

TOWN OF CAMPBELLTON
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2009

TOWN OF CAMPBELLTON, FLORIDA

MAYOR

Aggie Curry

COUNCIL MEMBERS

Wanda Moore
Debra Lane
Danny Taylor
Ronnie Griffin
Alex McKinnie

CITY CLERK

Brenda Griffin

AUDITORS

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

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	3
STATEMENT OF ACTIVITIES	4
BALANCE SHEET - GOVERNMENTAL FUNDS	5
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS	6
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	7
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS	8
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS	9
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS	10
NOTES TO THE FINANCIAL STATEMENTS	11
REQUIRED SUPPLEMENTARY INFORMATION	
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND	24
INDEPENDENT AUDITOR'S REPORT REQUIRED BY <i>GOVERNMENTAL AUDITING STANDARDS</i>	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	25
SCHEDULE OF FINDINGS	27
INDEPENDENT AUDITORS REPORT TO MANAGEMENT REQUIRED BY THE STATE OF FLORIDA	28
RESPONSE TO AUDIT FINDINGS	31

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, 2009, 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, 2009, 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 September 7, 2010, 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

September 7, 2010

Grimsley, Cavin & Company

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

FINANCIAL STATEMENTS

Town of Campbellton, Florida
Statement of Net Assets
September 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 92,687	\$ 39,018	\$ 131,705
Restricted Assets	3,615	18,491	22,106
Accounts Receivable	-	5,346	5,346
Due from other Governments	44,100	-	44,100
Internal Balances	74,061	(74,061)	-
Prepaid Expenses	3,474	-	3,474
Capital Assets:			
Land, Improvements, and Construction In Progress	455,126	-	455,126
Other Capital Assets, Net of Depreciation	655,021	803,995	1,459,016
Total Capital Assets	1,110,147	803,995	1,914,142
Total Assets	1,328,084	792,789	2,120,873
LIABILITIES			
Accounts Payable and Accrued Expenses	47,360	4,040	51,400
Long Term Liabilities:			
Due within one year	5,432	8,312	13,744
Due in more than one year	17,817	130,999	148,816
Total Liabilities	70,609	143,351	213,960
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,086,898	664,684	1,751,582
Restricted for:			
Debt Service	3,615	18,491	22,106
Unrestricted (deficit)	166,962	(33,737)	133,225
Total Net Assets	\$ 1,257,475	\$ 649,438	\$ 1,906,913

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, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-type Activities</u>	<u>Total</u>
Governmental Activities:							
General Government	\$ 106,339	\$ 81,873	\$ -	\$ -	\$ (24,466)		\$ (24,466)
Public Safety	74,140	-	15,318	-	(58,822)		(58,822)
Physical Environment	9,640	-	-	-	(9,640)		(9,640)
Transportation	21,558	18,848	-	-	(2,710)		(2,710)
Culture/Recreation	17,036	1,771	-	330,237	314,972		314,972
Interest on long-term debt	1,265	-	-	-	(1,265)		(1,265)
Total governmental activities	<u>229,978</u>	<u>102,492</u>	<u>15,318</u>	<u>330,237</u>	<u>218,069</u>		<u>218,069</u>
Business-type Activities:							
Water	73,015	28,954	-	146,445	-	102,384	102,384
Cable	20,880	3,535	-	-	-	(17,345)	(17,345)
Total primary government	<u>\$ 323,873</u>	<u>\$ 134,981</u>	<u>\$ 15,318</u>	<u>\$ 476,682</u>	<u>218,069</u>	<u>85,039</u>	<u>303,108</u>
General Revenues:							
Taxes:							
Property taxes, levied for general purposes					11,569	-	11,569
Taxes - Other					34,770	-	34,770
Miscellaneous					60,162	2,979	63,141
Transfers					(10,811)	10,811	-
Total General Revenues and Transfers					<u>95,690</u>	<u>13,790</u>	<u>109,480</u>
Change in Net Assets					313,759	98,829	412,588
Net Assets - beginning					943,716	550,609	1,494,325
Net Assets - ending					<u>\$ 1,257,475</u>	<u>\$ 649,438</u>	<u>\$ 1,906,913</u>

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

Town of Campbellton, Florida
Balance Sheet
Governmental Funds
September 30, 2009

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash	\$ 92,687	\$ 92,687
Restricted Assets	3,615	3,615
Due from other Governments	44,100	44,100
Due from other Funds	110,564	110,564
Prepaid Expenses	3,474	3,474
Total Assets	<u>\$ 254,440</u>	<u>\$ 254,440</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts Payable	\$ 47,360	\$ 47,360
Due to other Funds	<u>36,503</u>	<u>36,503</u>
Total Liabilities	<u>83,863</u>	<u>83,863</u>

Fund Balances:

Reserved For:

Debt Service	3,615	3,615
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Unreserved, reported in:

General Fund	<u>166,962</u>	<u>166,962</u>
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Total Fund Balances	<u>170,577</u>	<u>170,577</u>
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Total Liabilities & Fund Balances	<u>\$ 254,440</u>	
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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.	1,110,147
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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>(23,249)</u>
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Total net assets of governmental activities	<u>\$ 1,257,475</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, 2009

	<u>General Fund</u>	<u>Total Governmental Funds</u>
REVENUES		
Taxes	\$ 46,339	\$ 46,339
Permits, Fees & Licenses	11,152	11,152
Intergovernmental Revenues	369,156	369,156
Charges for Services	20,669	20,669
Fines & Forfeitures	81,823	81,823
Investment Income	1,953	1,953
Miscellaneous Revenues	<u>23,456</u>	<u>23,456</u>
Total Revenues	<u>554,548</u>	<u>554,548</u>
EXPENDITURES		
Current:		
General Government	103,476	103,476
Public Safety	66,924	66,924
Physical Environment	9,640	9,640
Transportation	19,751	19,751
Culture/Recreation	5,559	5,559
Debt Service:		
Principal	47,749	47,749
Interest	1,265	1,265
Capital Outlay	<u>352,680</u>	<u>352,680</u>
Total Expenditures	<u>607,044</u>	<u>607,044</u>
Excess (deficiency) of revenues over expenditures	<u>(52,496)</u>	<u>(52,496)</u>
OTHER FINANCING SOURCES (USES)		
Transfers Out	(10,811)	(10,811)
Debt issued	<u>39,860</u>	<u>39,860</u>
Total Other Financing Sources (Uses)	<u>29,049</u>	<u>29,049</u>
Net Change in Fund Balances	(23,447)	(23,447)
Fund Balances - beginning	<u>194,024</u>	<u>194,024</u>
Fund Balances - ending	<u>\$ 170,577</u>	<u>\$ 170,577</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, 2009

Net change in fund balances - total governmental funds \$ (23,447)

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 (\$352,174) exceeded depreciation (\$22,856) in the current period. 329,318

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 payments exceeded proceeds. 7,888

Change in net assets of governmental activities \$ 313,759

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, 2009

	<u>Water</u>	<u>Other</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 38,282	\$ 736	\$ 39,018
Accounts Receivable	3,230	2,116	5,346
Due from other funds	21,850	14,653	36,503
Total Current Assets	63,362	17,505	80,867
Noncurrent Assets:			
Cash and Cash Equivalents	18,491	-	18,491
Capital Assets:			
Waterworks System	1,156,870	-	1,156,870
Machinery and Equipment	14,099	25,000	39,099
Less Accumulated Depreciation	(388,328)	(3,646)	(391,974)
Total Capital Assets	782,641	21,354	803,995
Total Noncurrent Assets	801,132	21,354	822,486
Total Assets	864,494	38,859	903,353
LIABILITIES			
Current Liabilities:			
Accounts Payable	2,188	1,852	4,040
Note Payable due within one year	3,312	5,000	8,312
Due to other funds	59,069	51,495	110,564
Total Current Liabilities	64,569	58,347	122,916
Noncurrent Liabilities:			
Notes Payable due after One Year	125,999	5,000	130,999
Total Noncurrent Liabilities	125,999	5,000	130,999
Total Liabilities	190,568	63,347	253,915
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	653,330	11,354	664,684
Restricted:			
Debt Service	18,491	-	18,491
Unrestricted	2,105	(35,842)	(33,737)
Total Net Assets	\$ 673,926	\$ (24,488)	\$ 649,438

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, 2009

	<u>Water</u>	<u>Other</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for Services	\$ 28,954	\$ 3,535	\$ 32,489
Miscellaneous	-	1,561	1,561
Total Operating Revenue	<u>28,954</u>	<u>5,096</u>	<u>34,050</u>
OPERATING EXPENSES:			
Personal services	7,464	-	7,464
Supplies and services	21,873	15,615	37,488
Utilities	2,790	4,015	6,805
Depreciation	<u>36,472</u>	<u>1,250</u>	<u>37,722</u>
Total Operating Expenditures	<u>68,599</u>	<u>20,880</u>	<u>89,479</u>
Operating Loss	<u>(39,645)</u>	<u>(15,784)</u>	<u>(55,429)</u>
Nonoperating Revenues (Expenses):			
Interest Income	1,418	-	1,418
Interest Expense	<u>(4,416)</u>	-	<u>(4,416)</u>
Total Nonoperating Revenue (Expenses)	<u>(2,998)</u>	<u>-</u>	<u>(2,998)</u>
Income (loss) before contributions and transfers	<u>(42,643)</u>	<u>(15,784)</u>	<u>(58,427)</u>
Capital Contributions	146,445	-	146,445
Transfers In	<u>10,811</u>	<u>-</u>	<u>10,811</u>
Change in Net Assets	114,613	(15,784)	98,829
Net Assets, beginning of year	<u>559,313</u>	<u>(8,704)</u>	<u>550,609</u>
Net Assets, end of year	<u>\$ 673,926</u>	<u>\$ (24,488)</u>	<u>\$ 649,438</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, 2009

	<u>Water</u>	<u>Cable</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 27,691	\$ 4,258	\$ 31,949
Payments to Suppliers	(23,438)	(19,079)	(42,517)
Payments to Employees	<u>(7,464)</u>	<u>-</u>	<u>(7,464)</u>
Net Cash used in Operating Activities	<u>(3,211)</u>	<u>(14,821)</u>	<u>(18,032)</u>
 Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Capital Debt	(3,212)	(5,000)	(8,212)
Interest Paid on Capital Debt	(4,416)	-	(4,416)
Purchase of Capital Assets	(146,445)	-	(146,445)
Contributed Capital	<u>146,445</u>	<u>20,335</u>	<u>166,780</u>
Net Cash Provided by Capital and Related Financing Activities:	<u>(7,628)</u>	<u>15,335</u>	<u>7,707</u>
 Cash Flows from Noncapital Financing Activities:			
Transfers from other funds	<u>10,811</u>	<u>-</u>	<u>10,811</u>
 Cash Flows from Investing Activities:			
Interest Income	<u>1,418</u>	<u>-</u>	<u>1,418</u>
 Net Increase in Cash and Cash Equivalents	1,390	514	1,904
Cash and Cash Equivalents, beginning of year	<u>55,383</u>	<u>222</u>	<u>55,605</u>
Cash and Cash Equivalents, end of year	<u>\$ 56,773</u>	<u>\$ 736</u>	<u>\$ 57,509</u>
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities:			
Operating Loss	\$ (39,645)	\$ (15,784)	\$ (55,429)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:			
Depreciation	36,472	1,250	37,722
Change in Assets and Liabilities:			
Accounts Receivable	(1,263)	(838)	(2,101)
Accounts Payable	<u>1,225</u>	<u>551</u>	<u>1,776</u>
Net Cash used in Operating Activities	<u>\$ (3,211)</u>	<u>\$ (14,821)</u>	<u>\$ (18,032)</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, 2009

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, 2009.

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, 2009

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, 2009

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, 2009

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, 2009 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, 2009

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 reported 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, 2009, 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 \$153,811 and the bank balance was \$154,657.

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2009

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, 2009 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>\$ 44,100</u>
ENTERPRISE FUND - WATER SYSTEM	
Water Fees	<u>\$ 3,230</u>
ENTERPRISE FUND - CABLE	
Cable Fees	<u>\$ 2,116</u>

No allowances for uncollectible accounts are considered necessary.

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2009

NOTE 4 – INTERNAL BALANCES

At September 30, 2009, 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	51,495		- Operations
Due to Water Fund	-	21,850	Grant Funds for Water
Due to Cable Fund	-	14,653	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	-	51,495	Operations
Due from General Fund	<u>14,653</u>	-	Insurance for cable damage
	<u>\$ 147,067</u>	<u>\$ 147,067</u>	

	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>
General Fund			
Water Fund	\$ -	\$ 10,811	Operations
Water Fund			
General Fund	<u>10,811</u>	-	Operations
	<u>\$ 10,811</u>	<u>\$ 10,811</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 \$ 18,491

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 \$ 3,615

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2009

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ending September 30, 2009 was as follows:

	<u>BEGINNING</u> <u>BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING</u> <u>BALANCE</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 108,002	\$ -	\$ -	\$ 108,002
Construction in Process	<u>-</u>	<u>347,124</u>	<u>-</u>	<u>347,124</u>
Total capital assets not being depreciated:	<u>108,002</u>	<u>347,124</u>	<u>-</u>	<u>455,126</u>
Capital assets, being depreciated:				
Buildings	387,438	-	-	387,438
Improvements other than buildings	263,381	-	-	263,381
Equipment	<u>171,329</u>	<u>5,050</u>	<u>-</u>	<u>176,379</u>
Total capital assets being depreciated:	<u>822,148</u>	<u>5,050</u>	<u>-</u>	<u>827,198</u>
Less: accumulated depreciation for:				
Buildings	(101,750)	(8,093)	-	(109,843)
Improvements other than buildings	(17,528)	(5,268)	-	(22,796)
Equipment	<u>(30,043)</u>	<u>(9,495)</u>	<u>-</u>	<u>(39,538)</u>
Total Accumulated Depreciation	<u>(149,321)</u>	<u>(22,856)</u>	<u>-</u>	<u>(172,177)</u>
Total capital assets being depreciated, net	<u>672,827</u>	<u>(17,806)</u>	<u>-</u>	<u>655,021</u>
Governmental activities capital assets, net	<u>\$ 780,829</u>	<u>\$ 329,318</u>	<u>\$ -</u>	<u>\$ 1,110,147</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 2,862
Public safety	7,216
Transportation	1,806
Culture and recreation	<u>10,972</u>
Total governmental depreciation expense	<u>\$ 22,856</u>

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2009

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	\$ 23,175	\$ -	\$ 23,175	\$ -
Capital assets, being depreciated:				
Buildings, Equipment & Utility System	1,001,350	169,620	-	1,170,970
Cable System	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Total capital assets being depreciated:	<u>1,026,350</u>	<u>169,620</u>	<u>-</u>	<u>1,195,970</u>
Less: accumulated depreciation for:				
Buildings, Equipment & Utility System	(351,857)	(36,472)	-	(388,329)
Cable System	<u>(2,396)</u>	<u>(1,250)</u>	<u>-</u>	<u>(3,646)</u>
Total Accumulated Depreciation	<u>(354,253)</u>	<u>(37,722)</u>	<u>-</u>	<u>(391,975)</u>
Total capital assets being depreciated, net	<u>672,097</u>	<u>131,898</u>	<u>-</u>	<u>803,995</u>
Business-type activities capital assets, net	<u>\$ 695,272</u>	<u>\$ 131,898</u>	<u>\$ 23,175</u>	<u>\$ 803,995</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%. \$ 3,285

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 19,964

Total governmental activities \$ 23,249

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2009

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 \$ 26,138

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 12,585

Total Revenue Bonds \$ 38,723

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%. \$ 90,588

Cable Fund

\$25,000 payable in yearly installments of \$5,000, no stated interest. 10,000

Total Notes payable \$ 100,588

Total Business-Type Activities \$ 139,311

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2009

NOTE 7 - LONG TERM DEBT – Continued

Debt Service requirements on the governmental activities long-term debt at September 30, 2009 are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2010	\$ 5,432	\$ 948	\$ 6,380
2011	2,239	757	2,996
2012	2,334	662	2,996
2013	2,433	563	2,996
2014	2,536	460	2,996
2015-2019	8,275	713	8,988
	<u>\$ 23,249</u>	<u>\$ 4,103</u>	<u>\$ 27,352</u>

The following is the debt service requirements for the business type activities revenue bond and notes payable at September 30, 2009:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2010	\$ 8,314	\$ 4,285	\$ 12,599
2011	8,418	4,180	12,598
2012	3,527	4,072	7,599
2013	3,638	3,960	7,598
2014	3,753	3,844	7,597
2015-2019	20,633	17,356	37,989
2020-2024	24,132	13,859	37,991
2025-2029	28,231	9,759	37,990
2030-2034	19,485	5,328	24,813
2035-2039	6,884	3,411	10,295
2040-2044	8,423	1,870	10,293
2045-2049	3,873	241	4,114
	<u>\$ 139,311</u>	<u>\$ 72,165</u>	<u>\$ 211,476</u>

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2009

NOTE 7 - LONG TERM DEBT – Continued

Long-term debt activity for the year ended September 30, 2009, 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	9,113	-	5,828	3,285	3,285
Revenue bond	<u>22,024</u>	<u>-</u>	<u>2,060</u>	<u>19,964</u>	<u>2,147</u>
	<u>31,137</u>	<u>-</u>	<u>7,888</u>	<u>23,249</u>	<u>5,432</u>
Business-type activities:					
Revenue bonds	39,166	-	443	38,723	460
Notes Payable	<u>108,357</u>	<u>-</u>	<u>7,769</u>	<u>100,588</u>	<u>7,852</u>
	<u>147,523</u>	<u>-</u>	<u>8,212</u>	<u>139,311</u>	<u>8,312</u>
Total	<u><u>178,660</u></u>	<u><u>-</u></u>	<u><u>16,100</u></u>	<u><u>162,560</u></u>	<u><u>13,744</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 “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.
- 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, 2009

NOTE 8 – WATER SYSTEM REVENUE BONDS – Continued

- D. The “Operation and Maintenance” Fund is to be used exclusively for the purpose of receiving funds transferred monthly from the revenue fund and for paying the current expenses of the system pursuant to the annual budget.
- 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”.

NOTE 11 – BUDGETARY INFORMATION

The Town over-expended the general fund budget in the amount of \$11,734, which is a technical violation of Florida Statutes, Chapter 166.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Town of Campbellton, Florida
Budgetary Comparison Schedule – General Fund
For the Year Ending September 30, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	(GAAP Basis)
REVENUES			
Taxes	\$ 45,737	\$ 40,435	\$ 46,339
Permits, Fees & Licenses	12,050	10,025	11,152
Intergovernmental Revenues	424,606	422,371	369,156
Charges for Services	17,477	20,386	20,669
Fines & Forfeitures	63,000	79,000	81,823
Investment Income	250	125	1,953
Miscellaneous Revenues	16,550	24,088	23,456
Total Revenues	579,670	596,430	554,548
EXPENDITURES			
Current:			
General Government	98,488	95,000	103,476
Public Safety	70,406	68,406	66,924
Physical Environment	5,000	9,000	9,640
Transportation	14,000	18,500	19,751
Culture/Recreation	4,500	8,700	5,559
Debt Service:			
Principal	15,286	12,344	47,749
Interest			1,265
Capital Outlay	383,360	383,360	352,680
Total Expenditures	591,040	595,310	607,044
Excess (deficiency) of revenues over expenditures	(11,370)	1,120	(52,496)
OTHER FINANCING SOURCES (USES)			
Transfers In	1,285	3,168	-
Transfers Out	-	(4,179)	(10,811)
Debt issued	-	-	39,860
Total Other Financing Sources (Uses)	1,285	(1,011)	29,049
Net Change in Fund Balances	(10,085)	109	(23,447)
Fund Balances - beginning	194,024	194,024	194,024
Fund Balances - ending	\$ 183,939	\$ 194,133	\$ 170,577

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, 2009, which collectively comprise the Town of Campbellton, Florida's basic financial statements and have issued our report thereon dated September 7, 2010. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will be prevented, or detected and correct on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as item 07-1 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as items 04-1 to be a significant deficiency.

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 September 7, 2010.

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.

Grimsley, Cavin & Company

September 7, 2010

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

SCHEDULE OF FINDINGS

Town of Campbellton
Schedule of Findings
Year Ended September 30, 2009

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, 2009, and have issued our report thereon dated September 7, 2010.

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 September 7, 2010, 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. See the items under the heading Current Year Findings for our recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or 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, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. 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 one 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, 2009, 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, 2009. 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.

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. The Town is currently correcting this issue.

Current Year Findings

Budgetary Information

The Town over-expended the general fund budget in the amount of \$11,734. It is recommended the Town monitor their budget on a more timely basis and make budgetary amendments, as necessary, throughout the year in order to be in compliance with Florida Statutes, Chapter 166.

Backup Procedures

It was noted during the audit the town experienced computer failure and did not have adequate backup procedures in place, it is recommended that the town establish a policy for backup procedures to protect the town.

Water Reconciliation

It was noted during the audit the town does not have procedures in place to reconcile the monthly utility billings to the utility collections. It is recommended the town establish a procedure that would provide a reconciliation of the utility billings to utility collections to ensure proper recording of financial data.

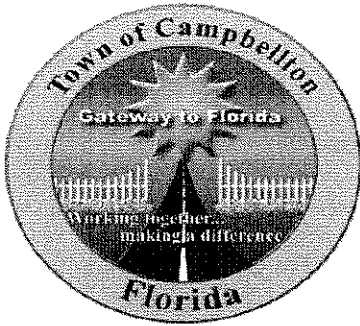
Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the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

Grimsley, Cavin & Company

September 7, 2010

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 7, 2010

RE: FY 2008 – 2009 Audit Findings

TO WHOM IT MAY CONCERN:

The management of the Town of Campbellton has received the audit findings for fiscal year 2008 – 09. We appreciate the review and recommendations made by the auditor that will improve the efficiency of the Town's financial management system.

In response to Finding 04-01, we feel that we have achieved the optimum separation of duties for the control of physical assets that it is possible for us to achieve with the limited staffing that we have. Each Council Member maintains control of the physical assets under his control and performs an annual inventory. The Town Clerk records assets at cost as they are purchased or built and maintains a master control list. The Council President maintains a daily presence in the office for control purposes. We are more than willing to put in place any other controls that will help improve the on-going control of physical assets.

In response to the material finding 07-1, the town in continuing to review the way other cities are handling this requirement imposed by the Auditor General, and to seek software that will accommodate the Uniform Accounting System and allow the Town to generate its own financial statements. We understand the inherent conflict that exists when the auditor prepares the Town's statements and then audits the statements. At the same time, it is very expensive for the Town to follow the example set by the county and employ a different auditor to prepare the statements which another auditor then audits. Hopefully we will find the right solution for us for the FY 2010-11 accounting year and either find the right software or a firm that we can afford to pay who will generate the Town's financial statements. We are actively seeking guidance and help to resolve this finding as soon as possible.


In response to current year findings regarding over-expenditure of the budget, the Town operates on a cast basis. Funds may be obligated but not outlayed, which was in fact the case. The Auditor counts obligations whether they are outlayed or not. Therefore it appeared on the Audit that we have exceeded our budget when in fact, the expenditure was not yet actually made until the next fiscal year.

In order to back up our computer system from future crashes, the Town has contracted with a firm in California to provide remote backup for all financial records of the Town. This should eliminate the problem.

The Town is also seeking to improve Utility Billing. The software we use is one of the first systems to be developed. We are going to upgrade to a newer system which will allow for better reconciliation of billings to collections. We anticipate that this issue will resolve in FY 2010-11. In the meantime a monthly reconciliation will be done.

Again we thank the Auditor for these suggestions for the improvement of our accounting operations.

Sincerely,

A handwritten signature in black ink that reads "Wanda Moore". The signature is written in a cursive, flowing style.

Wanda Moore