

CITY OF CARRABELLE, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

**CITY OF CARRABELLE, FLORIDA
TABLE OF CONTENTS
SEPTEMBER 30, 2010**

	Page(s)
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 8
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Net Assets – Proprietary Funds	14 – 15
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds	17
Notes to Financial Statements	18 – 31
Required Supplementary Information	32
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	33
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects Fund	34
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Special Revenue Fund	35
Notes to Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Governmental Funds	36
Additional Information	37
Schedule of Expenditures of Federal Awards and State Financial Assistance Officials	38 – 39 40
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 <i>Government Auditing Standards</i>	41 – 42
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and Major 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	43 – 44
Schedule of Findings and Questioned Costs–Federal Award Programs and State Financial Assistance	45 – 48
Independent Auditors' Management Letter Required by Chapter 10.550, Rules of the State of Florida, Office of the Auditor General	49 – 52
Corrective Action Plan	53

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, 2010, 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, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2011, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 32 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carrabelle, Florida's financial statements as a whole. 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 financial statements. The Schedule of Expenditures of Federal Awards and State Financial Assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Tallahassee, Florida
July 22, 2011

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, 2010.

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 City of Carrabelle, Florida adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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 - 31 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 32 - 36 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 \$38,835,046 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* \$1,420,876 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 of net assets for its separate business-type activities.

City of Carrabelle, Florida's Net Assets

	2010		
	Governmental activities	Business- type activities	Total
Current and other assets	\$ 3,271,792	\$ 7,684,683	\$ 10,956,475
Capital assets	8,216,998	51,289,632	59,506,630
Total assets	<u>11,488,790</u>	<u>58,974,315</u>	<u>70,463,105</u>
Long-term liabilities outstanding	41,983	27,959,038	28,001,021
Other liabilities	167,213	3,459,825	3,627,038
Total liabilities	<u>209,196</u>	<u>31,418,863</u>	<u>31,628,059</u>
Net assets:			
Invested in capital assets, net of related debt	8,216,998	23,385,132	31,602,130
Restricted	423,248	5,388,792	5,812,040
Unrestricted	2,639,348	(1,218,472)	1,420,876
Total net assets	<u>\$ 11,279,594</u>	<u>\$ 27,555,452</u>	<u>\$ 38,835,046</u>
	2009		
	Governmental activities	Business- type activities	Total
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	<u>10,693,540</u>	<u>54,469,667</u>	<u>65,163,207</u>
Long-term liabilities outstanding	41,958	26,960,873	27,002,831
Other liabilities	138,122	2,810,928	2,949,050
Total liabilities	<u>180,080</u>	<u>29,771,801</u>	<u>29,951,881</u>
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	<u>\$ 10,513,460</u>	<u>\$ 24,697,866</u>	<u>\$ 35,211,326</u>

Governmental activities. Governmental activities increased the City of Carrabelle, Florida's net assets by \$766,134, thereby accounting for 21 percent of the total growth in the net assets of the City of Carrabelle, Florida. The key elements of this increase were:

- Grant funds obtained from local state and Federal grant sources.

Business-type activities. Business-type activities increased the City of Carrabelle, Florida's net assets by \$2,857,586, accounting for 79 percent of the total growth in the government's net assets. The key elements in this increase were:

- Sewer grants and tap fees paid by Florida Department of Corrections.

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 \$3,104,579, an increase of \$368,034 in comparison with the prior year. Approximately 86% 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 \$2,018,270 while total fund balance reached \$2,093,536. 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 110 percent of total general fund expenditures, while total fund balance represents 138 percent of that same amount.

The fund balance of the City of Carrabelle, Florida's general fund increased by \$248,091 during the current fiscal year. The key factor in this increase was:

- Grant reimbursements.

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 (\$1,233,318), and \$14,846, respectively. The total growth in net assets for the funds was \$2,857,586. 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

- General fund exceeded its budget because of grant funds that were expended.

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, 2010, amounts to \$59,506,630 (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:

- Acquisition of property, construction of parks, and water and sewer construction in progress.

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

Long-term debt. At the end of the current fiscal year, the City of Carrabelle, Florida had \$27,904,500 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 27 - 28 of this report.

Economic Factors and Next Year's Budgets and Rates

- Loss of 33% of ad valorem tax.
- Funding of new water facilities.

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. Keisha Smith, City Clerk, 1001 Gray Avenue, Carrabelle, Florida 32322.

CITY OF CARRABELLE, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 930,384	\$ 1,126,220	\$ 2,056,604
Certificates of deposit	52,567	235,584	288,151
Investments	1,041	-	1,041
Receivables, net	501,695	2,178,381	2,680,076
Internal balances	1,362,857	(1,362,857)	-
Inventory	-	10,189	10,189
Restricted assets:			
Cash and cash equivalents	423,248	543,391	966,639
Investments	-	4,953,775	4,953,775
Capital assets not being depreciated:			
Land	189,171	2,970,515	3,159,686
Construction in process	3,372,582	37,578,758	40,951,340
Capital assets, net	4,655,245	10,740,359	15,395,604
Total assets	<u>11,488,790</u>	<u>58,974,315</u>	<u>70,463,105</u>
LIABILITIES			
Account payable and accrued expenses	167,213	1,003,204	1,170,417
Unearned revenue	-	2,348,247	2,348,247
Liabilities payable from restricted assets	-	108,374	108,374
Noncurrent liabilities			
Due within one year	41,983	200,861	242,844
Due in more than one year	-	27,758,177	27,758,177
Total liabilities	<u>209,196</u>	<u>31,418,863</u>	<u>31,628,059</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,216,998	23,385,132	31,602,130
Restricted for:			
Infrastructure	30,707	-	30,707
Community redevelopment	347,982	-	347,982
Cemetery	44,559	-	44,559
Debt service	-	5,388,792	5,388,792
Unrestricted	2,639,348	(1,218,472)	1,420,876
Total net assets	<u>\$ 11,279,594</u>	<u>\$ 27,555,452</u>	<u>\$ 38,835,046</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, 2010**

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	\$ 707,941	\$ 172,210	\$ -	\$ -	\$ (535,731)	\$ -	\$ (535,731)
Public safety	493,493	34,284	916	-	(458,293)	-	(458,293)
Transportation	183,171	2,100	-	-	(181,071)	-	(181,071)
Culture and recreation	138,731	-	-	265,067	126,336	-	126,336
Physical environment	-	-	-	251,983	251,983	-	251,983
Total governmental activities	<u>1,523,336</u>	<u>208,594</u>	<u>916</u>	<u>517,050</u>	<u>(796,776)</u>	<u>-</u>	<u>(796,776)</u>
Business-type activities:							
Water and sewer	1,813,002	1,391,376	-	2,947,981	-	2,526,355	2,526,355
Port and airport	123,223	13,524	-	243,408	-	133,709	133,709
Total business-type activities	<u>1,936,225</u>	<u>1,404,900</u>	<u>-</u>	<u>3,191,389</u>	<u>-</u>	<u>2,660,064</u>	<u>2,660,064</u>
Total government	<u>\$ 3,459,561</u>	<u>\$ 1,613,494</u>	<u>\$ 916</u>	<u>\$ 3,708,439</u>	<u>(796,776)</u>	<u>2,660,064</u>	<u>1,863,288</u>
			General revenues:				
			Property taxes		1,293,966	-	1,293,966
			Intergovernmental revenue		191,017	-	191,017
			Other		68,078	3,545	71,623
			Unrestricted investment earnings		9,849	193,977	203,826
			Total general revenues		<u>1,562,910</u>	<u>197,522</u>	<u>1,760,432</u>
			Change in net assets		766,134	2,857,586	3,623,720
			Net assets, beginning of year		10,513,460	24,697,866	35,211,326
			Net assets, end of year		<u>\$ 11,279,594</u>	<u>\$ 27,555,452</u>	<u>\$ 38,835,046</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, 2010**

	General Fund	Capital Projects Fund	Special Revenue Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 866,394	\$ 63,990	\$ -	\$ 930,384
Certificate of deposit	52,567	-	-	52,567
Investments	1,041	-	-	1,041
Receivables	353,521	-	148,174	501,695
Due from other funds	1,424,640	4,633	515,065	1,944,338
Restricted assets:				
Cash and cash equivalents	75,266	-	347,982	423,248
Total Assets	\$ 2,773,429	\$ 68,623	\$ 1,011,221	\$ 3,853,273
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued expenses	\$ 164,828	\$ -	\$ 2,385	\$ 167,213
Due to other funds	515,065	66,416	-	581,481
Total liabilities	679,893	66,416	2,385	748,694
Fund Balances:				
Reserved for:				
Infrastructure	30,707	-	-	30,707
Community redevelopment	-	-	347,982	347,982
Cemetery	44,559	-	-	44,559
Unreserved	2,018,270	2,207	660,854	2,681,331
Total fund balances	2,093,536	2,207	1,008,836	3,104,579
Total Liabilities and Fund Balances	\$ 2,773,429	\$ 68,623	\$ 1,011,221	

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.

8,216,998

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

(41,983)

Net assets of governmental activities

\$ 11,279,594

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, 2010

	General Fund	Capital Projects Fund	Special Revenue Fund	Total Governmental Funds
Revenues				
Taxes, licenses and permits	\$ 1,168,302	\$ -	\$ 139,102	\$ 1,307,404
Intergovernmental	638,155	-	86,113	724,268
Charges for services	208,594	-	-	208,594
Other	61,192	1,908	1,389	64,489
Total revenues	<u>2,076,243</u>	<u>1,908</u>	<u>226,604</u>	<u>2,304,755</u>
Expenditures				
General government	662,906	-	-	662,906
Public safety	421,886	-	-	421,886
Transportation	146,634	-	1,440	148,074
Culture and recreation	275,507	40	-	275,547
Physical environment	321,219	-	107,089	428,308
Total expenditures	<u>1,828,152</u>	<u>40</u>	<u>108,529</u>	<u>1,936,721</u>
Excess of revenues over expenditures	<u>248,091</u>	<u>1,868</u>	<u>118,075</u>	<u>368,034</u>
Fund balances, beginning of year	1,845,445	339	890,761	2,736,545
Fund balances, end of year	<u>\$ 2,093,536</u>	<u>\$ 2,207</u>	<u>\$ 1,008,836</u>	<u>\$ 3,104,579</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, 2010

Amounts reported for governmental activities in the statement of activities (page 10) are different because:

Net change in fund balances-total governmental funds (page 12)	\$ 368,034
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.	398,125
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.	(25)
Change in net assets of governmental activities (page 10)	<u>\$ 766,134</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, 2010

Business Type Activities - Enterprise Funds

	Water and Sewer	Port and Airport	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,095,856	\$ 30,364	\$ 1,126,220
Certificate of deposit	235,584	-	235,584
Receivables, net	2,175,600	2,781	2,178,381
Inventory	-	10,189	10,189
Total current assets	<u>3,507,040</u>	<u>43,334</u>	<u>3,550,374</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	543,391	-	543,391
Investments	4,953,775	-	4,953,775
Capital assets, net of accumulated depreciation	<u>47,164,326</u>	<u>4,125,306</u>	<u>51,289,632</u>
Total noncurrent assets	52,661,492	4,125,306	56,786,798
 Total assets	 <u>\$ 56,168,532</u>	 <u>\$ 4,168,640</u>	 <u>\$ 60,337,172</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, 2010
(Continued)

	Business Type Activities - Enterprise Funds		
	Water and Sewer	Port and Airport	Total
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,000,423	\$ 2,781	\$ 1,003,204
Compensated absences	54,538	-	54,538
Due to other funds	1,337,150	25,707	1,362,857
Unearned revenue	2,348,247	-	2,348,247
Payable from restricted assets:			
Utility deposits	108,374	-	108,374
Current portion of notes payable	146,323	-	146,323
Noncurrent liabilities:			
Notes payable, long-term portion	27,758,177	-	27,758,177
Total liabilities	32,753,232	28,488	32,781,720
NET ASSETS			
Invested in capital assets, net of related debt	19,259,826	4,125,306	23,385,132
Restricted for debt service	5,388,792	-	5,388,792
Unrestricted	(1,233,318)	14,846	(1,218,472)
Total net assets	\$ 23,415,300	\$ 4,140,152	\$ 27,555,452

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, 2010

	Business Type Activities - Enterprise Funds		
	Water and Sewer	Port and Airport	Total
Operating revenues:			
Charges for services	\$ 1,391,376	\$ 13,524	\$ 1,404,900
Operating expenses:			
Cost of sales	-	5,868	5,868
Salaries	406,084	-	406,084
Employee benefits	117,400	-	117,400
Auto and truck	11,612	-	11,612
Depreciation	476,782	38,453	515,235
Professional fees	217,636	56,450	274,086
Repairs	190,700	-	190,700
Utilities	135,928	3,850	139,778
Supplies	119,985	6,814	126,799
Insurance	104,714	1,388	106,102
Miscellaneous	32,161	10,400	42,561
Total operating expenses	1,813,002	123,223	1,936,225
Operating loss	(421,626)	(109,699)	(531,325)
Nonoperating revenue:			
Investment earnings	193,827	150	193,977
Miscellaneous	3,545	-	3,545
Total nonoperating revenues	197,372	150	197,522
Loss before capital contributions	(224,254)	(109,549)	(333,803)
Capital contributions	2,947,981	243,408	3,191,389
Change in net assets	2,723,727	133,859	2,857,586
Total net assets, beginning of year	20,691,573	4,006,293	24,697,866
Total net assets, end of year	\$ 23,415,300	\$ 4,140,152	\$ 27,555,452

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, 2010
Increase (Decrease) in Cash and Cash Equivalents

	Business Type Activities - Enterprise Funds		
	Water and Sewer	Port and Airport Authority	Total
Cash flows from operating activities			
Cash receipts from customers and others	\$ 2,183,721	\$ 13,524	\$ 2,197,245
Cash payments to suppliers	(49,641)	(323,453)	(373,094)
Cash payments to employees	(395,712)	-	(395,712)
Net cash provided by (used in) operating activities	<u>1,738,368</u>	<u>(309,929)</u>	<u>1,428,439</u>
Cash flows from capital and related financing activities			
Proceeds from capital contributions	944,872	601,802	1,546,674
Proceeds from long-term debt	396,267	-	396,267
Purchases of fixed assets	(3,510,291)	(289,311)	(3,799,602)
Net cash provided by (used in) capital and related financing activities	<u>(2,169,152)</u>	<u>312,491</u>	<u>(1,856,661)</u>
Cash flows from investing activities			
Interest and other nonoperating revenues	133,958	150	134,108
Sale of certificates of deposit	955,182	-	955,182
Purchases of certificates of deposit	(8,679)	-	(8,679)
Sale of investments	1,575,000	-	1,575,000
Purchases of investments	(1,963,556)	-	(1,963,556)
Net cash provided by investing activities	<u>691,905</u>	<u>150</u>	<u>692,055</u>
Net increase in cash and cash equivalents	<u>261,121</u>	<u>2,712</u>	<u>263,833</u>
Cash and cash equivalents, beginning of year	1,378,126	27,652	1,405,778
Cash and cash equivalents, end of year	<u>\$ 1,639,247</u>	<u>\$ 30,364</u>	<u>\$ 1,669,611</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	\$ (421,626)	\$ (109,699)	\$ (531,325)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	476,782	38,453	515,235
Increase in accounts receivable	(32,547)	-	(32,547)
Increase in accounts payable and accrued expenses	33,677	2,781	36,458
Increase in compensated absences	10,372	-	10,372
Increase (decrease) in due to other funds	846,818	(247,332)	599,486
Increase in utility deposits	17,640	-	17,640
Increase in unearned revenue	807,252	-	807,252
Decrease in inventory	-	5,868	5,868
Total adjustments	<u>2,159,994</u>	<u>(200,230)</u>	<u>1,959,764</u>
Net cash provided by (used in) operating activities	<u>\$ 1,738,368</u>	<u>\$ (309,929)</u>	<u>\$ 1,428,439</u>
Supplemental schedule of non-cash capital and related financing activities:			
Construction in process in accounts payable.			<u>\$ 760,734</u>
Construction in process, capitalized interest and service fees in notes payable			<u>\$ 591,526</u>

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

CITY OF CARRABELLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

I. Summary of Significant Accounting Policies

A. Reporting entity

City of Carrabelle, Florida (the “City”) 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 City's operations and so data from these units are combined with data of the primary government.

The City’s Port and Airport Authority (“Authority”) serves all the citizens of the City and is governed by the same Board as the City of Carrabelle, Florida. The rates for user charges are approved by the City’s council. The Authority is reported as an enterprise fund.

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 and its component units. 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, 2010

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 City 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 City.

The City reports the following major governmental funds:

The *general fund* is the City'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 City reports the following major proprietary funds:

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

The *port and airport authority fund* accounts for the activities of the City'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, 2010

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 City's enterprise funds are charges to customers for sales and services. The City 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, 2010

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, 2010

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 recognize 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, 2010

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 \$41,983 difference are as follows:

Compensated absences	\$ 41,983
Net adjustments to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ 41,983

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 \$398,125 difference are as follows:

Capital outlay	\$ 682,166
Depreciation expense	(284,041)
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>	\$ 398,125

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 \$25 difference is as follows:

Compensated absences	\$ (25)
----------------------	---------

CITY OF CARRABELLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits. At year end, the carrying amount of the City’s deposits was \$3,310,995 and the bank balance was \$3,518,616. Of the bank balance, \$3,518,616 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.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

Investments. Investments in the Local Government Surplus Funds Trust (“PRIME Fund”) are held with the Florida State Board of Administration. This fund is structured as a “2a-7 like” fund, which is carried at amortized cost. Amortized cost includes accrued income and is a method of calculating an investment’s value by adjusting its acquisition cost for amortization of discount or premium over the period from purchase to maturity. Thus, the balance in the fund is its fair value. A “2a-7 like” fund is not registered with the SEC as an investment company, but never the less 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.

The foremost objective of the City’s investment policy is the safety of capital and liquidity of funds. Achieving an optimal rate of return is of secondary importance as compared to the safety and liquidity of funds. The City’s investment policy limits investments to those relatively low risk securities authorized in anticipation of earning a fair return relative to the risk being assumed. How the City manages credit risk, interest rate risk, and custodial credit risk is as follows:

Credit Risk: The City minimizes credit risk, the risk of loss due to failure of the security, by limiting investments to authorized investments. The Local Government Surplus Funds Trust (“PRIME Fund”) is rated by Standards and Poors. The current rating is AAAM. The City’s investment in U.S. Government & Agency Securities include Federal Home Loan Bank, which were rated Aaa by Moody’s Investor Services.

Interest Rate Risk: The City manages its exposure to declines in fair values of investments by investing operating funds primarily in shorter-term securities, Florida State Board of Administration Florida PRIME. The weighted average days to maturity of the Florida PRIME at September 30, 2010 was 52 days. Next interest rate reset dates for floating rate securities are used in the calculation of the weighted average days to maturity.

Custodial Credit Risk: Investments are subject to custodial credit risk if the securities are uninsured, not registered in the City’s name, and are held by the party that either sells to or buys for the City. No investments held at year end were subject to custodial credit risk. All U.S. Government & Agency Bonds were held in the City’s name, therefore, these investments were not subject to custodial credit risk. The Florida State Board of Administration Florida PRIME does not participate in securities lending, but the City owns shares of the Florida PRIME and not the underlying investments.

As of September 30, 2010, the City had the following investments reported at market values:

	Fair Market Value
Florida PRIME	\$ 1,041
U.S Government & Agency Bonds	4,953,775
	<u>\$ 4,954,816</u>

CITY OF CARRABELLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

III. Detailed Notes on All Funds (Continued)

B. Capital Assets

Capital asset activity for the year ended September 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 189,171	\$ -	\$ -	\$ 189,171
Construction in progress	2,929,278	443,304	-	3,372,582
Total capital assets, not being depreciated	<u>3,118,449</u>	<u>443,304</u>	<u>-</u>	<u>3,561,753</u>
Capital assets, being depreciated:				
Buildings and improvements	3,845,244	209,712	-	4,054,956
Equipment, furniture, fixtures and vehicles	1,447,330	29,150	-	1,476,480
Infrastructure	357,801	-	-	357,801
Total capital assets, being depreciated	<u>5,650,375</u>	<u>238,862</u>	<u>-</u>	<u>5,889,237</u>
Less accumulated depreciation for:				
Buildings and improvements	(133,850)	(134,826)	-	(268,676)
Equipment, furniture, fixtures and vehicles	(792,805)	(131,325)	-	(924,130)
Infrastructure	(23,296)	(17,890)	-	(41,186)
Total accumulated depreciation	<u>(949,951)</u>	<u>(284,041)</u>	<u>-</u>	<u>(1,233,992)</u>
Total capital assets, being depreciated, net	<u>4,700,424</u>	<u>(45,179)</u>	<u>-</u>	<u>4,655,245</u>
Governmental activities capital assets, net	<u>\$ 7,818,873</u>	<u>\$ 398,125</u>	<u>\$ -</u>	<u>\$ 8,216,998</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,970,515	\$ -	\$ -	\$ 2,970,515
Construction in process	35,414,988	4,178,675	(2,014,905)	37,578,758
Total capital assets, not being depreciated	<u>38,385,503</u>	<u>4,178,675</u>	<u>(2,014,905)</u>	<u>40,549,273</u>
Capital assets, being depreciated:				
Equipment, buildings, utility systems and improvements	11,765,813	2,014,905	-	13,780,718
Total capital assets, being depreciated	<u>11,765,813</u>	<u>2,014,905</u>	<u>-</u>	<u>13,780,718</u>
Less accumulated depreciation for:				
Equipment, buildings, utility systems and improvements	(2,525,124)	(515,235)	-	(3,040,359)
Total accumulated depreciation	<u>(2,525,124)</u>	<u>(515,235)</u>	<u>-</u>	<u>(3,040,359)</u>
Total capital assets, being depreciated, net	<u>9,240,689</u>	<u>1,499,670</u>	<u>-</u>	<u>10,740,359</u>
Business-type activities capital assets, net	<u>\$ 47,626,192</u>	<u>\$ 5,678,345</u>	<u>\$ (2,014,905)</u>	<u>\$ 51,289,632</u>

CITY OF CARRABELLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

III. Detailed Notes on All Funds (Continued)

B. Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General Government	\$ 93,055
Transportation	35,097
Public Safety	71,607
Culture and Recreation	84,282
Total	\$ 284,041
Business-type activities:	
Water and sewer	\$ 476,782
Port and airport authority	38,453
Total	\$ 515,235

C. 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	\$ 120,497	\$ -	\$ -	\$ 292,916	\$ -	\$ 413,413
Intergovernmental	233,024	-	148,174	2,017,797	2,781	2,401,776
Gross receivables	353,521	-	148,174	2,310,713	2,781	2,815,189
Less: allowance for uncollectables	-	-	-	135,113	-	135,113
Net total receivables	\$ 353,521	\$ -	\$ 148,174	\$ 2,175,600	\$ 2,781	\$ 2,680,076

D. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2010, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	\$ 66,416
General Fund	Port and Airport Authority Fund	21,074
General Fund	Water and Sewer Fund	1,337,150
Special Revenue Fund	General Fund	515,065
Capital Projects Fund	Port and Airport Authority Fund	4,633
		\$ 1,944,338

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

CITY OF CARRABELLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

III. Detailed Notes on All Funds (Continued)

E. Long-term Debt

Business-type Activities

Notes payable

1.92% note payable to government agency, semiannual payments of \$500,108 to begin upon completion of project, currently projected to be July 1, 2011, collateralized by water and sewer revenues	\$ 27,441,445
2.71% note payable to government agency, semiannual payments of \$43,158 to begin upon completion of project, currently projected to be June 15, 2011, collateralized by water and sewer revenues	359,125
2.71% note payable to government agency, semiannual payments of \$11,174 to begin upon completion of project, currently projected to be June 15, 2011, collateralized by water and sewer revenues	<u>103,930</u>
	27,904,500
Less: Current portion	<u>146,323</u>
Notes payable, less current portion	<u>\$ 27,758,177</u>

Maturities of notes payable are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 146,323	\$ 408,117
2012	573,399	535,481
2013	585,295	523,585
2014	597,444	511,436
2015	607,506	499,029
2016 – 2020	2,680,101	2,332,983
2021 – 2025	2,936,898	2,064,184
2026 – 2030	3,232,570	1,768,512
2031 – 2035	2,387,632	1,487,476
2036 – 2040	2,491,617	1,258,383
2041 – 2045	2,742,460	1,007,540
2046 – 2050	3,018,556	731,444
2051 – 2055	3,322,448	427,552
2056 – 2057	<u>2,582,251</u>	<u>102,781</u>
Total	<u>\$ 27,904,500</u>	<u>\$ 13,658,503</u>

CITY OF CARRABELLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

III. Detailed Notes on All Funds (Continued)

E. Long-term Debt (Continued)

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2010, 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	\$ 41,958	\$ 41,278	\$ 41,253	\$ 41,983	\$ 41,983
Governmental activity long-term liabilities	<u>\$ 41,958</u>	<u>\$ 41,278</u>	<u>\$ 41,253</u>	<u>\$ 41,983</u>	<u>\$ 41,983</u>
Business-type activities:					
Notes payable	\$ 26,916,707	\$ 987,793	\$ -	\$ 27,904,500	\$ 146,323
Compensated absences	44,166	40,802	30,430	54,538	54,538
Business-type activity long-term liabilities	<u>\$ 26,960,873</u>	<u>\$ 1,028,595</u>	<u>\$ 30,430</u>	<u>\$ 27,959,038</u>	<u>\$ 200,861</u>

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	\$ 623,986
Capital Projects Fund	40
Special Revenue Fund	108,529
Water and Sewer Fund	805,189
Port and Airport Authority Fund	123,223
Total	<u>\$ 1,660,967</u>

CITY OF CARRABELLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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.

B. Pension Plan

Statewide Local Government Retirement System (SLGRS)

Plan Description: The City of Carrabelle, Florida contributed to the Florida Retirement System, a cost sharing, multiple-employer public employee retirement system administrated by the State of Florida Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Chapter 121, F.S, establishes the authority for participant eligibility, contribution requirements vesting eligibility and benefit provisions.

The Pension Plan issues a publicly available financial report that includes financial statements, 10-year historical trend information, and other required supplementary information. That report may be obtained by writing to the:

State of Florida, Department of Administration
Division of Retirement
Cedars Executive Center, Building C
2639-C North Monroe Street
Tallahassee, Florida 32399-1560

The Pension Plan provides vesting of benefits after six years of creditable service. Regular members are eligible for normal retirement after six years of service and attaining age 62 or 30 years of service regardless of age. Early retirement may be taken at any time after completing six years of service, however, there is a 5% benefit reduction for each year prior to normal retirement.

The Deferred Retirement Option Program (DROP), implemented on July 1, 1998, is a program that allows the employee to retire without terminating employment for up to five years while retirement benefits accumulate and earn interest compounded monthly at an effective annual rate of 6.5%. This program is available to eligible members of the Florida Retirement System who are in the FRS Pension Plan. Employee participation in DROP does not change the employee's condition of employment. When the DROP period ends, the employee must terminate employment. At that time, the employee will receive the accumulated DROP benefits and begin receiving monthly retirement benefits. Eligible members may participate in DROP when they are vested (six years) and have reached the normal retirement date, which is being vested at age 62 or 30 years of service. If an employee completes 30 years of service before the age of 57, the employee may elect to defer the DROP election until age 57.

CITY OF CARRABELLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

V. Other Information (Continued)

B. Pension Plan (Continued)

As of June 1, 2003, the FRS offered members the option of participating in the Florida Retirement Investment Plan (Investment Plan), a defined contribution plan qualified under Section 401(a) of the Internal Revenue Code. The Investment Plan is administered by the State of Florida Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Chapter 121, F.S. establishes the authority for participant eligibility, contribution requirements, vesting eligibility, and benefit provisions. The Investment Plan provides vesting of benefits after one year of creditable service. Employees were eligible to make an election to participate in the Investment Plan instead of the Pension Plan. Existing employees were able to make the election beginning December 1, 2003. New employees could make the election within five months of their month of hire. Participants in the Investment Plan also have a one-time opportunity to switch back to the Pension Plan at any time by “buying back” into the Pension Plan. Retirement coverage is employee noncontributory. The employer pays all contributions. The rates for the Investment Plan are the same as the Pension Plan.

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, 2010, 2009, and 2008, 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, 2010, approximately \$37,600,000 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 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
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

V. Other Information (Continued)

F. New Accounting Pronouncements

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting, effective for the City of Carrabelle, Florida's fiscal year beginning October 1, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The City of Carrabelle, Florida is currently evaluating the effect that Statement No. 54 will have on its financial statements

In June 2010, the GASB issued Statement No. 59, *Financial Instruments Omnibus*, effective for periods beginning after June 15, 2010. Statement 59 enhances and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools through providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards where significant issues have been identified. The City of Carrabelle, Florida is currently evaluating the effect this Statement will have on its financial statements.

CITY OF CARRABELLE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2010

CITY OF CARRABELLE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Original</u>	<u>Final</u>	<u>General Fund</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues				
Taxes, licenses and permits	\$ 1,117,494	\$ 1,117,494	\$ 1,168,302	\$ 50,808
Intergovernmental	142,587	142,587	638,155	495,568
Charges for services	22,824	22,824	208,594	185,770
Other	181,260	181,260	61,192	(120,068)
Total revenues	<u>1,464,165</u>	<u>1,464,165</u>	<u>2,076,243</u>	<u>612,078</u>
Expenditures				
General government	510,906	510,906	662,906	(152,000)
Public safety	486,299	486,299	421,886	64,413
Transportation	197,586	197,586	146,634	50,952
Culture and recreation	9,375	9,375	275,507	(266,132)
Physical environment	-	-	321,219	(321,219)
Total expenditures	<u>1,204,166</u>	<u>1,204,166</u>	<u>1,828,152</u>	<u>(623,986)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>259,999</u>	<u>259,999</u>	<u>248,091</u>	<u>(11,908)</u>
Fund balances, beginning of year	1,845,445	1,845,445	1,845,445	-
Fund balances, end of year	<u>\$ 2,105,444</u>	<u>\$ 2,105,444</u>	<u>\$ 2,093,536</u>	<u>\$ (11,908)</u>

The accompanying notes to supplementary information
are 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, 2010

	<u>Original</u>	<u>Final</u>	<u>Capital Projects Fund</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues				
Taxes, licenses and permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Other	-	-	1,908	1,908
Total revenues	<u>-</u>	<u>-</u>	<u>1,908</u>	<u>1,908</u>
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Culture and recreation	-	-	40	(40)
Physical environment	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>40</u>	<u>(40)</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>1,868</u>	<u>1,868</u>
Fund balances, beginning of year	339	339	339	-
Fund balances, end of year	<u>\$ 339</u>	<u>\$ 339</u>	<u>\$ 2,207</u>	<u>\$ 1,868</u>

The accompanying notes to supplementary information
are 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, 2010

	<u>Original</u>	<u>Final</u>	<u>Special Revenue Fund</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues				
Taxes, licenses and permits	\$ -	\$ -	\$ 139,102	\$ 139,102
Intergovernmental	-	-	86,113	86,113
Charges for services	-	-	-	-
Other	-	-	1,389	1,389
Total revenues	<u>-</u>	<u>-</u>	<u>226,604</u>	<u>226,604</u>
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	1,440	(1,440)
Culture and recreation	-	-	-	-
Physical environment	-	-	107,089	(107,089)
Total expenditures	<u>-</u>	<u>-</u>	<u>108,529</u>	<u>(108,529)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>118,075</u>	<u>118,075</u>
Fund balances, beginning of year	890,761	890,761	890,761	-
Fund balances, end of year	<u>\$ 890,761</u>	<u>\$ 890,761</u>	<u>\$ 1,008,836</u>	<u>\$ 118,075</u>

The accompanying notes to supplementary information
are 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, 2010**

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	\$ 1,204,166	\$ 1,828,152	\$ 623,986
Capital Projects Fund	\$ –	\$ 40	\$ 40
Special Revenue Fund	\$ –	\$ 108,529	\$ 108,529

CITY OF CARRABELLE, FLORIDA

ADDITIONAL INFORMATION

SEPTEMBER 30, 2010

CITY OF CARRABELLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Federal Grantor / Pass Through Grantor / State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures	Loans Outstanding At 9/30/10
FEDERAL AWARDS				
United States Department of Commerce				
Passed through State of Florida Department of Environmental Protection Coastal Zone Management Administration Awards	11.419	CZ91	\$ 4,784	\$ -
United States Department of Environmental Protection Agency				
Passed through State of Florida Department of Environmental Protection Capitalization Grants for Clean Water State Revolving Funds	66.458	SG54912	348,499	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS12054910P	-	27,441,445
			<u>348,499</u>	<u>27,441,445</u>
Passed through State of Florida Department of Environmental Protection Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW190300	475,219	359,125
ARRA - Capitalization Grants for Drinking Water State Revolving Funds	ARRA-66.468	DW190301	2,312,237	103,930
			<u>2,787,456</u>	<u>463,055</u>
Total Federal Awards			<u>\$ 3,140,739</u>	<u>\$ 27,904,500</u>

CITY OF CARRABELLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2010
(CONTINUED)

State Grantor / Pass Through Grantor Program Title	State CSFA Number	Contract Number	Expenditures	Loans Outstanding At 9/30/10
STATE FINANCIAL ASSISTANCE				
State of Florida Department of Environmental Protection				
Florida Recreation Development Assistance Program	37.017	A9110	\$ 81,329	\$ -
Florida Recreation Development Assistance Program	37.017	F08144	188,326	-
			<u>269,655</u>	<u>-</u>
Statewide Surface Water Restoration and Wastewater Projects	37.039	LP6817	<u>28,663</u>	<u>-</u>
Passed through Northwest Florida Water Management District				
Water Management Districts – Land Acquisition	37.022	08-055	223,320	-
Water Management Districts – Land Acquisition	37.022	10-013	35,983	-
			<u>259,303</u>	<u>-</u>
Special Recreation Assistance Projects	37.071	L0705	<u>5,913</u>	<u>-</u>
State of Florida Department of Transportation				
Aviation Development Grants	55.004	APA31	51,967	-
Aviation Development Grants	55.004	AOK19	181,276	-
			<u>233,243</u>	<u>-</u>
Total State Financial Assistance			<u>796,777</u>	<u>-</u>
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u>\$ 3,937,516</u>	<u>\$ 27,904,500</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, 2010**

CITY COUNCIL

Wilburn Messer, Mayor
Franklin Mathes
Cal Allen
James Brown
Richard Sands

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, 2010, which collectively comprise the City of Carrabelle, Florida's basic financial statements and have issued our report thereon dated July 22, 2011. 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 opinions 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, 10-01 and 10-02, to be material weaknesses.

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*.

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
July 22, 2011

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 the 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 could have a direct and material effect on each of its major Federal programs and State projects for the year ended September 30, 2010. 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 of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs and State projects for the year ended September 30, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program or State project on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program or State project will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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
July 22, 2011

**CITY OF CARRABELLE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL PROGRAMS AND STATE PROJECTS
SEPTEMBER 30, 2010**

I. Summary of Auditors' Results:

Financial Statements

Type of audit report issued on the financial statements: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiencies identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major Federal programs:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified? yes X none reported

Types of auditor's report issued on compliance for major Federal programs: *Unqualified*

Any audit findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133? yes X no

Identification of major programs:

Federal Program	Federal CFDA Number
Capitalization Grants for Clean Water State Revolving Funds	66.458
ARRA - Capitalization Grants for Drinking Water State Revolving Funds	ARRA-66.468
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<u> </u> yes <u> X </u> no

CITY OF CARRABELLE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL PROGRAMS AND STATE PROJECTS
SEPTEMBER 30, 2010
(Continued)

II. Financial Statements Findings: (Continued)

Finding 10-02: 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 PROGRAMS AND STATE PROJECTS
SEPTEMBER 30, 2010
(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, 2010, and have issued our report thereon dated July 22, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to each major Federal program and State project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated July 22, 2011, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have not been taken to address findings addressed in the preceding annual financial audit report.
- 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 and invoices 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 occurred or are likely to have occurred, 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) deficiencies in internal 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 funds:

Fund	Appropriations	Expenditures	Over Expenditure
General Fund	\$ 1,204,166	\$ 1,828,152	\$ 623,986
Capital Projects Fund	\$ –	\$ 40	\$ 40
Special Revenue Fund	\$ –	\$ 108,529	\$ 108,529
Water and Sewer Fund	\$ 1,007,813	\$ 1,813,002	\$ 805,189
Port and Airport Authority Fund	\$ –	\$ 123,223	\$ 123,223

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, 2010, 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, 2010. 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
July 22, 2011

WILBURN "CURLEY" MESSER
MAYOR-COMMISSIONER

CITY OF CARRABELLE CARRABELLE, FLORIDA

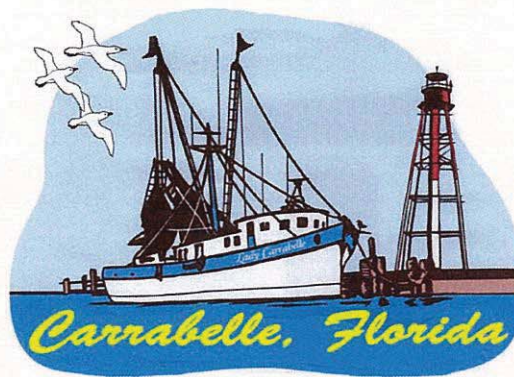
DAN HARTMAN
CITY ATTORNEY

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
CARRABELLE, FLORIDA 32322
TELEPHONE: 850-697-3618
FAX: 850-697-3156

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.

Budgetary Controls

The City of Carrabelle will not expend or contract for expenditure in any fiscal year except in pursuant of budgeted expenditure.