Water Bonds –2007A Series

Authorized and issued \$27,000 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

\$ 26,437

Water Bonds –2007B Series

Authorized and issued \$12,900 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

12,729

Total Revenue Bonds

\$ 39,166

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%.

\$ 93,357

Cable Fund

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

15,000

Total Notes payable

\$ 108,357

Total Business-Type Activities

\$ 147,523

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2008

NOTE 7 - LONG TERM DEBT – Continued

Debt Service requirements on the governmental activities long-term debt at September 30, 2008 are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 5,231	\$ 1,333	\$ 6,564
2010	5,479	1,084	6,563
2011	4,850	823	5,673
2012	2,334	662	2,996
2013	2,433	563	2,996
2014 - 2018	10,810	1,173	11,983
	<u>\$ 31,137</u>	<u>\$ 5,638</u>	<u>\$ 36,775</u>

The following is the debt service requirements for the business type activities revenue bond and notes payable at September 30, 2008:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 8,211	\$ 4,386	\$ 12,597
2010	8,313	4,285	12,598
2011	8,418	4,180	12,598
2012	3,527	4,072	7,599
2013	3,639	3,960	7,599
2014-2018	19,998	17,991	37,989
2019-2023	23,389	14,604	37,993
2024-2028	27,357	10,632	37,989
2029-2033	24,274	6,078	30,352
2034-2038	6,612	3,684	10,296
2039-2043	8,089	2,203	10,292
2044-2048	5,696	476	6,172
	<u>\$ 147,523</u>	<u>\$ 76,551</u>	<u>\$ 224,074</u>

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2008

NOTE 7 - LONG TERM DEBT – Continued

Long-term debt activity for the year ended September 30, 2008, was as follows:

	BEGINNING			ENDING	DUE
	<u>BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE</u>	<u>WITHIN</u>
					<u>ONE YEAR</u>
Governmental activities:					
Notes payable	12,129	-	3,016	9,113	3,171
Revenue bond	<u>-</u>	<u>24,000</u>	<u>1,976</u>	<u>22,024</u>	<u>2,060</u>
	<u>12,129</u>	<u>24,000</u>	<u>4,992</u>	<u>31,137</u>	<u>5,231</u>
Business-type activities:					
Revenue bonds	7,451	32,173	458	39,166	443
Notes Payable	<u>116,044</u>	<u>-</u>	<u>7,687</u>	<u>108,357</u>	<u>7,768</u>
	<u>123,495</u>	<u>32,173</u>	<u>8,145</u>	<u>147,523</u>	<u>8,211</u>
Total	<u><u>135,624</u></u>	<u><u>56,173</u></u>	<u><u>13,137</u></u>	<u><u>178,660</u></u>	<u><u>13,442</u></u>

NOTE 8 – 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:

- 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.

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2008

NOTE 8 – WATER SYSTEM REVENUE BONDS – Continued

- 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.

NOTE 9 – CAPITAL IMPROVEMENT REVENUE BOND

Resolution No. 08-01 adopted September 13, 2007 requires the establishment of certain trust funds to ensure repayment of the Capital Improvement Revenue Bond. A summary of these requirements is as follows:

- A. All revenues received from the interlocal agreement (fire protection) with the Jackson County Board of County Commissioners shall be deposited promptly into the “Revenue Fund” when received.
- B. The Town shall establish a “Sinking Fund” and shall transfer on or before the 15th day of each month from the “Revenue Fund” the following amounts, in the following order:
 - 1. A sum equal to one-twelfth of the amount of on year’s interest on all the Bonds then outstanding.
 - 2. A sum equal to one-twelfth of the principal of the Bonds maturing on the next succeeding anniversary date.
 - 3. The sum of one-twelfth of one-tenth of the Maximum Bond Service Requirement shall be transferred into a “Reserve Account” established within the “Sinking Fund” until such time as the funds and investments therein shall equal the Maximum Bond Service Requirement, and monthly thereafter such amount as may be necessary to maintain the Maximum Bond Service Requirement in the Reserve Account, but not exceeding one-twelfth of one-tenth of the Maximum Bond Service Requirement monthly.
- C. The Town shall establish a “Redemption Account” and transfer on or before the 15th day of each month the balance of excess fund in the “Revenue Fund”.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Town of Campbellton, Florida
Budgetary Comparison Schedule – General Fund
For the Year Ending September 30, 2008

	Budgeted Amounts		Actual Amounts
	Original	Final	(GAAP Basis)
REVENUES			
Taxes	\$ 45,026	\$ 45,737	\$ 47,812
Permits, Fees & Licenses	10,385	12,050	9,224
Intergovernmental Revenues	504,182	415,309	146,167
Charges for Services	15,508	17,477	17,491
Fines & Forfeitures	72,000	63,000	67,777
Investment Income	225	250	3,789
Miscellaneous Revenues	15,350	12,950	23,393
Total Revenues	<u>662,676</u>	<u>566,773</u>	<u>315,653</u>
EXPENDITURES			
Current:			
General Government	68,294	98,488	125,599
Public Safety	55,838	66,000	66,789
Physical Environment	20,000	5,000	6,195
Transportation	14,000	14,000	17,480
Culture/Recreation	2,000	4,500	4,923
Debt Service:			
Principal	5,000	6,600	4,992
Interest	-	-	668
Capital Outlay	496,000	389,219	100,011
Total Expenditures	<u>661,132</u>	<u>583,807</u>	<u>326,657</u>
Excess (deficiency) of revenues over expenditures	<u>1,544</u>	<u>(17,034)</u>	<u>(11,004)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	4,400	4,885	1,146
Transfers Out	(13,907)	(5,686)	(60,610)
Debt issued	24,000	-	24,000
Total Other Financing Sources (Uses)	<u>14,493</u>	<u>(801)</u>	<u>(35,464)</u>
Net Change in Fund Balances	16,037	(17,835)	(46,468)
Fund Balances - beginning	240,492	240,492	240,492
Fund Balances - ending	<u>\$ 256,529</u>	<u>\$ 222,657</u>	<u>\$ 194,024</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, 2008, which collectively comprise the Town of Campbellton, Florida's basic financial statements and have issued our report thereon dated July 14, 2009. 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 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 July 14, 2009.

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, others within the entity 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.

July 14, 2009

Grimsley, Cavin & Company

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

SCHEDULE OF FINDINGS

Town of Campbellton
Schedule of Findings
Year Ended September 30, 2008

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, 2008, and have issued our report thereon dated July 14, 2009.

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 Internal Control over Financial Reporting and Compliance and Other Matters, and Schedule of Findings. Disclosures in those reports and schedule, which are dated July 14, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted 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. 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 laws, regulations, contracts or grant agreement, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts 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, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) 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 annual financial statements); (b) failures to properly record financial transactions; and (c) 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 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, 2008, 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, 2008. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town of Campbellton, Florida'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.

Prior 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. The Town is currently correcting this issue.

Current Year Findings

Property Records and Inventory

The Town does not have a written policy regarding the recording and inventory of capital assets. The Town should adopt written requirements for the recording of property and periodic review of property for inventory purposes, per Florida Statutes, Chapter 274. The Town's listing of assets should include date purchased, original cost of asset, and whether it was purchased with grant funds. It should be noted generally accepted accounting principles require assets to be recorded at historical cost, not current replacement cost that is associated with insurance coverage.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

July 14, 2009

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

September 10, 2009

RE: FY 2007-08 Audit Findings

TO WHOM IT MAY CONCERN:

The management of the town of Campbellton has received the audit findings for fiscal year 2007 – 08. We appreciate the efforts of the auditor to improve our financial management controls. We hope to work closely with the auditor in the days ahead to improve controls over our physical assets (Finding 04-01) and to arrange preparation of our own financial statements.

To better control of the town's physical assets, the town clerk will be charged with compiling a property list of assets valued at \$5,000 or more, to be recorded at original cost and specifying whether or not grant funds were used to purchase the items. This will be the Town's master control list.

Each council person will be asked to compile an annual inventory of all items under their control, and to validate that they are in good working order. The clerk will compare her control list with the annual inventory list to identify any discrepancies. In this way, the town clerk will provide basic recordkeeping, the town council will record assets annually, and custody of assets will remain with the fire department, water department, road and street, or other employees who work with them on a daily basis. Also the council president will remain active and involved in day to day operations of the Town.

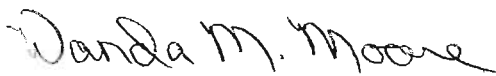
In response to Finding 07-1, which is a material finding, the town council is currently considering soliciting bids for the preparation of FY 2008-9 statements for the Town of Campbellton, which statements will then be audited as required by the Auditor General.

We wish to point out that, as a small town with a small budget, this action will involve a substantial added expenditure which must be paid by the town. At this time the town of

Campbellton is in an area of critical concern in the state of Florida. Wages are low and the town's income is declining. We urgently request that the Auditor General consider recommendations to give relief to small towns in the state of Florida. Approximately 150 towns are currently in financial distress, yet it is imperative that we take those actions necessary to remain eligible for available grant assistance if we are to continue to function.

Again we wish to thank the auditing firm of Grimsley and Cavin for their efforts on our behalf. The Town of Campbellton will take those steps which are necessary to clear up the deficiencies indicated in the auditor's report.

Sincerely,

A handwritten signature in cursive script that reads "Wanda M. Moore".

Wanda M. Moore, President

Town Council