

**CITY OF CARRABELLE, FLORIDA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2009**

**CITY OF CARRABELLE, FLORIDA  
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SEPTEMBER 30, 2009**

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JAMES MOORE & CO., P.L.  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Honorable City Council,  
City of Carrabelle, Florida:

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Carrabelle, Florida, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Carrabelle, 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 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 and each major fund of the City of Carrabelle, 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 27, 2010, on our consideration of the City of Carrabelle, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 31 through 35, are not a required part of the basic financial statements but are 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carrabelle, Florida's basic financial statements. The accompanying schedule of expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, Rules of the State of Florida Office of the Auditor General, and is also not a required part of the basic financial statements of the City of Carrabelle, Florida. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

James Moore & Co., P.L.C.

Tallahassee, Florida  
September 27, 2010

## Management's Discussion and Analysis

As management of the City of Carrabelle, Florida, we offer readers of the City of Carrabelle, Florida's financial statements this narrative overview and analysis of the financial activities of the City of Carrabelle, Florida for the fiscal year ended September 30, 2009.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Carrabelle, Florida's basic financial statements. The City of Carrabelle, Florida's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Carrabelle, Florida's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Carrabelle, Florida's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Carrabelle, Florida is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Carrabelle, Florida that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Carrabelle, Florida include general government, public safety, transportation, culture and recreation and physical environment. The business-type activities of the City of Carrabelle, Florida include a water and sewer operation and a port and airport authority operation.

The government-wide financial statements can be found on pages 9 - 10 of this report.

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

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Carrabelle, Florida maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, special revenue fund and capital projects fund, all of which are considered to be a major funds.

The basic governmental fund financial statements can be found on pages 11 -13 of this report.

**Proprietary funds.** The City of Carrabelle, Florida maintains proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Carrabelle, Florida uses enterprise funds to account for its water and sewer operation and its port and airport authority operation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operation, and the port and airport authority operation, which are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 14 - 17 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 - 29 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Carrabelle, Florida's budgetary information. Required supplementary information can be found on pages 30 - 34 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Carrabelle, Florida, assets exceeded liabilities by \$35,211,326 at the close of the most recent fiscal year.

The largest portion of the City of Carrabelle, Florida's net assets (81 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Carrabelle, Florida uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Carrabelle, Florida's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Carrabelle, Florida's net assets (15 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$1,311,968 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Carrabelle, Florida is able to report positive balances in all three categories of net assets for the government as a whole, as well as for its separate governmental activities. In addition, they are also able to report positive balances in two categories on net assets for its separate business-type activities.

### City of Carrabelle, Florida's Net Assets

	<b>2009</b>		
	<b>Governmental activities</b>	<b>Business- type activities</b>	<b>Total</b>
Current and other assets	\$ 2,874,667	\$ 6,843,475	\$ 9,718,142
Capital assets	7,818,873	47,626,192	55,445,065
Total assets	10,693,540	54,469,667	65,163,207
Long-term liabilities outstanding	41,958	26,960,873	27,002,831
Other liabilities	138,122	2,810,928	2,949,050
Total liabilities	180,080	29,771,801	29,951,881
Net assets:			
Invested in capital assets, net of related debt	7,818,873	20,709,485	28,528,358
Restricted	254,474	5,116,526	5,371,000
Unrestricted	2,440,113	(1,128,145)	1,311,968
Total net assets	\$ 10,513,460	\$ 24,697,866	\$ 35,211,326
	<b>2008</b>		
	<b>Governmental activities</b>	<b>Business- type activities</b>	<b>Total</b>
Current and other assets	\$ 2,575,132	\$ 7,876,153	\$ 10,451,285
Capital assets	3,635,869	45,564,734	49,200,603
Total assets	6,211,001	53,440,887	59,651,888
Long-term liabilities outstanding	49,482	26,442,039	26,491,521
Other liabilities	396,343	2,805,251	3,201,594
Total liabilities	445,825	29,247,290	29,693,115
Net assets:			
Invested in capital assets, net of related debt	3,635,869	19,162,436	22,798,305
Restricted	784,633	4,846,671	5,631,304
Unrestricted	1,344,674	184,490	1,529,164
Total net assets	\$ 5,765,176	\$ 24,193,597	\$ 29,958,773



**Governmental activities.** Governmental activities increased the City of Carrabelle, Florida's net assets by \$4,748,284, thereby accounting for 90 percent of the total growth in the net assets of the City of Carrabelle, Florida. The key element of this increase was:

- The donation of the school building to the City.

Business-type activities. Business-type activities increased the City of Carrabelle, Florida's net assets by \$504,269, accounting for 10 percent of the total growth in the government's net assets. The key element in this increase was:

- Construction of new water system.

### **Financial Analysis of the Government's Funds**

As noted earlier, the City of Carrabelle, Florida uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City of Carrabelle, Florida's governmental funds reported combined ending fund balances of \$2,736,545, an increase of \$557,756 in comparison with the prior year. Approximately 91% of this total amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to generate income to pay for a variety of other restricted purposes.

The general fund is the chief operating fund of the City of Carrabelle, Florida. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,802,401 while total fund balance reached \$1,845,445. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 32 percent of total general fund expenditures, while total fund balance represents 32 percent of that same amount.

The fund balance of the City of Carrabelle, Florida's general fund increased by \$426,115 during the current fiscal year. The key factors in this increase were:

- Increased millage rate.
- Reduction in transfers to other funds.

**Proprietary funds.** The City of Carrabelle, Florida's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets (deficiency) of the Water and Sewer fund and the Port and Airport Authority Fund at the end of the year amounted to (\$1,151,955), and \$23,810, respectively. The total growth in net assets for the funds was \$504,269. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Carrabelle, Florida's business-type activities.

## **General Fund Budgetary Highlights**

- The City exceeded the budget on expenses due to inflation of materials and supplies and the donation of the school building.

## **Capital Asset and Debt Administration**

**Capital assets.** The City of Carrabelle, Florida's investment in capital assets for its governmental and business type activities as of September 30, 2009, amounts to \$55,445,065 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and system, improvements, machinery and equipment, park facilities and roads.

Major capital asset events during the current fiscal year included the following:

- Acquired property, construction projects, parks, roads and machinery.

Additional information on the City of Carrabelle, Florida's capital assets can be found in Note III. C. on pages 25 - 26 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Carrabelle, Florida had \$26,916,707 in capital improvement debt outstanding.

Additional information on the City of Carrabelle, Florida's long-term debt can be found in note III.E on pages 26 - 27 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- Decrease in property values and increased costs will result in increased millage rates.

## **Requests for Information**

This financial report is designed to provide a general overview of the City of Carrabelle, Florida's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Courtney Dempsey, City Administrator, Post Office Box 569, Carrabelle, Florida 32322.

**CITY OF CARRABELLE, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2009**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 722,712	\$ 341,415	\$ 1,064,127
Certificates of deposit	51,270	-	51,270
Investments	1,041	-	1,041
Receivables, net	1,081,799	501,119	1,582,918
Internal balances	763,371	(763,371)	-
Inventory	-	16,057	16,057
Restricted assets:			
Cash and cash equivalents	254,474	1,064,363	1,318,837
Certificate of deposit	-	1,182,087	1,182,087
Investments	-	4,501,805	4,501,805
Capital assets not being depreciated:			
Land	189,171	2,970,515	3,159,686
Construction in process	2,929,278	35,414,988	38,344,266
Capital assets, net	4,700,424	9,240,689	13,941,113
<b>Total assets</b>	<u>10,693,540</u>	<u>54,469,667</u>	<u>65,163,207</u>
<b>LIABILITIES</b>			
Account payable and accrued expenses	138,122	1,179,199	1,317,321
Unearned revenue	-	1,540,995	1,540,995
Liabilities payable from restricted assets	-	90,734	90,734
Noncurrent liabilities			
Due within one year	41,958	150,355	192,313
Due in more than one year	-	26,810,518	26,810,518
<b>Total liabilities</b>	<u>180,080</u>	<u>29,771,801</u>	<u>29,951,881</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,818,873	20,709,485	28,528,358
Restricted for:			
Infrastructure	585	-	585
Community redevelopment	211,430	-	211,430
Cemetery	42,459	-	42,459
Debt service	-	5,116,526	5,116,526
Unrestricted	2,440,113	(1,128,145)	1,311,968
<b>Total net assets</b>	<u>\$ 10,513,460</u>	<u>\$ 24,697,866</u>	<u>\$ 35,211,326</u>

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

**CITY OF CARRABELLE, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
Governmental activities:							
General government	\$ 757,569	\$ 66	\$ -	\$ 3,489,403	\$ 2,731,900	\$ -	\$ 2,731,900
Public safety	555,452	23,394	1,098	-	(530,960)	-	(530,960)
Transportation	175,356	1,400	-	-	(173,956)	-	(173,956)
Culture and recreation	157,009	-	50,000	289,566	182,557	-	182,557
Physical environment	-	-	-	470,914	470,914	-	470,914
Total governmental activities	<u>1,645,386</u>	<u>24,860</u>	<u>51,098</u>	<u>4,249,883</u>	<u>2,680,455</u>	<u>-</u>	<u>2,680,455</u>
Business-type activities:							
Water and sewer	1,586,139	1,283,380	-	303,763	-	1,004	1,004
Port and airport	49,840	18,339	-	140,911	-	109,410	109,410
Total business-type activities	<u>1,635,979</u>	<u>1,301,719</u>	<u>-</u>	<u>444,674</u>	<u>-</u>	<u>110,414</u>	<u>110,414</u>
Total government	<u>\$ 3,281,365</u>	<u>\$ 1,326,579</u>	<u>\$ 51,098</u>	<u>\$ 4,694,557</u>	<u>2,680,455</u>	<u>110,414</u>	<u>2,790,869</u>
			General revenues:				
			Property taxes		1,624,600	-	1,624,600
			Intergovernmental revenue		205,401	-	205,401
			Other		219,449	42,206	261,655
			Unrestricted investment earnings		18,379	351,649	370,028
			Total general revenues		<u>2,067,829</u>	<u>393,855</u>	<u>2,461,684</u>
			Change in net assets		4,748,284	504,269	5,252,553
			Net assets, beginning of year		5,765,176	24,193,597	29,958,773
			Net assets, end of year		<u>\$ 10,513,460</u>	<u>\$ 24,697,866</u>	<u>\$ 35,211,326</u>

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

**CITY OF CARRABELLE, FLORIDA  
BALANCE SHEET -  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 659,000	\$ 63,712	\$ -	\$ 722,712
Certificate of deposit	51,270	-	-	51,270
Investments	1,041	-	-	1,041
Receivables	1,007,488	12,250	62,061	1,081,799
Due from other funds	816,987	4,633	655,460	1,477,080
Restricted assets:				
Cash and cash equivalents	43,044	-	211,430	254,474
Certificate of deposit	-	-	-	-
<b>Total Assets</b>	<b><u>2,578,830</u></b>	<b><u>80,595</u></b>	<b><u>928,951</u></b>	<b><u>3,588,376</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	77,925	22,007	38,190	138,122
Deferred revenue	-	-	-	-
Due to other funds	655,460	58,249	-	713,709
<b>Total liabilities</b>	<b><u>733,385</u></b>	<b><u>80,256</u></b>	<b><u>38,190</u></b>	<b><u>851,831</u></b>
<b>Fund Balances:</b>				
Reserved for:				
Infrastructure	585	-	-	585
Community redevelopment	-	-	211,430	211,430
Cemetery	42,459	-	-	42,459
Unreserved	1,802,401	339	679,331	2,482,071
<b>Total fund balances</b>	<b><u>1,845,445</u></b>	<b><u>339</u></b>	<b><u>890,761</u></b>	<b><u>2,736,545</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 2,578,830</u></b>	<b><u>\$ 80,595</u></b>	<b><u>\$ 928,951</u></b>	

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.

7,818,873

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

(41,958)

Net assets of governmental activities

**\$ 10,513,460**

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

**CITY OF CARRABELLE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes, licences and permits	\$ 1,477,781	\$ -	\$ 161,172	\$ 1,638,953
Intergovernmental	4,422,531	18,375	65,476	4,506,382
Charges for services	24,860	-	-	24,860
Other	219,880	339	3,256	223,475
Total revenues	<u>6,145,052</u>	<u>18,714</u>	<u>229,904</u>	<u>6,393,670</u>
<b>Expenditures</b>				
General government	4,202,424	18,375	-	4,220,799
Public safety	488,015	-	-	488,015
Transportation	198,761	-	-	198,761
Culture and recreation	358,823	-	-	358,823
Physical environment	470,914	-	98,602	569,516
Total expenditures	<u>5,718,937</u>	<u>18,375</u>	<u>98,602</u>	<u>5,835,914</u>
<b>Excess of revenues over expenditures</b>	<u>426,115</u>	<u>339</u>	<u>131,302</u>	<u>557,756</u>
<b>Fund balances, beginning of year</b>	1,419,330	-	759,459	2,178,789
<b>Fund balances, end of year</b>	<u>\$ 1,845,445</u>	<u>\$ 339</u>	<u>\$ 890,761</u>	<u>\$ 2,736,545</u>

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

**CITY OF CARRABELLE, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Amounts reported for governmental activities in the statement of activities (page 11) are different because:

Net change in fund balances-total governmental funds (page 13)	\$	557,756
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		4,183,004
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		7,524
Change in net assets of governmental activities (page 11)	<u>\$</u>	<u>4,748,284</u>

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

**CITY OF CARRABELLE, FLORIDA**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2009**

**Business Type Activities - Enterprise Funds**

	<b>Water and Sewer</b>	<b>Port and Airport</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 313,763	\$ 27,652	\$ 341,415
Receivables, net	139,944	361,175	501,119
Inventory	-	16,057	16,057
Total current assets	<u>453,707</u>	<u>404,884</u>	<u>858,591</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	1,064,363	-	1,064,363
Certificate of deposit	1,182,087	-	1,182,087
Investments	4,501,805	-	4,501,805
Capital assets, net of accumulated depreciation	<u>43,643,709</u>	<u>3,982,483</u>	<u>47,626,192</u>
Total noncurrent assets	<u>50,391,964</u>	<u>3,982,483</u>	<u>54,374,447</u>
 Total assets	 <u><u>\$ 50,845,671</u></u>	 <u><u>\$ 4,387,367</u></u>	 <u><u>\$ 55,233,038</u></u>

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

**CITY OF CARRABELLE, FLORIDA**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2009**  
(Continued)

**Business Type Activities - Enterprise Funds**

	<b>Water and Sewer</b>	<b>Port and Airport</b>	<b>Total</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,071,164	\$ 108,035	\$ 1,179,199
Compensated absences	44,166	-	44,166
Due to other funds	490,332	273,039	763,371
Payable from restricted assets:			
Utility deposits	90,734	-	90,734
Unearned revenue	1,540,995	-	1,540,995
Current portion of notes payable	106,189	-	106,189
Total current liabilities	<u>3,343,580</u>	<u>381,074</u>	<u>3,724,654</u>
Noncurrent liabilities:			
Notes payable, long-term portion	<u>26,810,518</u>	<u>-</u>	<u>26,810,518</u>
Total liabilities	<u>30,154,098</u>	<u>381,074</u>	<u>30,535,172</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	16,727,002	3,982,483	20,709,485
Restricted for debt service	5,116,526	-	5,116,526
Unrestricted	(1,151,955)	23,810	(1,128,145)
Total net assets	<u>\$ 20,691,573</u>	<u>\$ 4,006,293</u>	<u>\$ 24,697,866</u>

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

**CITY OF CARRABELLE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<b>Business Type Activities - Enterprise Funds</b>		
	<b>Water and Sewer</b>	<b>Port and Airport</b>	<b>Total</b>
<b>Operating revenues:</b>			
Charges for services	\$ 1,283,380	\$ 18,339	\$ 1,301,719
<b>Operating expenses:</b>			
Cost of sales	-	7,719	7,719
Salaries	406,825	-	406,825
Employee benefits	102,538	-	102,538
Auto and truck	8,714	-	8,714
Depreciation	424,435	36,634	461,069
Professional fees	74,174	-	74,174
Repairs	182,560	-	182,560
Utilities	135,400	2,902	138,302
Supplies	130,474	1,218	131,692
Insurance	77,941	611	78,552
Miscellaneous	43,078	756	43,834
Total operating expenses	1,586,139	49,840	1,635,979
<b>Operating loss</b>	(302,759)	(31,501)	(334,260)
<b>Nonoperating revenue:</b>			
Investment earnings	351,415	234	351,649
Miscellaneous	42,206	-	42,206
Total nonoperating revenues	393,621	234	393,855
<b>Income (loss) before capital contributions</b>	90,862	(31,267)	59,595
<b>Capital contributions</b>	303,763	140,911	444,674
<b>Change in net assets</b>	394,625	109,644	504,269
<b>Total net assets, beginning of year</b>	20,296,948	3,896,649	24,193,597
<b>Total net assets, end of year</b>	\$ 20,691,573	\$ 4,006,293	\$ 24,697,866

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

**CITY OF CARRABELLE, FLORIDA**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**  
**Increase (Decrease) in Cash and Cash Equivalents**

	<b>Business Type Activities - Enterprise Funds</b>		
	<b>Water and Sewer</b>	<b>Port and Airport Authority</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Cash receipts from customers and others	\$ 2,012,937	\$ 51,563	\$ 2,064,500
Cash payments to suppliers	(873,081)	-	(873,081)
Cash payments to employees	(402,400)	-	(402,400)
Net cash provided by operating activities	<u>737,456</u>	<u>51,563</u>	<u>789,019</u>
<b>Cash flows from capital and related financing activities</b>			
Proceeds from capital contributions	289,095	-	289,095
Purchases of fixed assets	(2,108,700)	(34,862)	(2,143,562)
Net cash used in capital and related financing activities	<u>(1,819,605)</u>	<u>(34,862)</u>	<u>(1,854,467)</u>
<b>Cash flows from investing activities</b>			
Interest and other nonoperating revenues	296,003	234	296,237
Sale of certificates of deposit	586,032	-	586,032
Purchases of certificates of deposit	(34,727)	-	(34,727)
Sale of investments	3,240,567	-	3,240,567
Purchases of investments	(2,844,063)	-	(2,844,063)
Net cash provided by investing activities	<u>1,243,812</u>	<u>234</u>	<u>1,244,046</u>
<b>Net increase in cash and cash equivalents</b>	<u>161,663</u>	<u>16,935</u>	<u>178,598</u>
<b>Cash and cash equivalents, beginning of year</b>	1,216,463	10,717	1,227,180
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,378,126</u>	<u>\$ 27,652</u>	<u>\$ 1,405,778</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>			
Operating loss	\$ (302,759)	\$ (31,501)	\$ (334,260)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	424,435	36,634	461,069
Decrease in accounts receivable	730,021	-	730,021
Decrease in accounts payable and accrued expenses	(1,312)	-	(1,312)
Increase in compensated absences	4,425	-	4,425
Increase (decrease) in due to other funds	(116,890)	38,711	(78,179)
Decrease in utility deposits	(464)	-	(464)
Decrease in inventory	-	7,719	7,719
Total adjustments	<u>1,040,215</u>	<u>83,064</u>	<u>1,123,279</u>
<b>Net cash provided by operating activities</b>	<u>\$ 737,456</u>	<u>\$ 51,563</u>	<u>\$ 789,019</u>

**Supplemental schedule of non-cash capital and related financing activities:**

At September 30, 2009, the City had outstanding accounts payable of \$973,187 for construction in process.  
Construction in process was financed with \$514,409.

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

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**I. Summary of Significant Accounting Policies**

**A. Reporting entity**

City of Carrabelle, Florida (government) is a municipal corporation formed under Florida Laws 1965, c. 65-1349, 1, and is governed by an elected mayor and a four member council. As required by accounting principles generally accepted in the United States of America, these financial statements present only the City, since there are no component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government.

The City's Community Redevelopment Agency ("Agency") serves all the citizens of the City and is governed by the same Board as the City of Carrabelle, Florida. The agency was established to prevent the development or spread of slums and blight, reduce and prevent crime, and for the provision of affordable housing. The Agency is reported as a special revenue fund.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**I. Summary of Significant Accounting Policies (Continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation (Continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital project fund* is used to report major capital acquisition and construction separately from their ongoing activities.

The *special revenue fund* is used to report specific revenues that are legally restricted to expenditure for particular purposes.

The government reports the following major proprietary funds:

The *water and sewer fund* accounts for the activities of the government's water distribution and sewer collection operations.

The *port and airport authority fund* accounts for the activities of the government's port and airport operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, *general revenues* include all taxes.

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**I. Summary of Significant Accounting Policies** (Continued)

**C. Measurement focus, basis of accounting, and financial statement presentation**  
(Continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise funds are charges to customers for sales and services. The Government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in direct obligations of the U.S. Treasury, Local Government Surplus Funds Trust Funds, SEC registered money market funds with the highest credit quality rating and savings and CD accounts in state-certified public depositories.

Investments for the City are reported at fair value.

**2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**I. Summary of Significant Accounting Policies** (Continued)

**D. Assets, Liabilities, and Net Assets or Equity** (Continued)

**3. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. For financial reporting purposes, capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. For financial reporting purposes infrastructure assets are defined by the government as assets with an initial, individual cost of more than \$5,000 acquired after September 30, 2003 and an estimated useful life in excess of two years. For inventory purposes, capital assets are assets with individual cost of \$1,000 or more. Such 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 assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	39
Infrastructure	20
Utility system	5 – 50
Vehicles	5
Office equipment	5 – 10

**4. Compensated Absences**

It is the government’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**5. Inventory**

Inventory consists of airplane fuel. The airplane fuel is carried at lower of cost or market and is valued using the weighted average method. The Port and Airport Authority expenses the inventory cost as the airplane fuel is sold to customers.

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**I. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**6. Restricted Assets**

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

**7. Long-term Obligations**

In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**8. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**9. Property Taxes**

Property taxes are billed and collected for the City by the County Tax Collector according to Florida Statute under the following calendar:

Lien Date:	January 1
Levy Date:	October 1
Due Date:	November 1
Delinquency Date:	April 1, of the following year

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**I. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**10. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**II. Reconciliation of Government-Wide and Fund Financial Statements**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of the \$41,958 difference are as follows:

Compensated absences	\$ 41,958
Net adjustments to reduce <i>fund balance-total governmental funds</i> to arrive at <i>nets assets-governmental activities</i>	<u>\$ 41,958</u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$4,183,004 difference are as follows:

Capital outlay	\$ 4,437,626
Depreciation expense	(254,622)
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 4,183,004</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The detail of this \$7,524 difference is as follows:

Compensated absences	<u>\$ 7,524</u>
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**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**III. Detailed Notes on All Funds**

**A. Deposits and Investments**

*Deposits.* At year end, the carrying amount of the City’s deposits was \$3,615,922 and the bank balance was \$3,652,197. Of the bank balance, \$3,652,197 was covered by Federal depository insurance or by collateral held by the City’s custodial bank which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with the Florida Security for Deposits Act Chapter 280, Florida Statutes.

*Investments.* At September 30, 2009, the City had the following investments:

	<b>Fair Value</b>
United States Government Fixed Income Securities	\$ 4,501,805
Florida State Board of Administration, Local Government Surplus Trust Funds Investment Pool	1,041
	\$ 4,502,846

Investments with the Florida State Board of Administration Local Government Surplus Trust Funds Investment Pool is structured as a “2a-7 like” fund, which is carried at amortized cost. A 2a-7 like pool is not registered with the SEC as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds.

**Custodial Credit Risk** – The City’s policies limit deposits and investments to those instruments allowed by applicable state laws.

**Credit Risk** – The City’s policies are designed to maximize investment earnings while protecting the security of the principal and providing adequate liquidity, in accordance with applicable state laws.

**Interest Rate Risk** – In accordance with investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

**B. Receivables**

Receivables as of year end, including the applicable allowances for uncollectible accounts, are as follows:

	General	Capital Projects	Special Revenue	Water and Sewer	Port and Airport Authority	Total
Accounts	\$ 130,988	\$ –	\$ –	\$ 248,319	\$ –	\$ 379,307
Intergovernmental	876,500	12,250	62,061	14,688	361,175	1,326,674
Gross receivables	1,007,488	12,250	62,061	263,007	361,175	1,705,981
Less: allowance for uncollectables	–	–	–	123,063	–	123,063
Net total receivables	\$ 1,007,488	\$ 12,250	\$ 62,061	\$ 139,944	\$ 361,175	\$ 1,582,918

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**III. Detailed Notes on All Funds (Continued)**

**C. Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 40,421	\$ 148,750	\$ -	\$ 189,171
Construction in progress	2,549,428	867,702	(487,852)	2,929,278
Total capital assets, not being depreciated	2,589,849	1,016,452	(487,852)	3,118,449
Capital assets, being depreciated:				
Buildings and improvements	35,115	3,810,129	-	3,845,244
Equipment, furniture, fixtures and vehicles	1,414,833	32,497	-	1,447,330
Infrastructure	291,401	66,400	-	357,801
Total capital assets, being depreciated	1,741,349	3,909,026	-	5,650,375
Less accumulated depreciation for:				
Buildings and improvements	(31,750)	(102,100)	-	(133,850)
Equipment, furniture, fixtures and vehicles	(663,579)	(129,226)	-	(792,805)
Infrastructure	-	(23,296)	-	(23,296)
Total accumulated depreciation	(695,329)	(254,622)	-	(949,951)
Total capital assets, being depreciated, net	1,046,020	3,654,404	-	4,700,424
Governmental activities capital assets, net	\$ 3,635,869	\$ 4,670,856	\$ (487,852)	\$ 7,818,873
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,970,515	\$ -	\$ -	\$ 2,970,515
Construction in process	33,112,355	2,484,619	(181,986)	35,414,988
Total capital assets, not being depreciated	36,082,870	2,484,619	(181,986)	38,385,503
Capital assets, being depreciated				
Equipment, buildings, utility systems and improvements	11,545,919	219,894	-	11,765,813
Total capital assets, being depreciated	11,545,919	219,894	-	11,765,813
Less accumulated depreciation for:				
Equipment, buildings, utility systems and improvements	(2,064,055)	(461,069)	-	(2,525,124)
Total accumulated depreciation	(2,064,055)	(461,069)	-	(2,525,124)
Total capital assets, being depreciated, net	9,481,864	(241,175)	-	9,240,689
Business-type activities capital assets, net	\$ 45,564,734	\$ 2,243,444	\$ (181,986)	\$ 47,626,192

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**III. Detailed Notes on All Funds (Continued)**

**C. Capital Assets (Continued)**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General Government	\$ 73,022
Transportation	42,995
Public Safety	72,106
Culture and Recreation	66,499
Total	\$ 254,622
Business-type activities:	
Water and sewer	\$ 424,435
Port and airport authority	36,634
Total	\$ 461,069

**D. Interfund Receivables and Payables**

The composition of interfund balances as of September 30, 2009, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	\$ 58,249
General Fund	Port and Airport Authority Fund	268,406
General Fund	Water and Sewer Fund	490,332
Special Revenue Fund	General Fund	655,460
Capital Projects Fund	Port and Airport Authority Fund	4,633
		\$ 1,477,080

The interfund amounts were used to cover deficits in cash balances due to timing of cash collections.

**E. Long-term Debt**

***Business-type Activities***

Notes payable

Note payable to government agency, semiannual payments of \$497,716 to begin upon completion of project, currently projected to be May 31, 2010, plus interest at 1.92%; collateralized by water and sewer revenues

\$ 26,916,707

Less: Current portion

106,189

Notes payable, less current portion

\$ 26,810,518

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**III. Detailed Notes on All Funds (Continued)**

**E. Long-term Debt (Continued)**

Maturities of notes payable are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 106,189	\$ 391,527
2011	480,913	514,519
2012	490,228	505,204
2013	499,724	495,708
2014	509,403	486,028
2015 – 2019	2,698,901	2,278,258
2020 – 2024	2,970,612	2,006,547
2025 – 2029	3,269,677	1,707,482
2030 – 2034	2,450,856	1,421,860
2035 – 2039	2,563,814	1,186,186
2040 – 2044	2,821,925	928,075
2045 – 2049	3,106,021	643,979
2050 – 2054	3,418,718	331,282
2055 – 2057	1,529,726	38,661
Total	<u>\$ 26,916,707</u>	<u>\$ 12,935,316</u>

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Governmental activities:					
Compensated absences	\$ 49,482	\$ 53,565	\$ 61,089	\$ 41,958	\$ 41,958
Governmental activity long-term liabilities	<u>\$ 49,482</u>	<u>\$ 53,565</u>	<u>\$ 61,089</u>	<u>\$ 41,958</u>	<u>\$ 41,958</u>
Business-type activities:					
Revenue bonds	\$ 26,402,298	\$ 514,409	\$ –	\$ 26,916,707	\$ 106,189
Compensated absences	39,741	31,691	27,266	44,166	44,166
Business-type activity long-term liabilities	<u>\$ 26,442,039</u>	<u>\$ 546,100</u>	<u>\$ 27,266</u>	<u>\$ 26,960,873</u>	<u>\$ 150,355</u>

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**IV. Stewardship, Compliance, and Accountability**

**A. Budgetary information**

The following procedures are utilized by the City in establishing and/or amending the budgetary information contained in the general purpose financial statements:

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law.
- Budgets are generally prepared for the governmental fund types on a basis consistent with generally accepted accounting principles and are presented based upon the final amended amounts.
- Appropriations lapse at year end to the extent that they have not been expended. Budget appropriations may not be legally exceeded on a fund basis.

**B. Excess of Expenditures Over Appropriations**

Expenditures exceeded appropriations in the funds listed below. These over expenditures were funded by available fund balances.

General Fund	\$ 4,309,036
Capital Projects Fund	18,375
Special Revenue Fund	98,602
Water and Sewer Fund	328,429
Port and Airport Authority Fund	49,840
Total	\$ 4,804,282

**V. Other Information**

**A. Contingent Liabilities**

**Grant Programs**—Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects amounts, if any, to be immaterial.

**Litigation**—The City has been named in a litigation. Management intends to vigorously contest and defend against this claim. It is the opinion of the City’s attorney that the City will have a favorable outcome. No amounts have been accrued in the financial statements.

**B. Pension Plan**

*Statewide Local Government Retirement System (SLGRS)*

*Plan Description:* The City of Carrabelle, Florida contributes to the State of Florida Retirement System, a cost sharing multiple employer public employee retirement system administered by the State of Florida. The Florida Retirement System provides retirement and disability benefits. The Division of Retirement issues a publicly available financial report that includes the pension benefit obligation, the net assets and unfunded pension benefit obligation. That report may be obtained by writing to the Division of Retirement, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560 or calling (850) 488-5706.

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**VI. Other Information** (Continued)

**B. Pension Plan** (Continued)

*Funding Policy:* The City of Carrabelle, Florida is required to contribute 9.85% for regular annual covered employee's salary and 20.92% for special risk annual covered employee's salary. The contribution requirements of City of Carrabelle, Florida may be changed by the Florida Retirement System. The City of Carrabelle, Florida's contributions to the Florida Retirement System for the years ended September 30, 2009, 2008, and 2007, were \$106,064, \$88,545, and \$93,467, respectively.

**C. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

**D. Construction Commitment**

The City is in the process of constructing a new sewer system and other capital improvements. The total estimated costs of the sewer system and capital improvements are \$50,000,000. As of September 30, 2009, approximately \$35,400,000 has been spent on the sewer system and other capital improvements.

**E. Subsequent Event**

The City is under a consent order from the Florida Department of Environmental Protection whereby the City has must comply with certain guidelines for water treatment for trihalomethanes and haloacetic acids. The City has agreed to the consent order and has submitted a timeline for the completion of the corrective action. Management estimates the total cost to comply with the consent order will be \$8,000,000.

**CITY OF CARRABELLE, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2009**

**CITY OF CARRABELLE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Original</u>	<u>Final</u>	<u>General Fund</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>				
Taxes, licences and permits	\$ 1,458,405	\$ 1,458,405	\$ 1,477,781	\$ 19,376
Intergovernmental	134,639	134,639	4,422,531	4,287,892
Charges for services	23,085	23,085	24,860	1,775
Other	164,065	164,065	219,880	55,815
Total revenues	<u>1,780,194</u>	<u>1,780,194</u>	<u>6,145,052</u>	<u>4,364,858</u>
<b>Expenditures</b>				
General government	776,056	776,056	4,202,424	(3,426,368)
Public safety	469,570	469,570	488,015	(18,445)
Transportation	154,900	154,900	198,761	(43,861)
Culture and recreation	9,375	9,375	358,823	(349,448)
Physical environment	-	-	470,914	(470,914)
Total expenditures	<u>1,409,901</u>	<u>1,409,901</u>	<u>5,718,937</u>	<u>(4,309,036)</u>
<b>Excess of revenues over expenditures</b>	<u>370,293</u>	<u>370,293</u>	<u>426,115</u>	<u>55,822</u>
<b>Fund balances, beginning of year</b>	466,560	466,560	1,419,330	952,770
<b>Fund balances, end of year</b>	<u>\$ 836,853</u>	<u>\$ 836,853</u>	<u>\$ 1,845,445</u>	<u>\$ 1,008,592</u>

The accompanying notes to supplementary information  
is an integral part of this statement.

**CITY OF CARRABELLE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL - CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Original</u>	<u>Final</u>	<u>Capital Projects Fund</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>				
Taxes, licences and permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	18,375	18,375
Charges for services	-	-	-	-
Other	-	-	339	339
Total revenues	<u>-</u>	<u>-</u>	<u>18,714</u>	<u>18,714</u>
<b>Expenditures</b>				
General government	-	-	18,375	(18,375)
Public safety	-	-	-	-
Transportation	-	-	-	-
Culture and recreation	-	-	-	-
Physical environment	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>18,375</u>	<u>(18,375)</u>
<b>Excess of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>339</u>	<u>339</u>
<b>Fund balances, beginning of year</b>	-	-	-	-
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 339</u>	<u>\$ 339</u>

The accompanying notes to supplementary information  
is an integral part of this statement.

**CITY OF CARRABELLE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Original</u>	<u>Final</u>	<u>Special Revenue Fund</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>				
Taxes, licences and permits	\$ -	\$ -	\$ 161,172	\$ 161,172
Intergovernmental	-	-	65,476	65,476
Charges for services	-	-	-	-
Other	-	-	3,256	3,256
Total revenues	<u>-</u>	<u>-</u>	<u>229,904</u>	<u>229,904</u>
<b>Expenditures</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Culture and recreation	-	-	-	-
Physical environment	-	-	98,602	(98,602)
Total expenditures	<u>-</u>	<u>-</u>	<u>98,602</u>	<u>(98,602)</u>
<b>Excess of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>131,302</u>	<u>131,302</u>
<b>Fund balances, beginning of year</b>	-	-	759,459	759,459
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 890,761</u>	<u>\$ 890,761</u>

The accompanying notes to supplementary information  
is an integral part of this statement.

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**A. Budgetary Information:**

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. All annual appropriations lapse at fiscal year end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, the City Council prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of a resolution.
4. Revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The legal level of budgetary control is the fund level.
6. The budgets for the funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**B. Excess of Expenditures Over Appropriations**

Expenditures exceeded appropriations in the following funds:

Fund	Appropriations	Expenditures	Over Expenditure
General Fund	\$ 1,409,901	\$ 5,718,937	\$ 4,309,036
Capital Projects Fund	\$ –	\$ 18,375	\$ 18,375
Special Revenue Fund	\$ –	\$ 98,602	\$ 98,602

**CITY OF CARRABELLE, FLORIDA**

**ADDITIONAL INFORMATION**

**SEPTEMBER 30, 2009**

**CITY OF CARRABELLE, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Federal Grantor / Pass Through Grantor / State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures	Loans Outstanding At 9/30/09
<b>FEDERAL AWARDS</b>				
<b>United States Department of Commerce</b>				
Passed through Florida Department of Community Affairs				
Coastal Zone Management Administration Awards	11.419	09-DR-BG-02-29-02-001	\$ 22,917	\$ -
Coastal Zone Management Administration Awards	11.419	CZ917	31,876	-
			<u>54,793</u>	<u>-</u>
<b>United States Department of Housing and Urban Development</b>				
Passed through Florida Department of Community Affairs				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	07DB-3R-02-29-02-E-16	18,375	-
<b>United States Department of Justice</b>				
Passed through Florida Department of Law Enforcement				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-JAGD-FRAN-1-T8-076	1,000	-
<b>United States Department of Environmental Protection Agency</b>				
Passed through Florida Department of Environmental Protection				
Capitalization Grants for Clean Water State Revolving Funds	66.458	SG54912	284,513	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS12054910P	-	26,916,707
			<u>284,513</u>	<u>26,916,707</u>
Passed through Florida Department of Environmental Protection				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW190300	293,103	-
ARRA - Capitalization Grants for Drinking Water State Revolving Funds	ARRA-66.468	DW190301	835,747	-
			<u>1,128,850</u>	<u>-</u>
<b>Total Federal Awards</b>			<u>\$ 1,487,531</u>	<u>\$ 26,916,707</u>

**CITY OF CARRABELLE, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2009  
(CONTINUED)**

State Grantor / Pass Through Grantor Program Title	State CSFA Number	Contract Number	Expenditures	Loans Outstanding At 9/30/09
<b>STATE FINANCIAL ASSISTANCE</b>				
<b>State of Florida Department of Environmental Protection</b>				
Florida Recreation Development Assistance Projects	37.017	A9110	\$ 33,600	\$ -
Statewide Surface Water Restoration and Wastewater Projects	37.039	LP6817	398,548	-
Passed through Northwest Florida Water Management District Water Management Districts – Land Acquisition	37.022	08-055	72,366	-
<b>State of Florida Department of State and Secretary of State</b>				
Acquisition, Restoration of Historic Properties	45.032	LH003	200,000	-
Historic Preservation Grant	45.031	S0909	50,000	-
<b>State of Florida Department of Transportation</b>				
Aviation Development Grants	55.004	AOK18	10,514	-
Aviation Development Grants	55.004	AOK19	130,397	-
			140,911	-
<b>Total State Financial Assistance</b>			895,425	-
<b>TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE</b>			<u>\$ 2,382,956</u>	<u>\$ 26,917,707</u>

**I. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the Federal and State award activity of the City of Carrabelle, Florida and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations* and Chapter 10.650, Rules of the State of Florida Office of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**CITY OF CARRABELLE, FLORIDA  
OFFICIALS  
SEPTEMBER 30, 2009**

**CITY COUNCIL**

Wilburn Messer, Mayor  
Franklin Mathes  
James Brown  
Richard Sands  
Ray Tyre

**CITY ADMINISTRATOR**

Courtney Dempsey

**CITY CLERK**

Keisha Smith

JAMES MOORE & CO., P.L.  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' 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***

To the Honorable City Council,  
City of Carrabelle, Florida:

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of City of Carrabelle, Florida as of and for the year ended September 30, 2009, which collectively comprise the City of Carrabelle, Florida's basic financial statements and have issued our report thereon dated September 27, 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 City of Carrabelle, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Carrabelle, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City of Carrabelle, 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 City of Carrabelle, Florida's financial statements that is more than inconsequential will not be prevented or detected by the City of Carrabelle, Florida's internal control. We consider deficiency 09-01 and 09-02 described in the accompanying schedule of findings and questioned costs to be a significant deficiency 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 City of Carrabelle, 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, we consider deficiencies 09-01 and 09-02 described in the accompanying schedule of findings and questioned costs to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Carrabelle, 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 to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to management of City of Carrabelle, Florida, in a separate "Management Letter Required by Chapter 10.550, Rules of the State of Florida Office of the Auditor General" dated September 27, 2010.

City of Carrabelle, Florida's response to the findings identified in our audit is described in the accompanying corrective action plan. We did not audit City of Carrabelle, Florida's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City of Carrabelle, Florida's management, the City Council, 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.

*James Moore & Co., P.L.C.*

Tallahassee, Florida  
September 27, 2010

**JAMES MOORE & CO., P.L.**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-  
133 AND CHAPTER 10.550, RULES OF THE STATE OF FLORIDA OFFICE OF THE  
AUDITOR GENERAL**

To the Honorable City Council,  
City of Carrabelle, Florida

**Compliance**

We have audited the compliance of City of Carrabelle, Florida with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the requirements described in the State of Florida Department of Financial Services Compliance Supplement, that are applicable to each of its major Federal programs and State projects for the year ended September 30, 2009. The City of Carrabelle, Florida's major Federal programs and State projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs and State projects is the responsibility of City of Carrabelle, Florida's management. Our responsibility is to express an opinion on City of Carrabelle, Florida's compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the State of Florida Office of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the State of Florida Office of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program or State project occurred. An audit includes examining, on a test basis, evidence about City of Carrabelle, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Carrabelle, Florida's compliance with those requirements

In our opinion, City of Carrabelle, Florida complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs and State projects for the year ended September 30, 2009.

## Internal Control Over Compliance

The management of City of Carrabelle, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs and State projects. In planning and performing our audit, we considered City of Carrabelle, Florida's internal control over compliance with requirements that could have a direct and material effect on a major Federal program and State project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Carrabelle, Florida's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program or State project on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program or State project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program or State project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program or State project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, State awarding agencies, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Tallahassee, Florida  
September 27, 2010





**CITY OF CARRABELLE, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –**  
**FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE**  
**SEPTEMBER 30, 2009**  
(Continued)

**II. Financial Statements Findings: (Continued)**

**Finding 09-02: Segregation of Duties**

Internal controls are designed to safeguard assets and help or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Although the size of the City's accounting staff prohibits complete adherence to this concept, we believe that the following practices could be implemented to improve existing internal control without impairing efficiency:

- Mail should be opened by an employee not responsible for accounting. Cash receipts should be recorded and the deposit prepared by this person. The cash receipts journal, supplemented by remittance advices, should be forwarded to the accounting staff for postings to the general ledger and detail customer accounts.
- Cash receipts should be deposited intact daily. Holding receipts for a weekly deposit exposes the City to loss.
- Bank statements, canceled checks, and appropriate advices should be received by someone other than employees maintaining cash records. Such items should be periodically reviewed prior to turning them over for reconciliation. Unusual items noted during the review should be investigated promptly.
- A responsible official should review all checks and related source documents before signing checks.
- Signed checks should also be mailed without allowing them to be returned to the employee responsible for accounts payable.
- All disbursements should be supported by detailed invoices and should be approved by an appropriate member of management prior to payment.
- The City should maintain a management approved vendor list.
- All employee time sheets should be signed by the employee and approved by an appropriate supervisor.
- Journal entries should include adequate supporting documentation and should be approved by an employee other than the one who prepared the entry.

**III. Federal Award Findings and Questioned Costs: None.**

**IV. State Project Findings and Questioned Costs: None.**

**CITY OF CARRABELLE, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS –**  
**FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE**  
**SEPTEMBER 30, 2009**  
(Continued)

**V. Federal Award Prior Year Audit Findings:** None.

**VI. State Project Prior Year Audit Findings:** None

**JAMES MOORE & CO., P.L.**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY CHAPTER  
10.550, RULES OF THE STATE OF FLORIDA OFFICE OF THE AUDITOR GENERAL**

To the Honorable City Council,  
City of Carrabelle, Florida:

We have audited the financial statements of City of Carrabelle, Florida, as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated September 27, 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 Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated September 27, 2010, and 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. The recommendations in the prior year are still in the process of being corrected.
- 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 City of Carrabelle, 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 recommendations to improve financial management. In connection with our audit, we have the following recommendations:

**General Fixed Assets**

As noted in the prior year, the City of Carrabelle, Florida had not taken a complete physical inventory of property and equipment. This physical inventory serves to account for the physical existence of assets and allows for updating of fixed assets records. The City also did not include an ID number for each item. We recommend each property and equipment item be tagged with an ID number and the ID number be included on the physical inventory list. The inventory should be compared to the City's property records and differences should be communicated to the City Council for proper disposition. After the property records are updated and reconciled, a report should be made annually to the City Council noting any discrepancies between physical inventory and the detailed property records.

## **Accounting Manual**

As noted in the prior year, the City does not have an accounting procedures manual. Written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions that management performs. It will take some time and effort for management to complete this manual; however, we believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective.

## **Disaster Recovery Plan**

As noted in the prior year, the City does not have current well-defined, written disaster recovery procedures. The time to make contingency plans is before disaster strikes, so that all personnel will be aware of their responsibilities in the event of an emergency situation that precludes the use of the existing facilities. We suggest that management develop a disaster recovery plan that includes, but is not limited to the following matters.

- Location of, and access to, offsite storage.
- A listing of all data files that would have to be obtained from the offsite storage location.
- Identification of a backup location (name and telephone number) where similar or compatible equipment is available for emergency processing. (Management should make arrangements for such back up with another company, a computer vendor, or a service center. The agreement should be in writing).
- Responsibilities of various personnel in an emergency.
- Critical application priority and reporting requirements during the emergency period.

## **Cancel, Initial, and Properly File Invoices Being Paid**

We believe that controls over cash disbursements could be improved by performing the following procedures when paying bills:

- Cancel invoices by indicating the date paid, check number, etc. on the invoice.
- Have the person signing the check initial the invoice to indicate review of the invoice.
- File paid invoices in a manner that makes them easily accessible.

These procedures will help prevent unauthorized payment of invoices from being paid twice.

- 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 statements 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 noted the following finding:

**Budgetary Controls**

Florida Statutes, Section 166.241(3) provides that the budget must regulate expenditures of the municipality, and it is unlawful for any officer of municipal government to expend or contract for expenditures in any fiscal year except in pursuant of budgeted expenditures. The City adopts its budget for the various funds on the modified accrual basis of accounting. Based upon that budget approach, the City’s expenditures exceeded appropriations in the following fund:

Fund	Appropriations	Expenditures	Over Expenditure
General Fund	\$ 1,409,901	\$ 5,718,937	\$ 4,309,036
Capital Projects Fund	\$ –	\$ 18,375	\$ 18,375
Special Revenue Fund	\$ –	\$ 98,602	\$ 98,602
Water and Sewer Fund	\$ 1,257,710	\$ 1,586,139	\$ 328,429
Port and Airport Authority Fund	\$ –	\$ 49,840	\$ 49,840

**Budgetary Controls—General**

Florida Statutes, Section 166.241(3), states that the amount available from taxation and other sources, including amount carried over from prior years, must equal the total appropriations for expenditures and reserves. The City did, in fact, include carry forward amounts in its adopted budget. However, after year end, when final fund equities were determined, the City did not amend the budget to include the appropriate amounts. Failure to consider accurate beginning fund equities in the budget diminishes the City’s ability to determine appropriate increases/decreases in revenues and/or expenditures that may be needed for the fiscal year for which the budget is adopted. We recommend the City implement a policy whereby final fund equities are included in the budget as soon as determined.

- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in the notes to the financial statements.
- 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 the specific condition(s) met. In connection with our audit, we determined that the City of Carrabelle, 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 City of Carrabelle, 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 City of Carrabelle, 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.

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.

*James Moore & Co., P.L.*

Tallahassee, Florida  
September 27, 2010

WILBURN "CURLEY" MESSER  
MAYOR-COMMISSIONER

# CITY OF CARRABELLE CARRABELLE, FLORIDA

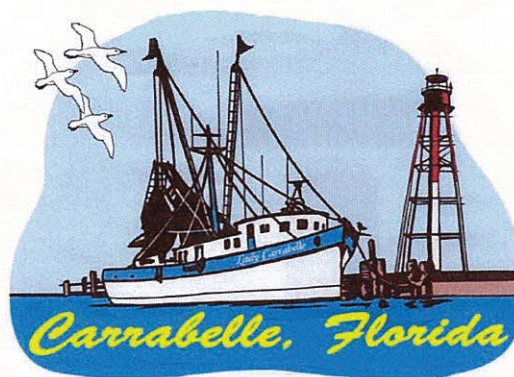
DAN HARTMAN  
CITY ATTORNEY

FRANKLIN MATHES  
COMMISSIONER

JAMES N. BROWN  
COMMISSIONER

RICHARD SANDS  
COMMISSIONER

CAL ALLEN  
COMMISSIONER



COURTNEY DEMPSEY  
CITY ADMINISTRATOR

KEISHA SMITH  
CITY CLERK

P.O. DRAWER 569  
1001 GRAY AVENUE  
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TELEPHONE: 850-697-3618  
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## Management's Corrective Action

### **Prepare Financial Statements in Accordance with GAAP**

The City of Carrabelle will apply the appropriate accounting principles to prepare the financial statements in accordance with GAAP.

### **Segregation of Duties**

The City of Carrabelle will segregate the duties of handling cash, checks, posting receipts, and disbursements.

### **Budgetary Controls- General**

The City will implement a policy whereby final fund equities are included in the budget as soon as determined.

### **General Fixed Assets**

The City is in the process of completing an inventory list which will correlate with the Auditors depreciation list. All department supervisors will receive a list and be responsible for property on the inventory list and for an annual physical inventory.

### **Accounting Manual**

Writing of the Accounting Manual is in progress.

### **Disaster Recovery Plan**

The City continues work on a written Disaster Recovery Plan for departments other than water and sewer. The water and sewer Disaster Recovery Plan is complete. It should be noted the City has a Disaster Contingency fund in the form of a certificate of deposit in the amount of 17% of the General Fund annual budget.

### **Invoices**

The City will implement a policy for filing paid invoices and other documentation.

### **Check Payment**

The City will make payments from invoices and not statements.