

**City of Blountstown  
Blountstown, Florida**

**Financial Statements**

For year ended September 30, 2007

**City of Blountstown, Florida**  
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September 30, 2007

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**City of Blountstown, Florida**  
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## INDEPENDENT AUDITORS' REPORT

Honorable City Council  
City of Blountstown  
Blountstown, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blountstown, Florida (the City) as of and for the year ended September 30, 2007, 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 Blountstown, Florida's management. Our responsibility is to express an opinion 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blountstown, Florida as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund 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 April 22, 2008, on our consideration of the City of Blountstown, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Certified Public Accountants

Florida Institute of  
Certified Public Accountants

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City of Blountstown  
Blountstown, Florida

The management's discussion and analysis on pages 3.1 through 3.10, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Blountstown, Florida's basic financial statements. The combining individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Carly Riggs & Ingram, L.L.C.*

Marianna, Florida  
April 22, 2008

**CITY OF BLOUNTSTOWN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Blountstown (the "City") has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the City's financial activities, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify material deviations from the financial plan (approved budget), and (e) highlight significant issues in individual funds.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements.

**FINANCIAL HIGHLIGHTS**

The assets of the City of Blountstown exceeded its liabilities at September 30, 2007 by \$16,320,062 (net assets). Of this amount, \$5,702,306 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$816,530 or (5.26%).

As of September 30, 2007, the City of Blountstown governmental funds reported combined ending fund balances of \$1,014,943, a decrease of \$65,741 in comparison with the prior year. Approximately 93% of this amount, or \$1,010,113, is available for spending at the City's discretion (unreserved fund balance).

The City of Blountstown completed the construction of the Blountstown Greenway Bike Path during the 06/07 fiscal year. A dedication ceremony was held to celebrate the opening of the trail and to promote its use. Funding for acquisition was received from the Florida Department of Transportation and the Florida Department of Environmental Protections FRDAP Program. The entire acreage has been cleared, paved, and prepared for development in future phases. More grant funding will be sought in the future for enhancement to this project. Trail designation from the State of Florida was obtained. The Greenway Bike Trail project will result in a tremendous lifestyle enhancement for the residents of the City of Blountstown and other visitors to our community.

In the coming year, the City of Blountstown will be purchasing a new Fire Truck for approximately \$225,000 in which the City received a donation of \$110,000 to be used towards the purchase of this equipment.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

In light of the fact that this is a very different presentation of the City's previous general-purpose financial statements, the following overview is presented to help the reader understand this new format. The basic financial statements consist of three components:

Government-wide financial statements  
Fund financial statements  
Notes to the financial statements

In addition, this report presents certain required supplementary information which includes management's discussion and analysis.

**CITY OF BLOUNTSTOWN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements provide both short-term and long-term information about the City's overall financial condition in a manner similar to those of a private-sector business. This statement combines and consolidates governmental funds' current financial resources (short-term expendable resources) with capital assets and long-term obligations. The statements include a *statement of net assets* and a *statement of activities* that are designed to provide consolidated financial information about the governmental activities of the City presented on the accrual basis of accounting.

The *Statement of Net Assets* provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the City.

The *Statement of Activities* presents information showing how the City's net assets changed during the 2007 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. This statement is intended to summarize and simplify the user's analysis of cost of various governmental services. An increase or decrease in net assets is an indication of whether the City's financial health is improving or deteriorating.

Both of these financial statements present the functions of the City 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 include general government, public safety, streets, and parks and recreation. The business-type activities of the City consist of the electric, natural gas, water, sanitation and sewer systems.

Over a period of time, changes in the City's net assets are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other non-financial factors, such as changes in the City's property tax base and the condition of the City's capital assets including infrastructure assets.

**FUND FINANCIAL STATEMENTS**

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types.

Fund financial statements are one of the components of the basic 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the City's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements. All of the City's funds may be classified in the broad category of *Governmental Funds and Proprietary Funds* as discussed below.

**CITY OF BLOUNTSTOWN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Governmental Funds** - these funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. This financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statements provide a detailed short-term view that may be used to evaluate the City's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

**Proprietary Funds** - the City maintains one type of proprietary fund which is the Enterprise Funds. These funds are used to report business-type activities in the government-wide financial statements. The City uses enterprises funds to account for the fiscal activities relating to the electric, natural gas, water, sewer, and sanitation systems in the City of Blountstown.

**INFRASTRUCTURE ASSETS**

Generally, a government's largest group of assets (infrastructure – roads, bridges, traffic signals, and underground pipes not associated with a utility, etc.) are neither reported nor depreciated in governmental fund financial statements. GASB-34 requires that these assets now be valued and reported within the governmental column of the government-wide statements. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government elects the asset management system (the modified approach), which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The City has elected to depreciate its infrastructure assets. Pre-retroactive reporting of infrastructure is not required by the City.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

This section is used to present condensed financial information from the government-wide statements that compares the current year to the prior year.

**CITY OF BLOUNTSTOWN  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**STATEMENT OF NET ASSETS**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities (governmental and business-type activities) by approximately \$16.3 million at the close of the fiscal year ended September 30, 2007.

**STATEMENTS OF NET ASSETS  
AS OF SEPTEMBER 30, 2007 AND 2006**

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$1,080,672	\$1,433,344	\$ 5,324,864	\$ 4,394,005	\$ 6,405,536	\$ 5,827,349
Non-current assets	3,515,062	3,370,318	9,597,329	9,522,043	13,112,391	12,892,361
<b>Total assets</b>	<b>\$4,595,734</b>	<b>\$4,803,662</b>	<b>\$ 14,922,193</b>	<b>\$13,916,048</b>	<b>\$ 19,517,927</b>	<b>\$18,719,710</b>
Long-term liabilities	\$ 519,352	\$ 603,990	\$ 1,802,512	\$ 1,848,453	\$ 2,321,864	\$ 2,452,443
Other liabilities	70,559	357,490	805,442	406,249	876,001	763,739
<b>Total liabilities</b>	<b>\$ 589,911</b>	<b>\$ 961,480</b>	<b>\$ 2,607,954</b>	<b>\$ 2,254,702</b>	<b>\$ 3,197,865</b>	<b>\$ 3,216,182</b>
Net assets:						
Invested in capital assets net of related debt	\$3,038,803	\$2,808,345	\$ 7,446,214	\$ 7,345,955	\$ 10,485,017	\$10,154,300
Restricted	4,830	4,830	127,909	127,909	132,739	132,739
Unrestricted	962,190	1,029,007	4,740,116	4,187,482	5,702,306	5,216,489
<b>Total net assets</b>	<b>\$4,005,823</b>	<b>\$3,842,182</b>	<b>\$ 12,314,239</b>	<b>\$11,661,346</b>	<b>\$ 16,320,062</b>	<b>\$15,503,528</b>

Approximately sixty-four percent (64%) of the City's net assets reflects its investment in capital assets (e.g., land, buildings, improvements, and vehicles and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Debt associated with the City's capital assets amount to \$1,772,000.

\$132,739 of the City's net assets are subject to external restrictions on how they may be used. The balance of unrestricted net assets (\$5,702,306) may be used to meet the City's ongoing obligations to citizens and creditors.

At September 30, 2007, the City is able to report positive balances in all categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

**CITY OF BLOUNTSTOWN  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CHANGES IN NET ASSETS**

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
<b>REVENUES</b>						
Program revenues						
Charges for service	\$ 193,692	\$ 178,855	\$ 4,672,695	\$ 4,323,768	\$ 4,866,387	\$ 4,502,623
Grants and contributions	307,377	519,727	449,476	502,151	756,853	1,021,878
Revenues pledged as security for revenue	-	-	-	-	-	-
Bonds	-	-	1,008,550	1,007,868	1,008,550	1,007,868
General revenues						
Property taxes	79,174	73,957	-	-	79,174	73,957
Intergovernmental	169,521	178,541	-	-	169,521	178,541
Other taxes	498,356	491,332	-	-	498,356	491,332
Investment earnings	42,504	46,041	210,114	170,198	252,618	216,239
Miscellaneous	81,256	106,561	15,975	24,643	97,231	131,204
Transfers	655,620	685,038	(655,620)	(685,038)	-	-
<b>Total revenues</b>	<b>2,027,500</b>	<b>2,280,052</b>	<b>5,701,190</b>	<b>5,343,590</b>	<b>7,728,690</b>	<b>7,623,642</b>
<b>EXPENSES</b>						
Program activities						
General government	264,100	235,711	-	-	264,100	235,711
Public safety	917,624	849,280	-	-	917,624	849,280
Highways and streets	676,365	487,001	-	-	676,365	487,001
Culture and recreation	5,770	3,834	-	-	5,770	3,834
Business-type activities	-	-	4,965,652	4,333,766	4,965,652	4,333,766
Interest on long-term debt	-	-	82,649	84,337	82,649	84,337
<b>Total expense</b>	<b>1,863,859</b>	<b>1,575,826</b>	<b>5,048,301</b>	<b>4,418,103</b>	<b>6,912,160</b>	<b>5,993,929</b>
<b>Net increase (decrease)</b>	<b>163,641</b>	<b>704,226</b>	<b>652,889</b>	<b>925,487</b>	<b>816,530</b>	<b>1,629,713</b>
<b>Net assets-beginning</b>	<b>3,842,182</b>	<b>3,137,956</b>	<b>11,661,350</b>	<b>10,735,859</b>	<b>15,503,532</b>	<b>13,873,815</b>
<b>Net assets-ending</b>	<b>\$ 4,005,823</b>	<b>\$ 3,842,182</b>	<b>\$ 12,314,239</b>	<b>\$ 11,661,346</b>	<b>\$ 16,320,062</b>	<b>\$ 15,503,528</b>

**CITY OF BLOUNTSTOWN  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

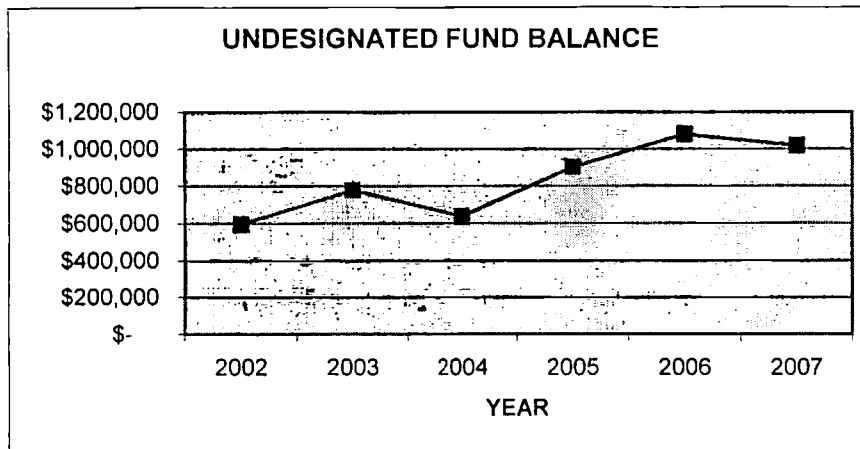
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**GOVERNMENTAL FUNDS**

The primary purpose of the City'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'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 fiscal year 2007, the City's governmental funds reported combined ending fund balances of \$1,014,943. Of this amount, *unreserved fund balance* is \$1,010,113, which is available for spending (depending on fund restrictions) at the City's discretion.

- **General Fund Unrestricted/Undesignated Fund Balance.** As depicted in the following graph, the unrestricted/undesignated fund balances of the Board's General Fund (the general operating fund of the City) has decreased in the current year. This decrease is in part due to funding current operations with fund balance carry forwards to maintain a maximum level of services with minimum impact to the tax rates.



- **Budget Variances in General Fund.** There were no budget revisions during the 2007 fiscal year. Some budget variances occurred in General Fund during the 2007 fiscal year due to budgeted capital projects being postponed and un-received grant funds.

**CITY OF BLOUNTSTOWN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MAJOR FUNDS**

**GOVERNMENTAL FUNDS**

- The General Fund is reported as major governmental funds.
- The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not required either legally or by generally accepted accounting principles to be accounted for in other funds are accounted for in the General Fund.
- The General Fund consists of the Administration Department, Police Department, Fire Department, Street Department, and Parks Department.

**PROPRIETARY FUNDS**

There are five major proprietary (business-type) funds:

- Electric Department
- Natural Gas Department
- Water Department
- Sewer Department
- Sanitation Department

**LONG-TERM DEBT**

As of September 30, 2007, the City of Blountstown's long-term debt consisted of the following Water & Sewer System Revenue Bonds:

	<b>BALANCE</b>	<b>INTEREST RATE</b>
• Series 1998A	\$ 1,318,000	4.5%
• Series 1998B	\$ 91,000	4.5%
• 1979	\$ 47,000	5.0%
• 1983	\$ 316,000	5.0%

- There was no new debt.
- Additional information on the City's long-term debt can be found in the Notes to the Financial Statements in this report.

**CAPITAL ASSETS**

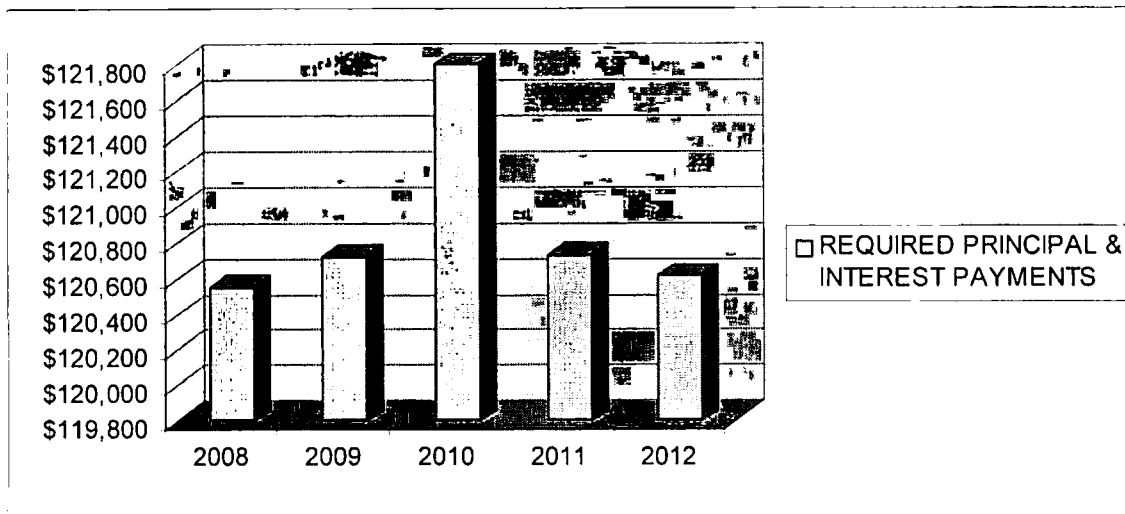
Major capital projects completed during the fiscal year included the following:

- Purchase of Kawasaki Mule \$10,000
- New Police Department Renovations/Moving Expenses and New Equipment \$5,667
- Train Depot Renovations \$47,765
- Bike Path Trail Heads \$32,527

**CITY OF BLOUNTSTOWN  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Blountstown experiences a large amount of inflow and infiltration of water into the City's sewer lines. The City has been focusing on eradicating this problem for several years. The City of Blountstown completed Phase II of the Sewer Rehabilitation Project in 03/04. The Phase III Sewer Rehab Project was completed in FYE 9/30/06 with total expenditures of \$888,370. The City of Blountstown began Phase V of the Sewer Rehabilitation Project in 06/07. The City was awarded a Community Development block Grant in the amount of \$650,000 from the State of Florida's Department of Community Affairs. In addition, the City received \$600,000 in Legislative Appropriations Grant Money from the State of Florida's Department of Environmental Protection to assist with this project as well. Additional phases are planned.

**Proprietary Funds Outstanding Debt.** The following graph depicts future principal and interest payments required to be paid by the City from proprietary fund resources on outstanding debt as of September 30, 2007.



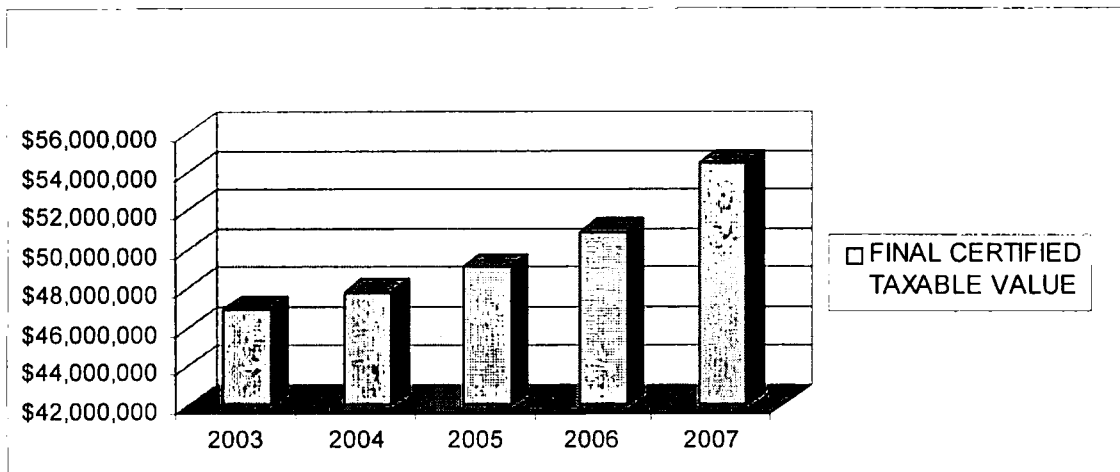
**CITY OF BLOUNTSTOWN  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**SIGNIFICANT ECONOMIC FACTORS**

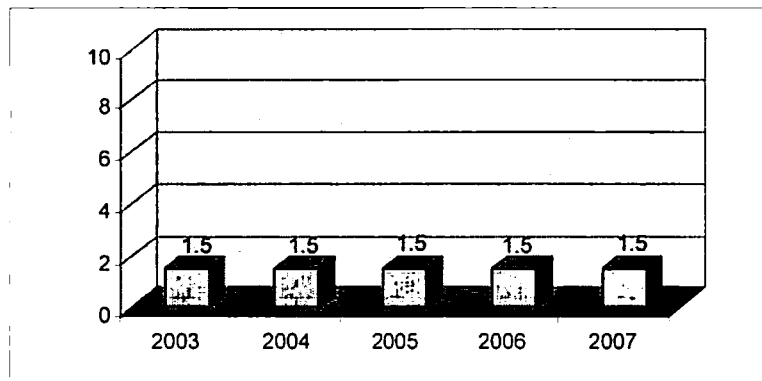
**TAXABLE VALUE OF PROPERTY AND MILLAGE RATES**

The City receives approximately \$75,000 in property taxes based on the certified taxable value of property in Blountstown. The City has maintained the same millage rate of 1.5 mils over the years. The City has been able to maintain its assessment of millage rates to citizens as depicted in the following graphs.

**Certified Taxable Value by Fiscal Year**



**Millage Rates Levied by Fiscal Year**



**CITY OF BLOUNTSTOWN  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when adopting the 2007/2008 budget. In 1999, electric rates were lowered by 15%. Based on the rates from 1999, this electric rate reduction has amounted to approximately \$2,000,000 in reduced revenues to the City (\$ savings to customers). This coupled with rising costs has made it necessary to balance budgets using reserves from prior years and continue to provide the level of service to customers as provided in the past. Therefore, the City found it necessary to raise utility rates for the current audit year. The City's electric supply contract with Gulf Power expired in January 2008. The City has negotiated a new electric supply contract with Gulf Power. Each year the City will review rates to determine if they need to be raised in order to offset the rising costs of electricity.

**REQUESTS FOR INFORMATION**

This report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**JAMES A. WOODS, CITY MANAGER  
20591 CENTRAL AVE WEST  
BLOUNTSTOWN, FL 32424**

## **Basic Financial Statements**

**City of Blountstown**  
**Statement of Net Assets**

September 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 885,580	\$ 3,807,111	\$ 4,692,691
Accounts receivable, net	65,609	790,552	856,161
Accrued interest receivable	27,942	128,210	156,152
Internal balances	17,512	(17,512)	-
Due from other governments	84,029	490,644	574,673
Inventory	-	125,859	125,859
Restricted cash and cash equivalents	4,830	311,306	316,136
Note receivable	471,429	-	471,429
Other assets	-	63,308	63,308
Capital assets			
Nondepreciable	2,437,472	499,071	2,936,543
Depreciable, net	601,331	8,719,143	9,320,474
Unamortized bond costs	-	4,501	4,501
<b>Total assets</b>	<b>4,595,734</b>	<b>14,922,193</b>	<b>19,517,927</b>
<b>Liabilities</b>			
Accounts payable	53,493	605,673	659,166
Accrued expenses	17,066	10,823	27,889
Accrued interest payable	-	9,820	9,820
Customer deposits	-	179,126	179,126
Long-term liabilities			
Due within one year			
Accrued compensated absences	25,727	16,236	41,963
Revenue bonds payable	-	39,000	39,000
Note payable	85,933	-	85,933
Due in more than one year			
Accrued compensated absences	22,196	14,276	36,472
Revenue bonds payable, net	-	1,733,000	1,733,000
Note payable	385,496	-	385,496
<b>Total liabilities</b>	<b>589,911</b>	<b>2,607,954</b>	<b>3,197,865</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,038,803	7,446,214	10,485,017
Restricted for			
Law enforcement	4,830	-	4,830
Debt service	-	127,909	127,909
Unrestricted	962,190	4,740,116	5,702,306
<b>Total net assets</b>	<b>\$ 4,005,823</b>	<b>\$ 12,314,239</b>	<b>\$ 16,320,062</b>

See accompanying notes to financial statements.

**City of Blountstown  
Statement of Activities**

September 30, 2007

Net (Expenses) Revenues and Changes in Net Assets							
Functions / Programs	Program Revenues				Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ 264,100	\$ 135,202	\$ -	\$ -	\$ (128,898)	\$ -	\$ (128,898)
Public safety	917,624	31,671	29,114	-	(856,839)	-	(856,839)
Highways and streets	676,365	26,819	-	-	(649,546)	-	(649,546)
Culture and recreation	5,770	-	-	278,263	272,493	-	272,493
Total governmental activities	1,863,859	193,692	29,114	278,263	(1,362,790)	-	(1,362,790)
Business-type activities							
Electric	3,074,792	3,737,940	-	-	-	663,148	663,148
Water	341,680	436,330	-	-	-	94,650	94,650
Sewer	637,768	572,220	-	449,476	-	383,928	383,928
Natural Gas	619,714	623,385	-	-	-	3,671	3,671
Sanitation	291,358	303,570	-	-	-	12,212	12,212
Cemetery	340	7,800	-	-	-	7,460	7,460
Interest on long-term debt	82,649	-	-	-	-	(82,649)	(82,649)
Total business-type activities	5,048,301	5,681,245	-	449,476	-	1,082,420	1,082,420
<b>Total primary government</b>	<b>\$ 6,912,160</b>	<b>\$ 5,874,937</b>	<b>\$ 29,114</b>	<b>\$ 727,739</b>	<b>(1,362,790)</b>	<b>1,082,420</b>	<b>(280,370)</b>
General revenues							
Taxes:							
Franchise and public service taxes					375,011	-	375,011
Property taxes, levied for general purposes					79,174	-	79,174
Local option taxes					123,345	-	123,345
State shared revenues					169,521	-	169,521
Miscellaneous					81,256	15,975	97,231
Total general revenues					828,307	15,975	844,282
Interest earnings					42,504	210,114	252,618
Total general revenues and interest					870,811	226,089	1,096,900
Capital contributions					-		
Transfers					655,620	(655,620)	-
Total general revenues, interest and transfers					1,526,431	(429,531)	1,096,900
Change in net assets					163,641	652,889	816,530
Net assets - beginning					3,842,182	11,661,350	15,503,532
Net assets - ending					\$ 4,005,823	\$ 12,314,239	\$ 16,320,062

See accompanying notes to financial statements.

**City of Blountstown  
Balance Sheet  
Governmental Fund**

*September 30, 2007*

	<b>Total</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 885,580
Accounts receivable, net	65,609
Interest receivable	27,942
Due from other funds	17,512
Due from other governments	84,029
Restricted cash and cash equivalents	4,830
<hr/>	
Total assets	\$ 1,085,502
<hr/>	
<b>Liabilities</b>	
Accounts payable	\$ 53,493
Accrued expenses	17,066
<hr/>	
Total liabilities	70,559
<hr/>	
<b>Fund balances</b>	
Reserved for law enforcement	4,830
Unreserved, reported in general fund	1,010,113
<hr/>	
Total fund balances	1,014,943
<hr/>	
Total liabilities and fund balances	\$ 1,085,502

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental funds	\$ 1,014,943
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,038,803
Compensated absences are not due and payable in current period, and therefore, are not reported in the funds.	(47,923)
<hr/>	
Net assets of governmental activities	\$ 4,005,823

See accompanying notes to financial statements.

**City of Blountstown**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Fund**

*For the year ended September 30, 2007*

	<b>Total</b>
<hr/>	
<b>Revenues</b>	
Property taxes, levied for general purposes	\$ 79,174
Other taxes	498,356
Intergovernmental	192,528
Licenses and permits	9,210
Fines and forfeitures	14,276
Grants and contributions	307,377
Interest	42,504
Other fees and miscellaneous	228,455
<hr/>	
Total revenues	1,371,880
<hr/>	
<b>Expenditures</b>	
Current	
General government	232,748
Public safety	870,912
Highways and streets	633,396
Culture and recreation	3,145
Capital outlay	
General government	17,490
Public safety	22,758
Highways and streets	9,738
Culture and recreation	303,054
<hr/>	
Total expenditures	2,093,241
<hr/>	
Excess of expenditures over revenues	(721,361)
<hr/>	
<b>Other financing sources (uses)</b>	
Transfers in	831,566
Transfers out	(175,946)
Debt service repayment - Florida Revolving Funds Program	(101,465)
Loan repayment - Calhoun-Liberty Hospital Association, Inc.	101,465
<hr/>	
Net other financing sources (uses)	655,620
<hr/>	
<b>Net change in fund balances</b>	(65,741)
<hr/>	
<b>Fund balances - beginning</b>	1,080,684
<hr/>	
<b>Fund balances - ending</b>	\$ 1,014,943
<hr/>	

See accompanying notes to financial statements.

**City of Blountstown**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balance of Governmental Fund to the Statement of Activities**

*For the year ended September 30, 2007*

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Amounts reported for governmental activities in the statement of activities (page 5) are different because:

Net change in fund balance - total governmental fund	\$ (65,741)
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the statement of net assets	353,044
Depreciation expense on governmental capital assets is included in the governmental activities in the statement of activities.	(122,586)
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. These expenses include:	
Compensated absences	(1,076)
<hr/>	
<b>Change in net assets of governmental activities (page 5)</b>	<b>\$ 163,641</b>

See accompanying notes to financial statements.

**City of Blountstown**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual - General Fund**

*For the year ended September 30, 2007*

	<u>Budgeted Amounts</u>		<b>Actual Amounts</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Property taxes, levied for general purposes	\$ 77,134	\$ 77,134	\$ 79,174	\$ 2,040
Other taxes	446,899	446,899	498,356	51,457
Intergovernmental	169,446	169,446	192,528	23,082
Licenses and permits	5,450	5,450	9,210	3,760
Fines and forfeitures	10,000	10,000	14,276	4,276
Grants	182,500	182,500	307,377	124,877
Interest	40,000	40,000	42,504	2,504
Other fees and miscellaneous	190,823	190,823	228,455	37,632
<b>Total revenues</b>	<b>1,122,252</b>	<b>1,122,252</b>	<b>1,371,880</b>	<b>249,628</b>
<b>Expenditures</b>				
Current				
General government	261,401	261,401	250,238	11,163
Public safety	1,037,948	1,037,948	893,670	144,278
Highways and streets	789,658	789,658	643,134	146,524
Culture and recreation	58,231	58,231	306,199	(247,968)
<b>Total expenditures</b>	<b>2,147,238</b>	<b>2,147,238</b>	<b>2,093,241</b>	<b>53,997</b>
Excess of revenues over (under) expenditures	(1,024,986)	(1,024,986)	(721,361)	303,625
Other financing sources (uses)				
Transfers in	831,566	831,566	831,566	-
Transfers out	(175,946)	(175,946)	(175,946)	-
<b>Total other financing sources (uses)</b>	<b>655,620</b>	<b>655,620</b>	<b>655,620</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(369,366)</b>	<b>(369,366)</b>	<b>(65,741)</b>	<b>303,625</b>
Fund balances - beginning	1,080,684	1,080,684	1,080,684	-
<b>Fund balances - ending</b>	<b>\$ 711,318</b>	<b>\$ 711,318</b>	<b>\$ 1,014,943</b>	<b>\$ 303,625</b>

See accompanying notes to financial statements.

**City of Blountstown**  
**Statement of Net Assets**  
**Proprietary Funds**

September 30, 2007

	<b>Business-type Activities / Enterprise Funds</b>					
	<b>Electric</b>	<b>Water</b>	<b>Sewer</b>	<b>Natural Gas</b>	<b>Non-major Funds</b>	<b>Total</b>
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 567,740	\$ 1,479,942	\$ 1,477,103	\$ 90,029	\$ 192,297	\$ 3,807,111
Accounts receivable, net	561,282	58,292	76,238	51,928	42,812	790,552
Accrued interest receivable	24,285	45,331	58,278	316	-	128,210
Due from other governments	41,168	-	449,476	-	-	490,644
Inventory	59,869	18,801	7,006	40,183	-	125,859
<b>Total current assets</b>	<b>1,254,344</b>	<b>1,602,366</b>	<b>2,068,101</b>	<b>182,456</b>	<b>235,109</b>	<b>5,342,376</b>
<b>Noncurrent assets</b>						
Restricted cash and cash equivalents	154,245	29,047	128,014	-	-	311,306
Other assets	-	-	-	63,308	-	63,308
<b>Capital assets</b>						
Nondepreciable	-	6,989	477,082	-	15,000	499,071
Depreciable, net	406,040	1,212,158	6,866,295	134,617	100,033	8,719,143
Unamortized debt issuance costs	-	155	4,346	-	-	4,501
<b>Total noncurrent assets</b>	<b>560,285</b>	<b>1,248,349</b>	<b>7,475,737</b>	<b>197,925</b>	<b>115,033</b>	<b>9,597,329</b>
<b>Total assets</b>	<b>1,814,629</b>	<b>2,850,715</b>	<b>9,543,838</b>	<b>380,381</b>	<b>350,142</b>	<b>14,939,705</b>
<b>Liabilities</b>						
<b>Current liabilities</b>						
Accounts payable	304,334	3,223	273,587	20,349	4,180	605,673
Accrued expenses	2,850	2,464	2,355	1,463	1,691	10,823
Due to other funds	8,628	-	8,207	677	-	17,512
Compensated absences payable	2,615	4,151	4,151	2,641	2,678	16,236
<b>Liabilities payable from restricted assets</b>						
Accrued interest payable	-	587	9,233	-	-	9,820
Bonds payable - current	-	3,000	36,000	-	-	39,000
Customer deposits	134,771	19,054	-	25,301	-	179,126
<b>Total current liabilities</b>	<b>453,198</b>	<b>32,479</b>	<b>333,533</b>	<b>50,431</b>	<b>8,549</b>	<b>878,190</b>
<b>Noncurrent liabilities</b>						
Accrued compensated absences	2,319	3,704	3,704	2,306	2,243	14,276
Revenue bonds payable, net	-	44,000	1,689,000	-	-	1,733,000
<b>Total noncurrent liabilities</b>	<b>2,319</b>	<b>47,704</b>	<b>1,692,704</b>	<b>2,306</b>	<b>2,243</b>	<b>1,747,276</b>
<b>Total liabilities</b>	<b>455,517</b>	<b>80,183</b>	<b>2,026,237</b>	<b>52,737</b>	<b>10,792</b>	<b>2,625,466</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	406,040	1,172,147	5,618,377	134,617	115,033	7,446,214
<b>Restricted for:</b>						
Debt service	-	9,375	118,534	-	-	127,909
Unrestricted	953,072	1,589,010	1,780,690	193,027	224,317	4,740,116
<b>Total net assets</b>	<b>\$ 1,359,112</b>	<b>\$ 2,770,532</b>	<b>\$ 7,517,601</b>	<b>\$ 327,644</b>	<b>\$ 339,350</b>	<b>\$ 12,314,239</b>

See accompanying notes to financial statements.

**City of Blountstown**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**

*For the year ended September 30, 2007*

	<b>Business-type Activities / Enterprise Funds</b>					<b>Total</b>
	<b>Electric</b>	<b>Water</b>	<b>Sewer</b>	<b>Natural Gas</b>	<b>Non-major Funds</b>	
<b>Operating revenues</b>						
Charges for services	\$ 3,737,940	\$ -	\$ -	\$ 623,385	\$ 311,370	\$ 4,672,695
Water revenues pledged as security for revenue bonds	-	436,330	-	-	-	436,330
Sewer revenues pledged as security for revenue bonds	-	-	572,220	-	-	572,220
<b>Total operating revenues</b>	<b>3,737,940</b>	<b>436,330</b>	<b>572,220</b>	<b>623,385</b>	<b>311,370</b>	<b>5,681,245</b>
<b>Operating expenses</b>						
Personal services	275,830	217,165	218,289	121,282	146,541	979,107
Purchased energy	2,621,770	-	-	450,043	-	3,071,813
Services and supplies	85,286	6,905	26,696	4,708	80,059	203,654
Heat, light and power	14,969	6,179	38,282	232	-	59,662
Insurance	8,156	7,792	23,200	4,832	-	43,980
Repairs and maintenance	9,724	1,626	1,047	1,654	29,335	43,386
Other operating expenses	11,107	42,716	48,139	11,745	9,119	122,826
Depreciation	47,950	59,229	281,847	25,218	26,644	440,888
Amortization	-	68	268	-	-	336
<b>Total operating expenses</b>	<b>3,074,792</b>	<b>341,680</b>	<b>637,768</b>	<b>619,714</b>	<b>291,698</b>	<b>4,965,652</b>
<b>Net operating income</b>	<b>663,148</b>	<b>94,650</b>	<b>(65,548)</b>	<b>3,671</b>	<b>19,672</b>	<b>715,593</b>
<b>Nonoperating revenues (expenses)</b>						
Interest income	40,020	69,973	86,524	6,378	7,219	210,114
Miscellaneous revenue	2,560	85	1,268	12,062	-	15,975
Interest expense	-	(2,387)	(80,262)	-	-	(82,649)
<b>Total nonoperating revenues (expenses)</b>	<b>42,580</b>	<b>67,671</b>	<b>7,530</b>	<b>18,440</b>	<b>7,219</b>	<b>143,440</b>
<b>Income before contributions and transfers</b>	<b>705,728</b>	<b>162,321</b>	<b>(58,018)</b>	<b>22,111</b>	<b>26,891</b>	<b>859,033</b>
Capital contributions	-	-	449,476	-	-	449,476
Transfers, net	(747,674)	(62,646)	164,808	(21,246)	11,138	(655,620)
<b>Change in net assets</b>	<b>(41,946)</b>	<b>99,675</b>	<b>556,266</b>	<b>865</b>	<b>38,029</b>	<b>652,889</b>
<b>Net assets - beginning</b>	<b>1,401,058</b>	<b>2,670,857</b>	<b>6,961,335</b>	<b>326,779</b>	<b>301,321</b>	<b>11,661,350</b>
<b>Net assets - ending</b>	<b>\$ 1,359,112</b>	<b>\$ 2,770,532</b>	<b>\$ 7,517,601</b>	<b>\$ 327,644</b>	<b>\$ 339,350</b>	<b>\$ 12,314,239</b>

See accompanying notes to financial statements.

**City of Blountstown**  
**Statement of Cash Flows**  
**Proprietary Funds**

*For the year ended September 30, 2007*

	<b>Business-type Activities / Enterprise Funds</b>					
	<b>Electric</b>	<b>Water</b>	<b>Sewer</b>	<b>Natural Gas</b>	<b>Non-major Funds</b>	<b>Total</b>
<b>Operating activities</b>						
Receipts from customers and users	\$ 3,546,061	\$ 428,723	\$ 116,483	\$ 614,980	\$ 305,880	\$ 5,012,127
Payments to suppliers	(2,606,051)	(64,997)	141,452	(468,864)	(129,284)	(3,127,744)
Payments to employees	(283,574)	(216,358)	(217,591)	(120,691)	(145,821)	(984,035)
Other receipts (payments)	-	-	-	9,205	-	9,205
<b>Net cash provided by operating activities</b>	<b>656,436</b>	<b>147,368</b>	<b>40,344</b>	<b>34,630</b>	<b>30,775</b>	<b>909,553</b>
<b>Noncapital financing activities</b>						
Miscellaneous revenue and contributions	2,560	85	450,744	12,062	-	465,451
Transfers to other funds	(747,674)	(62,646)	173,015	(21,246)	11,138	(647,413)
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>(745,114)</b>	<b>(62,561)</b>	<b>623,759</b>	<b>(9,184)</b>	<b>11,138</b>	<b>(181,962)</b>
<b>Capital and related financing activities</b>						
Purchase of capital assets	(1,098)	(3,129)	(464,972)	-	(34,948)	(504,147)
Principal paid on debt	-	(3,000)	(34,000)	-	-	(37,000)
Interest paid on debt	-	(2,425)	(80,495)	-	-	(82,920)
<b>Net cash used for capital and related financing activities</b>	<b>(1,098)</b>	<b>(8,554)</b>	<b>(579,467)</b>	<b>-</b>	<b>(34,948)</b>	<b>(624,067)</b>
<b>Investing activities</b>						
Interest received	19,728	32,168	38,806	6,190	7,219	104,111
<b>Net cash provided by investing activities</b>	<b>19,728</b>	<b>32,168</b>	<b>38,806</b>	<b>6,190</b>	<b>7,219</b>	<b>104,111</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(70,048)</b>	<b>108,421</b>	<b>123,442</b>	<b>31,636</b>	<b>14,184</b>	<b>207,635</b>
<b>Cash and cash equivalents - beginning</b>	<b>792,033</b>	<b>1,400,568</b>	<b>1,481,675</b>	<b>58,393</b>	<b>178,113</b>	<b>3,910,782</b>
<b>Cash and cash equivalents - ending</b>	<b>\$ 721,985</b>	<b>\$ 1,508,989</b>	<b>\$ 1,605,117</b>	<b>\$ 90,029</b>	<b>\$ 192,297</b>	<b>\$ 4,118,417</b>
<b>Classified as</b>						
Current assets - cash and cash equivalents	\$ 567,740	\$ 1,479,942	\$ 1,477,103	\$ 90,029	\$ 192,297	\$ 3,807,111
Restricted assets - cash and cash equivalents	154,245	29,047	128,014	-	-	311,306
	<b>\$ 721,985</b>	<b>\$ 1,508,989</b>	<b>\$ 1,605,117</b>	<b>\$ 90,029</b>	<b>\$ 192,297</b>	<b>\$ 4,118,417</b>

(Continued)

See accompanying notes to financial statements.

**City of Blountstown**  
**Statement of Cash Flows**  
**Proprietary Funds (Continued)**

*For the year ended September 30, 2007*

	<b>Business-type Activities / Enterprise Funds</b>					
	<b>Electric</b>	<b>Water</b>	<b>Sewer</b>	<b>Natural Gas</b>	<b>Non-major Funds</b>	<b>Total</b>
<b>Reconciliation of net operating income to net cash provided by operating activities</b>						
Net operating income	\$ 663,148	\$ 94,650	\$ (65,548)	\$ 3,671	\$ 19,672	\$ 715,593
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	47,950	59,297	282,115	25,218	26,644	441,224
Changes in:						
Accounts receivable	(152,406)	(8,197)	(6,261)	(8,842)	(5,490)	(181,196)
Inventory and prepaid expenses	2,748	2,503	5,528	1,834	2,925	15,538
Due to other funds	8,628	-	-	677	-	9,305
Other assets	(41,168)	-	(449,476)	9,205	-	(481,439)
Accounts payable and accrued expenses	125,841	(1,475)	273,986	3,107	(12,976)	388,483
Customer deposits	1,695	590	-	(240)	-	2,045
 Net cash provided by operating activities	 \$ 656,436	 \$ 147,368	 \$ 40,344	 \$ 34,630	 \$ 30,775	 \$ 909,553

See accompanying notes to financial statements.

## City of Blountstown, Florida Notes to Financial Statements

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### NOTE 1 - REPORTING ENTITY

The City of Blountstown, Florida, (the City) is located in northwest Florida in Calhoun County. The City operates under an elected Mayor-Council and a four-member City Council, and serves approximately 3,000 residents. The City provides a full range of municipal services, including fire and police protection, public works activities, parks and recreation, and general administrative services. The City operates a water, sewer, natural gas, and electric utility. The City also operates a cemetery.

As outlined in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, the financial reporting entity consists of the primary government, and its component units, for which the primary government is considered to be financially accountable. Also included are other entities whose exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Each potential component unit is individually evaluated using specific criteria outlined in GASB Statement No. 14 to determine whether the entity is: (a) part of the primary government; (b) a component unit which should be included in the reporting entity (blended or discretely presented); (c) an organization which should be excluded from the reporting entity entirely.

The principal criteria for classifying a potential component unit include the legal separateness of the organization, the financial accountability of the primary government for the potential component unit resulting from either the primary government's ability to impose its will on the potential component unit, or the potential component unit's fiscal dependency on the primary government. In applying the above criteria, management has determined that the dependent special district, Blountstown Community Redevelopment Agency (the Agency), is considered a component unit and is blended in the financial statements of the City. The agency was established by City Resolution 90-4. There was no financial activity for the entity for 2007.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Commencing in the reporting year ended September 30, 2004, the City implemented GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Significant City accounting policies are described below.

#### 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 are normally 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. Likewise, the primary government is reported separately from certain legally separate component units, if any, for which the primary government is financially accountable.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-wide and Fund Financial Statements, continued**

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: (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and, (b) 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 and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

**General Fund** - The general fund is the City's primary operating fund. It accounts for all resources traditionally associated with governments except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The majority of current operating expenditures of the City other than proprietary fund activities are financed through revenues received by the General Fund.

The City reports the following major proprietary funds:

**Electric Fund** - Accounts for the purchase and distribution of electric services.

**Natural Gas Fund** - Accounts for the purchase and distribution of gas services.

**Water Fund** - Accounts for costs for collection, treatment and distribution of water services.

**Sewer Fund** - Accounts for costs to provide wastewater and sanitary sewer services.

**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 the related cash flows.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 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 are recorded only when payment is due.

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 water, sewer, natural gas, and electricity service. Operating expenses of the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Enterprise Activities**

For enterprise activities, the City applies all applicable GASB pronouncements. Additionally, the City applies pronouncements issued on or before November 30, 1989, by the Financial Accounting Standards Board (FASB) and its predecessor bodies, unless those pronouncements conflict with or contradict GASB pronouncements. Pursuant to GASB Statement No. 20, the City has elected not to apply all FASB statements and interpretations issued after November 30, 1989.

**Budgets and Budgetary Accounting**

General governmental revenue and expenditures accounted for in budgetary funds are controlled by a budgetary accounting system in accordance with various legal requirements which govern the City's operations. Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed total appropriations at the individual fund level. All budget changes that affect the total of a fund's budget must be approved by the City Commission.

The budgetary information presented for the general fund is prepared on the modified accrual basis. Unexpended items at year-end must be reappropriated in the subsequent year.

**Cash and Temporary Cash Investments**

The City considers cash and all investments with a maturity of three months or less at year end to be cash equivalents, unrestricted and restricted.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Receivables**

Customer accounts receivable are recorded in the enterprise funds at their net realizable value. The City estimates there are no material uncollectible accounts. Therefore, the City does not record an allowance for doubtful accounts.

**Due From (To) Other Funds**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as “internal balances.”

**Inventories**

Inventory items of materials and supplies, which are not significant in amount, are considered expenditures when purchased in the governmental funds. Inventory in the proprietary funds consists of utility supplies held for consumption or capital improvements and are valued at the lower of cost or market using the first-in, first-out (FIFO) method.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, right of ways, stormwater system, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Property, plant, and equipment with initial, individual costs that exceed \$500 and estimated useful lives of over one year are recorded as capital assets. Roads, bridges, and sidewalks are capitalized when their initial costs exceed \$25,000 and possess estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets effective October 1, 2003. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required by the City.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Buildings	50
Improvements other than buildings	20-35
Machinery and equipment	5-15
Infrastructure	15-25

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets, continued**

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

**Deferred Revenues**

Deferred revenues reported in the government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues reported in governmental fund financial statements represent unearned revenues or revenues which are measurable but not available, and in accordance with the modified accrual basis of accounting, are reported as deferred revenues.

**Compensated Absences**

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

Both the current and long-term portion of compensated absences are accrued and reported in the government-wide financial statements. No expenditure is reported in the government fund level statements for these amounts until payment is made. Proprietary fund types accrue sick leave and vacation benefits in the period they are earned. Compensated absences liability is based on current rates of pay. This is accounted for pursuant to GASB Statement No. 16, *Accounting for Compensated Absences*.

**Property Taxes**

Under Florida law, the assessment of all properties and the collection of all County, municipal and school board property taxes are consolidated in the offices of the Property Appraiser and Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10 mills for general operations. The City's millage rate for the year ended September 30, 2007, was 1.5 mills.

The tax levy of the City is established by the City Commission prior to October 1 of each year.

Property tax revenue is recognized when taxes are received by the City. Because any delinquent taxes collected after September 30 would not be material, delinquent taxes due are not accrued at year end.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property Taxes, continued**

All taxes become payable on November 1, of each year, or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. Taxes paid in March are without discount.

Property taxes are collected by the Calhoun County Tax Collector. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates.

**Reserves and Designations of Fund Equity**

Reserves indicate that portion of fund balance or net assets that is not available for appropriation or which is legally segregated for a specific future use. The description of each reserve indicates the purpose for which each was intended. Designated portions of fund equity represent management's tentative future spending plans. Such designations should be clearly distinguished from reserves, since managerial plans are subject to change and may never be legally authorized or result in actual expenditures.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Use of Restricted Assets**

It is generally the practice of the City to utilize restricted net assets before unrestricted net assets when possible.

**Encumbrances**

Encumbrances represent commitments in the form of purchase orders which are chargeable to an appropriation and for which a part of the appropriation is reserved. Encumbrances do not represent expenditures or liabilities. The City does not record encumbrances outstanding at year end.

**Long-term Obligations**

In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issue costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Prepaid Expenses**

General fund expenditures for insurance and similar services extended over more than one accounting year are accounted for as expenditures in the year paid.

**Amortization**

Bond issue costs are reported as deferred charges and are amortized over the lives of the respective bond issues using the straight-line method.

**NOTE 3 - CASH AND INVESTMENTS**

At September 30, 2007, the carrying amount of the City's cash and cash equivalents and restricted cash was \$5,008,827 and the bank balance was \$5,317,727. The bank balance was covered by federal depository insurance and, for the amount in excess of such federal depository insurance, by the State of Florida's Public Deposit Act. Provisions of the Act require that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses in excess of federal depository insurance and proceeds from the sale of securities pledged by the defaulting depository are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

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

**Credit Risk**

At September 30, 2007, the City did not hold any investments that were considered to have credit risk.

**Interest Rate Risk**

At September 30, 2007, the City did not hold any investments that were considered to have interest rate risk.

**Custodial Credit Risk**

At September 30, 2007, the City did not hold any deposits or investments that were considered to have custodial risk.

**City of Blountstown, Florida**  
**Notes to Financial Statements**

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**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk**

At September 30, 2007, the City did not hold any investments that were considered to have concentration of credit risk.

At September 30, 2007, the City's investments consisted of the following:

	<b>Carrying Amount</b>	<b>Market Value</b>
State Board of Administration	\$ 504,887	\$ 504,887
Certificate of Deposit	\$ 3,605,362	\$ 3,605,362

The City invested funds in certificates of deposit and State Board of Administration. The funds are carried as a cash equivalent on the balance sheet at September 30, 2007 (See Note 2 for definition of cash equivalents) and are included in carrying value and bank balance in the first paragraph of this note.

All City depositories are banks or savings institutions designated by the State Treasurer as qualified public depositories. Chapter 280, Florida Statutes "Florida Security for Public Deposits Act" provides procedures for public depositories to insure monies in banks and savings and loans are collateralized with the Treasurer as an agent for the public entities. All City cash consists of checking accounts and interest-bearing time deposits in a local bank.

For the purposes of the statement of cash flows, the City considers cash and cash equivalents to include cash and investments in certificates of deposits and investments with the State Board of Administration.

The City invested funds in the Florida State Board of Administration Local Governments Surplus Funds Investment Pool. At September 30, 2007, the market value and the carrying value of these funds was \$504,886. The funds are carried as a cash equivalent on the balance sheet at September 30, 2007 (See Note 1, Section D for definition of cash equivalents) and are included in carrying value and bank balance in the first paragraph of this note. See Note 14 for disclosure of subsequent events related to the Florida State Board of Administration Local Governments Surplus Funds Investment Pool.

**City of Blountstown, Florida**  
**Notes to Financial Statements**

**NOTE 4 - RECEIVABLES**

Receivables at September 30, 2007 consist primarily of charges to utility customers for water, sewer, gas, electric and sanitation services provided by the City. The City grants credit to customers, substantially all of whom are local residents.

	<b>General Fund</b>	<b>Business-type Activities</b>	<b>Totals</b>
Utility charges-billed	\$ -	\$ 561,265	\$ 561,265
Utility charges-unbilled	-	229,287	229,287
Other	65,609	-	65,609
<b>Accounts receivable total</b>	<b>\$ 65,609</b>	<b>\$ 790,552</b>	<b>\$ 856,161</b>

In March 2006, the City entered into an agreement with the State of Florida, Office of Tourism, Trade, and Economic Development to borrow \$600,000. These funds were used as a loan to the Calhoun-Liberty Hospital Association, Inc. (the Hospital) for working capital purposes. These funds were secured by an assignment of the Hospital's accounts receivable and a mortgage on the Hospital property. Funds are to be repaid to the City in quarterly installments of \$21,429 including interest of 4.5%. At September 30, 2007, the note receivable balance was \$471,429.

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund transfers at September 30, 2007, consisted of the following:

	<b>Transfers in</b>	<b>Transfers out</b>
<b>General fund</b>	\$ 831,566	\$ 175,946
<b>Business-type funds</b>		
Electric fund	-	747,674
Water	-	62,646
Sewer	164,808	-
Natural Gas	-	21,246
Sanitation	11,138	-
<b>Total</b>	<b>\$ 1,007,512</b>	<b>\$ 1,007,512</b>

**City of Blountstown, Florida**  
**Notes to Financial Statements**

**NOTE 6 - CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 1,110,251	\$ 4,373	\$ -	\$ 1,114,624
Construction in progress	1,087,147	235,701	-	1,322,848
<b>Total capital assets, not being depreciated</b>	<b>2,197,398</b>	<b>240,074</b>	<b>-</b>	<b>2,437,472</b>
Capital assets being depreciated:				
Buildings	298,251	47,765	-	346,016
Machinery and equipment	1,654,813	65,205	22,240	1,697,778
<b>Total capital assets being depreciated</b>	<b>1,953,064</b>	<b>112,970</b>	<b>22,240</b>	<b>2,043,794</b>
Less accumulated depreciation for:				
Buildings	157,121	7,535	-	164,656
Machinery and equipment	1,184,996	115,051	22,240	1,277,807
<b>Total accumulated depreciation</b>	<b>1,342,117</b>	<b>122,586</b>	<b>22,240</b>	<b>1,442,463</b>
<b>Total capital assets being depreciated, net</b>	<b>610,947</b>	<b>(9,616)</b>	<b>-</b>	<b>601,331</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 2,808,345</b>	<b>\$ 230,458</b>	<b>\$ -</b>	<b>\$ 3,038,803</b>

**City of Blountstown, Florida**  
**Notes to Financial Statements**

**NOTE 6 - CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases	(Decreases)	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 49,595	\$ -	\$ -	\$ 49,595
Construction in progress	-	449,476	-	449,476
<b>Total non-depreciable assets</b>	<b>49,595</b>	<b>449,476</b>	<b>-</b>	<b>499,071</b>
Capital assets being depreciated:				
Utility systems	13,451,180	3,128	-	13,454,308
Other property, plant and equipment	1,542,965	51,545	19,460	1,575,050
<b>Total capital assets being depreciated</b>	<b>14,994,145</b>	<b>54,673</b>	<b>19,460</b>	<b>15,029,358</b>
Less accumulated depreciation for:				
Utility systems	4,895,482	332,789	-	5,228,271
Other property, plant and equipment	993,305	108,099	19,460	1,081,944
<b>Total accumulated depreciation</b>	<b>5,888,787</b>	<b>440,888</b>	<b>19,460</b>	<b>6,310,215</b>
<b>Total capital assets being depreciated, net</b>	<b>9,105,358</b>	<b>(386,215)</b>	<b>-</b>	<b>8,719,143</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 9,154,953</b>	<b>\$ 63,261</b>	<b>\$ -</b>	<b>\$9,218,214</b>

Depreciation expense was charged to governmental activities functions/programs of the primary government as follows:

General government	\$ 26,980
Public safety	50,010
Highways and streets	42,969
Culture and recreation	2,627
<b>Total depreciation expense - governmental activities</b>	<b>\$ 122,586</b>

Depreciation expense was charged to business-type activities of the primary government as follows:

Electric fund	\$ 47,950
Water fund	59,229
Sewer fund	281,847
Natural gas fund	25,218
Sanitation fund	26,304
Pine Memorial Cemetery	340
<b>Total depreciation expense - business-type activities</b>	<b>\$ 440,888</b>

**City of Blountstown, Florida**  
**Notes to Financial Statements**

**NOTE 7 - LONG-TERM DEBT AND BONDS PAYABLE**

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

	<b>Balance 10/01/06</b>	<b>Increase (Reductions)</b>	<b>Balance 09/30/07</b>
<b>Governmental Activities:</b>			
Liability for compensated absences	\$ 46,847	\$ 1,076	\$ 47,923
<b>Business-type Activities:</b>			
Liability for compensated absences	\$ 39,453	\$ (8,941)	\$ 30,512

Records kept for compensated absences relate only to hours earned, used, and available. Accordingly, only the net change in compensated absences payable is presented.

In March 2006, the City entered into an agreement with the State of Florida, Office of Tourism, Trade, and Economic Development to borrow \$600,000. These funds would be used as a loan to the Calhoun-Liberty Hospital Association, Inc. (the Hospital) for working capital purposes. These funds were secured by the assignment of the City's interest in the accounts receivable of the Hospital and by the assignment of interest in the mortgage on the property of the Hospital held by the City.

	<b>Original Amount</b>	<b>Balance 10/1/06</b>	<b>Increase (Reductions)</b>	<b>Balance 9/30/07</b>
<b>Note Payable - General Fund</b>				
State of Florida, Office of Tourism, Trade, and Development – payable in quarterly installments of \$21,429 including interest at 3%, used as working capital for Calhoun- Liberty Hospital Association, Inc.	\$600,000	\$557,143	\$ (85,714)	\$ 471,429

Future debt service requirements on notes payable at September 30, 2007 are as follows:

<b>Year ending September 30</b>	<b>Principal</b>	<b>Interest</b>
2008	\$ 85,933	\$ 13,178
2009	85,950	10,601
2010	89,950	8,022
2011	85,950	5,444
2012	85,950	3,149
2013	41,696	152
<b>Total</b>	<b>\$471,429</b>	<b>\$ 40,546</b>

**City of Blountstown, Florida**  
**Notes to Financial Statements**

**NOTE 7 - LONG-TERM DEBT AND BONDS PAYABLE (CONTINUED)**

	Original Issue	Balance 10/01/06	Increase (Reductions)	Balance 9/30/07	Due Within One Year
<b>Bonds Payable - Enterprise Funds</b>					
Water and Sewer Fund Bonds:					
4.5% Water and Sewer System Revenue Bonds, Series 1998A; used to construct a waste-water treatment facility	\$ 1,463,000	\$ 1,339,000	\$ (21,000)	<b>\$ 1,318,000</b>	\$ 22,000
4.5% Water and Sewer System Revenue Bonds, Series 1998B; used to construct a waste-water treatment facility	99,000	92,000	(1,000)	<b>91,000</b>	2,000
5% Water and Sewer System Revenue Bonds, dated June 29, 1979; used to improve the water and sewer system	96,800	50,000	(3,000)	<b>47,000</b>	3,000
5% Water and Sewer System Revenue Bonds, dated November 1983; used to improve the water and sewer system	473,400	328,000	(12,000)	<b>316,000</b>	12,000
<b>Total Bonds Payable - Enterprise Funds</b>	<b>\$ 2,132,200</b>	<b>\$ 1,809,000</b>	<b>\$ (37,000)</b>	<b>\$ 1,772,000</b>	<b>\$ 39,000</b>

**City of Blountstown, Florida**  
**Notes to Financial Statements**

**NOTE 7 - LONG-TERM DEBT AND BONDS PAYABLE (CONTINUED)**

Future debt service requirements for the enterprise funds on long-term debt are summarized below:

**Water and Sewer Revenue Bonds**

Year ending September 30	Series 1998 A		Series 1998 B	
	Principal	Interest	Principal	Interest
2008	\$ 22,000	\$ 59,310	\$ 2,000	\$ 4,095
2009	23,000	58,320	2,000	4,005
2010	24,000	57,285	2,000	3,915
2011	25,000	56,205	2,000	3,825
2012	26,000	55,080	2,000	3,735
2013-2017	149,000	256,815	10,000	17,325
2018-2022	186,000	220,095	13,000	14,940
2023-2027	230,000	174,375	15,000	11,700
2028-2032	289,000	117,540	20,000	7,875
2033-2037	344,000	46,350	23,000	3,105
<b>Totals</b>	<b>\$ 1,318,000</b>	<b>\$ 1,101,375</b>	<b>\$ 91,000</b>	<b>\$ 74,520</b>

Year ending September 30	Series 1979		Series 1984		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 3,000	\$ 2,350	\$ 12,000	\$ 15,800	\$ 39,000	\$ 81,555
2009	3,000	2,200	13,000	15,200	41,000	79,725
2010	4,000	2,050	14,000	14,550	44,000	77,800
2011	4,000	1,850	14,000	13,850	45,000	75,730
2012	4,000	1,650	15,000	13,150	47,000	73,615
2013-2017	24,000	4,950	86,000	53,850	269,000	332,940
2018-2022	5,000	250	110,000	30,000	314,000	265,285
2023-2027	-	-	52,000	3,900	297,000	189,975
2028-2032	-	-	-	-	309,000	125,415
2033-2037	-	-	-	-	367,000	49,455
<b>Totals</b>	<b>\$ 47,000</b>	<b>\$ 15,300</b>	<b>\$ 316,000</b>	<b>\$160,300</b>	<b>\$1,722,000</b>	<b>\$ 1,351,495</b>

A synopsis of long-term debt covenants for the water and sewer parity bonds follows:

- (a) Water and Sewer System Revenue Bonds, Series 1998A - \$1,318,000 balance. These bonds were issued in June 1998 to construct a wastewater treatment facility. The bonds are secured by a pledge of the net revenues of the system. The bonds are due in annual installments of \$16,000 to \$75,000 through September 1, 2037; interest at 4.5% per annum is payable each September. A sinking fund is required to be maintained to accumulate amounts sufficient to pay principal and interest coming due. In addition, monthly transfers of \$682 to a reserve account are required until a balance of \$81,835 is attained.

**City of Blountstown, Florida**  
**Notes to Financial Statements**

**NOTE 7 - LONG-TERM DEBT AND BONDS PAYABLE (CONTINUED)**

- (b) Water and Sewer System Revenue Bonds, Series 1998B - \$91,000 balance. These bonds were issued in June 1998 to construct a wastewater treatment facility. The bonds are secured by a pledge of the net revenues of the system. The bonds are due in annual installments of \$1,000 to \$5,000 through September 1, 2037; interest at 4.5% per annum is payable each September. A sinking fund is required to be maintained to accumulate amounts sufficient to pay principal and interest coming due. In addition, monthly transfers of \$51 to a reserve account are required until a balance of \$6,095 is attained.
- (c) Water and Sewer Revenue Bonds - \$47,000 balance. The bonds are secured by a pledge of gross revenues of the system. The bonds are due in annual installments of \$1,000 to \$5,000 through January 1, 2018; interest at 5% per annum is payable semiannually on January 1 and July 1.
- (d) Water and Sewer System Revenue Bonds - \$316,000 balance. The bonds are secured by a pledge of gross revenues of the system. The bonds are due in annual installments of \$5,000 to \$26,000; interest at 5% per annum is payable semiannually on January 1 and July 1.

There are a number of limitations and restrictions contained in the various bond indentures, including the establishment of specific debt service sinking and reserve accounts. The City is in compliance with all significant limitations and restrictions.

Restricted cash account balances relating to the bond issues in the enterprise funds at September 30, 2007, are as follows:

	<b>1998A Issue</b>	<b>1998B Issue</b>	<b>1979 Issue</b>	<b>1984 Issue</b>	<b>Total</b>
Sinking fund - principal and interest	\$ 7,000	\$ 500	\$ 3,000	\$ 12,938	\$ 23,438
Reserve account	70,000	5,500	7,000	32,062	114,562
<b>Totals</b>	<b>\$ 77,000</b>	<b>\$ 6,000</b>	<b>\$ 10,000</b>	<b>\$ 45,000</b>	<b>\$ 138,000</b>

**NOTE 8 - DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Investments are managed by the plan's trustee under a variety of investment options. The choice of the investment option(s) is made by the participants.

**NOTE 9 - EMPLOYEE BENEFITS**

**Retirement Plan**

**Plan Description**

The City participates in the Florida Retirement System (FRS) a cost-sharing, multiple employer defined benefit public retirement system administered by the State of Florida Department of Administration, Division of Retirement, to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State of Florida Division of Retirement, Tallahassee, FL 32399-1560, or by accessing their internet site at [www.dos.state.fl.us/fgils/retirement](http://www.dos.state.fl.us/fgils/retirement).

The System provides vesting of benefits after six years of creditable service. 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 any time after completing six years of service; however, there is a 5% benefit reduction for each year prior to normal retirement. FRS also provides death and disability benefits and cost-of-living adjustments. Generally, membership is compulsory for all full-time and part-time employees. Retirement coverage is employee noncontributory. The employer pays all contributions.

**Funding Policy**

The funding methods and the determination of benefits payable are provided in various acts of the Florida Legislature. These acts provide that employers pay all contributions at rates determined each year by the legislature. The rates, as a percentage of gross earnings, are as follows:

	<b>10/1/06-9/30/07</b>
Regular class	9.85%
Senior management	13.12%
Special risk class	20.92%
DROP program participants	10.91%

Contribution rates equal actuarial determined rates. During the years ended September 30, 2007, 2006, and 2005 total payroll for all employees was \$1,466,693, \$1,483,950, and \$1,334,792, respectively. The retirement contributions for all employees covered by FRS for the years ended September 30, 2007, 2006, and 2005 were \$181,503, \$143,030 and \$131,378, respectively. The contributions for the years ending September 30, 2007, 2006, and 2005 represented 12.37%, 9.64%, and 9.84%, respectively, of total payroll.

**City of Blountstown, Florida**  
**Notes to Financial Statements**

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**NOTE 10 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees and/or the public; or damage to property of others; and natural disasters for which the City carries commercial insurance. Insurance against losses is provided for the following types of risk:

- Workers' compensation and employer's liability
- General and automobile liability
- Real and personal property damage
- Public officials' liability
- Accidental death and dismemberment

The City's coverage for workers' compensation is under a retrospectively rated policy. Premiums are accrued based on the ultimate cost to-date of the City's experience for this type of risk.

**NOTE 11 - GRANTS**

The City participates in several state and federal grant programs. These programs are subject to program compliance audits by grantors or their representatives. The audits of these programs for, or including, the year ended September 30, 2007, have not yet been accepted/approved by the grantors. Accordingly, the final determination of the City's compliance with applicable grant requirements will be established at a future date. The amount, if any, of expenditures which may be disallowed by granting agencies cannot be determined, although the City expects such amounts, if any, to be immaterial.

**NOTE 12 - FUND EQUITY**

**Reserved Fund Equity**

Reservations of equity show amounts that are not appropriated for expenditure or are legally restricted for specific uses. The purpose for each is indicated as follows:

<b>Funds</b>	<b>Purpose</b>	<b>Amount</b>
General fund	Police education	\$ 4,830
Water fund	Debt Service	9,375
Sewer fund	Debt Service	118,534
<b>Total restricted fund equity</b>		<b>\$ 132,739</b>

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

Various claims and lawsuits are pending against the City. In the opinion of legal counsel, the potential unrecorded liability on all claims and lawsuits will not be significant to the City's financial position.

On August 2005, the City entered into an agreement with Florida Gas Utilities (FGU) committing to certain prices and quantities for its anticipated gas purchases during the coming winter. Because of the potential significant fluctuation of natural gas prices, the City authorized FGU, the agent, to purchase natural gas in the futures market when considered to be in the best interest of the City. This commitment is renewable each year and a new price is determined annually.

Issues regarding Enron and outstanding futures contract purchases from prior years have not been completely resolved; however, the City and Florida Gas Utilities believe the issues will be resolved without a material liability to the City. In addition, the Florida Department of Revenue has not made a final determination regarding possible gross receipts taxes related to the Enron issue. It is the City's position that no tax is due.

On November 1, 2004, the City entered into PGP Gas Supply Agreement No. 1 (the Agreement) with Florida Gas Utilities. The City is one of thirteen local governments participating in the Agreement. This Agreement authorized Florida Gas Utilities to purchase working gas reserves, assuring a ready supply of natural gas. All potential gas reserve sites have to meet certain standards. As of September 30, 2007, there were no financial commitments under this agreement. See Note 14.

The City has contracted with Gulf Power Company under a service agreement dated April 28, 1997. Gulf Power Company will provide the City its full requirements for electric service at rates determined under the terms of the contract. This agreement expires May 1, 2008. See Note 14.

The City is a party to various construction contracts. Amounts related to these contracts totaling \$463,061 have been committed but not incurred as of September 30, 2007.

**NOTE 14 - SUBSEQUENT EVENTS**

In November 2007, the City agreed to purchase a new fire truck for \$222,000 and received a donation of \$110,000 toward that purchase.

In 2008, the City approved the termination of the PGP Gas Supply Agreement No. 1. The City is responsible for the final debt service payment of \$6,004 which is due by December 2008.

In December 2007, the City negotiated a new agreement with Gulf Power Company for the purchase of wholesale power and for transmission services.

**NOTE 14 - SUBSEQUENT EVENTS (CONTINUED)**

As discussed in Note 3, at September 30, 2007, the City had \$504,886 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

Currently, Pool A participants may withdraw 15% of their balance or \$2 million, whichever is greater, without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool A.

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool and a formal withdrawal policy has not yet been developed. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principle value of Pool B assets is not readily determinable.

As of March 31, 2008, the City has \$28,771 and \$44,699 invested in Pool A and B, respectively. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

**NOTE 15 - MAJOR SUPPLIER**

Florida Gas Utilities (FGU) acts as the agent for the City on all natural gas purchases. Purchases totaled \$450,043 for the year ended September 30, 2007. The City has placed a deposit totaling \$37,965 with FGU to satisfy the credit requirements of the supplier.

All electricity sold by the City was purchased from a single supplier, Gulf Power Company. Purchases totaled \$2,621,770 for the year ended September 30, 2007.

## **Supplementary Information**

**City of Blountstown**  
**Combining Statement of Net Assets**  
**Nonmajor Proprietary Funds**

*September 30, 2007*

	<b>Business-type Activities / Enterprise Funds</b>		
	<b>Sanitation</b>	<b>Cemetery</b>	<b>Total</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 112,808	\$ 79,489	\$ 192,297
Accounts receivable, net	42,812	-	42,812
Total current assets	155,620	79,489	235,109
Noncurrent assets			
Nondepreciable	-	15,000	15,000
Depreciable, net	100,033	-	100,033
Total noncurrent assets	100,033	15,000	115,033
Total assets	255,653	94,489	350,142
<b>Liabilities</b>			
Current liabilities			
Accounts payable	4,180	-	4,180
Accrued expenses	1,691	-	1,691
Compensated absences payable	2,678	-	2,678
Total current liabilities	8,549	-	8,549
Noncurrent liabilities			
Accrued compensated absences	2,243	-	2,243
Total liabilities	10,792	-	10,792
<b>Net assets</b>			
Invested in capital assets, net of related debt	100,033	15,000	115,033
Unrestricted	144,828	79,489	224,317
Total net assets	\$ 244,861	\$ 94,489	\$ 339,350

**City of Blountstown**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**Nonmajor Proprietary Funds**

*For the year ended September 30, 2007*

	<b>Business-type Activities / Enterprise Funds</b>		
	<b>Sanitation</b>	<b>Cemetery</b>	<b>Total</b>
<b>Operating revenues</b>			
Charges for services	\$ 303,570	\$ 7,800	\$ 311,370
Total operating revenues	303,570	7,800	311,370
<b>Operating expenses</b>			
Personal services	146,541	-	146,541
Services and supplies	80,059	-	80,059
Repairs and maintenance	29,335	-	29,335
Other operating expenses	9,119	-	9,119
Depreciation	26,304	340	26,644
Total operating expenses	291,358	340	291,698
Net operating income	12,212	7,460	19,672
<b>Nonoperating revenues (expenses)</b>			
Interest income	3,908	3,311	7,219
Total nonoperating revenues (expenses)	3,908	3,311	7,219
Income before contributions and transfers	16,120	10,771	26,891
Transfers, net	11,138	-	11,138
<b>Change in net assets</b>	<b>27,258</b>	<b>10,771</b>	<b>38,029</b>
<b>Net assets - beginning</b>	<b>217,603</b>	<b>83,718</b>	<b>301,321</b>
<b>Net assets - ending</b>	<b>\$ 244,861</b>	<b>\$ 94,489</b>	<b>\$ 339,350</b>

**City of Blountstown**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**

*For the year ended September 30, 2007*

	<b>Business-type Activities / Enterprise Funds</b>		
	<b>Sanitation</b>	<b>Cemetery</b>	<b>Total</b>
<b>Operating activities</b>			
Receipts from customers and users	\$ 298,080	\$ 7,800	\$ 305,880
Payments to suppliers	(129,284)	-	(129,284)
Payments to employees	(145,821)	-	(145,821)
Net cash provided by operating activities	22,975	7,800	30,775
<b>Noncapital financing activities</b>			
Transfers from other funds	11,138	-	11,138
Net cash provided by noncapital financing activities	11,138	-	11,138
<b>Capital and related financing activities</b>			
Purchase of capital assets	(34,948)	-	(34,948)
Net cash used for capital and related financing activities	(34,948)	-	(34,948)
<b>Investing activities</b>			
Interest received	3,908	3,311	7,219
Net cash provided by investing activities	3,908	3,311	7,219
<b>Net increase in cash and cash equivalents</b>	<b>3,073</b>	<b>11,111</b>	<b>14,184</b>
<b>Cash and cash equivalents - beginning</b>	<b>109,735</b>	<b>68,378</b>	<b>178,113</b>
<b>Cash and cash equivalents - ending</b>	<b>\$ 112,808</b>	<b>\$ 79,489</b>	<b>\$ 192,297</b>
<b>Classified as</b>			
Current assets - cash and cash equivalents	\$ 112,808	\$ 79,489	\$ 192,297

(Continued)

**City of Blountstown**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds (Continued)**

*For the year ended September 30, 2007*

	<b>Business-type Activities / Enterprise Funds</b>		
	<b>Sanitation</b>	<b>Cemetery</b>	<b>Total</b>
<b>Reconciliation of net operating income to net cash provided (used) by operating activities</b>			
Net operating income	\$ 12,212	\$ 7,460	\$ 19,672
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	26,304	340	26,644
Changes in:			
Accounts receivable	(5,490)	-	(5,490)
Inventory and prepaid expenses	2,925	-	2,925
Accounts payable and other current liabilities	(12,976)	-	(12,976)
<b>Net cash provided by operating activities</b>	<b>\$ 22,975</b>	<b>\$ 7,800</b>	<b>\$ 30,775</b>



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## INDEPENDENT AUDITORS' MANAGEMENT LETTER

Honorable City Council  
City of Blountstown  
Blountstown, Florida

We have audited the financial statements of the City of Blountstown, Florida (the City), as of and for the year ended September 30, 2007, and have issued our report thereon dated April 22, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have also issued our Independent Auditors' report on Compliance and Internal Control over Financial Reporting. Disclosures in that report, which is dated April 22, 2008, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the state of Florida, and require that certain items be addressed in this letter.

The *Rules of the Auditor General* [Section 10.544(1)(i)1] require that we comment as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report, except as noted in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.

As required by the *Rules of the Auditor General* [Section 10.554(1) (i) 2.], the scope of our audit included a review of the provision of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Blountstown complied with Section 218.415, Florida Statutes.

The *Rules of the Auditor General* [Section 10.554(1) (i) 3.] also requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such recommendations.

American Institute of  
Certified Public Accountants

Alabama Society of  
Certified Public Accountants

Florida Institute of  
Certified Public Accountants

Georgia Society of  
Certified Public Accountants

Mississippi Society of  
Certified Public Accountants

Tennessee Society of  
Certified Public Accountants

AICPA Alliance for CPA Firms

The *Rules of the Auditor General* [Section 10.554(1) (i) 4.] also require that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

The *Rules of the Auditor General* [Section 10.554(1)(i)5.] requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

The *Rules of the Auditor General* [Section 10.554(1) (i) 6.] also requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed. The City was established by Chapter 37-18432, Laws of Florida.

The *Rules of the Auditor General* [Section 10.544(1)(i)7a], 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 did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

As required by the *Rules of the Auditor General* [Section 10.554(1) (i)7 .b.], we determined that the annual financial report for the City of Blountstown for the year ended September 30, 2007, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2007. In connection with our audit, we determined that these two reports were in agreement.

As required by the *Rules of the Auditor General* [Sections 10.554(i) 7.c. and 10.556(7)], we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Honorable City Council  
City of Blountstown  
Page three

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

*Car, Riggs & Ingram, L.L.C.*

Marianna, Florida  
April 22, 2008

**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**

Honorable City Council  
City of Blountstown  
Blountstown, Florida

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the City of Blountstown, Florida (the "City") as of and for the year ended September 30, 2007, which collectively comprise the City of Blountstown, Florida's basic financial statements and have issued our report thereon dated April 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of Blountstown's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of City of Blountstown's financial statements that is more than inconsequential will not be prevented or detected by City of Blountstown's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

**PRIOR YEAR AUDIT FINDING**

**SEGREGATION OF DUTIES FINDING 06-01 - NOT RESOLVED**

COMMENT: Separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedures, was not considered feasible by the City because of its size and limited number of employees. The City recognizes that the cost of its internal control structure should not exceed the benefits expected to be derived. The City also recognizes the inherent limitations of an internal control structure. Mistakes and irregularities may occur in any event with or without an adequate internal control structure. Furthermore adequate segregation of duties can be circumvented by collusion among persons. Nevertheless, internal control is strengthened when incompatible duties are separated and review procedures are established and adhered to.

RECOMMENDATION: We recommended that the City continue to seek ways to strengthen internal control through segregation of duties.

STATUS: There is still a lack of segregation of duties between employees who have recordkeeping responsibilities and employees with custody of City assets.

**CURRENT YEAR AUDIT FINDING**

**DEFICIENCY OVER FINANCIAL REPORTING, FINDING 07-01**

COMMENT: The City has a capable individual providing bookkeeping services, however the City does not have an individual on staff with the accounting education and experience to properly record more complex accounting transactions and prepare financial statements in accordance with generally accepted accounting principles (GAAP).

AICPA Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Matters Identified in an Audit*, effective for years ended after December 15, 2006, requires that auditors communicate matters related to a entity's internal controls over financial reporting. Internal controls should be implemented to provide reasonable assurance that all financial transactions will be properly recorded and that financial statements will be prepared in accordance with GAAP. SAS 112 requires a significant deficiency to be reported whenever an auditor discovers that these controls are not in place.

The fact that the City does not have someone on staff to prepare the financial statements in accordance with generally accepted accounting principles and to record complex accounting transactions results in a significant deficiency under professional standards.

RECOMMENDATION: We understand the cost-benefit of hiring someone with this expertise is not practical, therefore, we recommend the City continue to request outside assistance in recording more complex transactions.

Honorable City Council  
City of Blountstown  
Page three

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Blountstown, 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 Blountstown's response to the findings identified in our audit are included as "Management's Response". We did not audit City of Blountstown's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Commission, management, and specific legislative or regulatory bodies, and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

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Marianna, Florida  
April 22, 2008



April 21, 2008

Auditor General  
P.O. Box 1735  
Tallahassee, FL 32302

Dear Sir:

The following is a reply to the comments reported in the "Independent Auditors' Report on Compliance and On Internal Control Over Financial Reporting Based on An Audit of General Purpose Financial Statement Performed In Accordance With *Government Auditing Standards*" of the general financial statements of the City of Blountstown, Florida as of and for the year ended September 30, 2007.

### **FINDINGS – FINANCIAL STATEMENTS – INTERNAL CONTROL**

#### **Prior Year Audit Finding : Need for Segregation of Duties – Not Resolved**

The City of Blountstown remains a small town of less than 2500 citizens. Our customer base is less than 4000 persons. The City Council of Blountstown determines the number of employees that the City maintains through their budgeting approval process and also the restrictions of the city's personnel policy. Through review of the financial status of the City monthly and through the daily activity of the six administrative personnel, City Manager, Finance Director, 2 Clerks, Revenue Officer, and Disbursements Officer we continue to segregate duties as much as possible. The City is reviewing the possibilities of cross training personnel to help resolve this issue. This problem is inherent with the overall operation with a limited number of personnel operating the financial/administrative portion of:

1. Natural Gas Operations-revenue account
2. Sanitation (Garbage Collection) Operations- revenue account
3. Electricity Operations- revenue account

4. Water Operations- revenue account
5. Sewer Operations- revenue account
6. Street Maintenance Operations-service provided
7. City Right of Way Maintenance-service provided
8. Drainage Maintenance-service provided
9. Fire Department – service provided
10. Police Department – services provided
11. Parks Maintenance-service provided
12. Interaction with Federal, State, County and Other Agencies-service provided
13. Seeking Outside Source Funding (Grants)-service provided
14. City Financial Accounting (Bookkeeping)-service provided
15. City Records Management-service provided

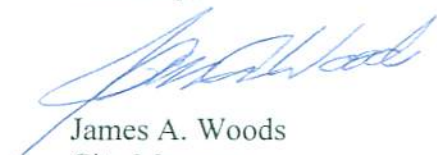
**Current Year Audit Finding: Deficiency Over Financial Reporting**

The City of Blountstown acknowledges and understands SAS 112, however, the City feels they have employees with adequate financial knowledge and abilities and does not feel that it is of any detriment to the City. The City will continue to request outside assistance as needed in recording more complex transactions and preparation of financial statements.

In summary, *once again*, the City of Blountstown will continue to work to maintain adequate separation of duties as restricted by the limited number of personnel available and provided by the City Council. The checks and balances as approved by the City Council will remain in place. The monthly review process and the daily oversight duties of each City employee continues to assure that city business is handled properly. However, we remain diligent in seeking ways to better segregate activities and eliminate unnecessary tasks. In addition, the City understands that the cost-benefit of hiring someone with the expertise to prepare financial statements and record more complex transactions would not be practical, it will continue to request outside assistance as needed with these duties.

Please contact me if you need any additional information.

Sincerely,



James A. Woods  
City Manager