

**City of Blountstown
Blountstown, Florida**

Financial Statements

For year ended September 30, 2010

City of Blountstown, Florida
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September 30, 2010

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Carr, Riggs & Ingram, LLC
4267 Lafayette Street
Marianna, FL 32446

Mailing Address:
P.O. Box 1606
Marianna, FL 32447

(850) 526-3207
(850) 526-5322 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and 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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of 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, 2010, 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 March 2, 2011, 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.

Honorable Mayor and City Council
City of Blountstown
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The management's discussion and analysis on pages 3.1 through 3.8, 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 opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance and combining individual non-major fund financial statements are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, Rules of the Auditor General, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Carri Riggs & Ingram, L.L.C.

March 2, 2011

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, 2010 by \$18,904,881 (net assets). Of this amount, \$5,706,334 (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 \$1,335,884 or (7.60%).

As of September 30, 2010, the City of Blountstown governmental funds reported combined ending fund balances of \$1,177,434, an increase of \$430,855 in comparison with the prior year. Approximately 99% of this amount, or \$1,171,448, is available for spending at the City's discretion (unreserved fund balance).

The City of Blountstown was awarded \$217,813 from USDA-NRCS for the West Sherry Dam Project. This project will be completed in the coming year.

The City of Blountstown was awarded \$150,000 from FDOT for the Design Phase of the Charlie John Street Corridor Sidewalk Project.

The City of Blountstown completed the FDOT Striping Project in the amount of \$80,384.

The City of Blountstown completed the GIS of the gas distribution system in the amount of \$50,000. This project was funded by US DOT – PHMSA.

The City also completed the CDBG Infrastructure Improvements Project in the amount of \$815,957.

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 2010 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.

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 \$18.9 million at the close of the fiscal year ended September 30, 2010.

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

**STATEMENTS OF NET ASSETS
AS OF SEPTEMBER 30, 2010 AND 2009**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$1,449,198	\$ 1,276,452	\$ 5,342,105	\$ 5,577,456	\$ 6,791,303	\$ 6,853,908
Non-current assets	4,752,418	4,404,476	10,827,163	9,843,781	15,579,581	14,248,257
Total assets	6,201,616	5,680,928	16,169,268	15,421,237	22,370,884	21,102,165
Long-term liabilities	534,018	526,258	1,998,396	1,733,494	2,532,414	2,259,752
Other liabilities	277,820	536,078	655,769	737,338	933,589	1,273,416
Total liabilities	811,838	1,062,336	2,654,165	2,470,832	3,466,003	3,533,168
Net assets:						
Invested in capital assets net of related debt	4,292,870	3,972,306	8,808,901	7,797,521	13,101,771	11,769,827
Restricted	5,986	6,205	90,790	87,427	96,776	93,632
Unrestricted	1,090,922	640,211	4,615,412	5,065,457	5,706,334	5,705,668
Total Net Assets	\$5,389,778	\$ 4,618,722	\$13,515,103	\$ 12,950,405	\$18,904,881	\$ 17,569,127

Approximately sixty-nine percent (69%) 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 \$2,023,605.

\$ 96,776 of the City's net assets are subject to external restrictions on how they may be used. The balance of unrestricted net assets (\$5,706,334) may be used to meet the City's ongoing obligations to citizens and creditors.

At September 30, 2010, 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

<i>as of September 30,</i>	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues						
Charges for services	\$ 170,368	\$ 234,465	\$ 6,149,207	\$ 5,896,329	\$ 6,319,575	\$ 6,130,794
Grants and contributions	531,726	321,893	982,794	-	1,514,520	321,893
Revenues pledged as security for revenue bonds	-	-	1,303,736	1,350,992	1,303,736	1,350,992
General Revenues						
Property taxes	86,345	87,146	-	-	86,345	87,146
Intergovernmental	145,742	144,368	-	-	145,742	144,368
Other taxes	540,102	514,352	-	-	540,102	514,352
Investment earnings	11,190	29,423	78,630	145,325	89,820	174,748
Miscellaneous	190,653	113,164	85,271	188,768	275,924	301,932
Transfers	917,647	595,935	(917,647)	(595,935)	-	-
Total revenues	2,593,773	2,040,746	7,681,991	6,985,479	10,275,764	9,026,225
Expenses						
Program activities						
General government	389,201	299,301	-	-	389,201	299,301
Public safety	904,457	857,153	-	-	904,457	857,153
Highways and streets	478,839	589,468	-	-	478,839	589,468
Culture and recreation	46,723	53,705	-	-	46,723	53,705
Business-type activities	-	-	7,030,434	6,420,707	7,030,434	6,420,707
Interest long-term debt	3,367	2,397	86,859	79,032	90,226	81,429
Total expenses	1,822,587	1,802,024	7,117,293	6,499,739	8,939,880	8,301,763
Change in net assets	771,186	238,722	564,698	485,740	1,335,884	724,462
Net assets – beginning	4,618,592	4,379,870	12,950,405	12,464,665	17,568,997	16,844,535
Net assets – ending	\$ 5,389,778	\$ 4,618,592	\$ 13,515,103	\$12,950,405	\$ 18,904,881	\$ 17,568,997

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.

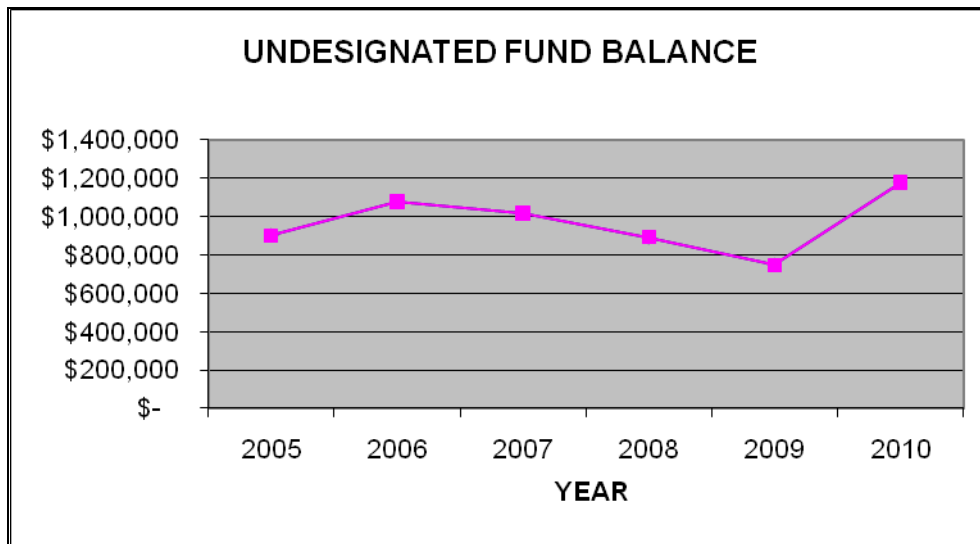
GOVERNMENTAL FUNDS

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.

CITY OF BLOUNTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS

As of the end of fiscal year 2010, the City's governmental funds reported combined ending fund balances of \$1,177,434. Of this amount, *unreserved fund balance* is \$1,171,448, 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 2010 fiscal year. Some budget variances occurred in General Fund during the 2010 fiscal year due to budgeted capital projects being postponed and un-received grant funds.

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.

CITY OF BLOUNTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010, the City of Blountstown had various long-term debt in both the General Fund and the Proprietary Funds.

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:

- Lease/Purchase of 2 new Police Department Vehicles \$46,032
- Purchase of new ACS server \$19,705
- Purchase of new Generator at Police Department \$15,715
- Expenditures for Airport Water Line Extension were completed at a cost of \$29,212
- Expenditures for Sewer Infrastructure Improvements were completed at a cost of \$815,957

SIGNIFICANT ECONOMIC FACTORS

TAXABLE VALUE OF PROPERTY AND MILLAGE RATES

The City has been able to maintain the same millage rate of 1.5 mills to citizens.

NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when adopting the 2010/2011 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, which will expire in April 2012. Each year the City will review rates to determine if they need to be raised in order to offset the rising costs of electricity.

CITY OF BLOUNTSTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 17,779	\$ 1,041,317	\$ 1,059,096
Investments	548,914	3,225,433	3,774,347
Accounts receivable, net	64,345	940,950	1,005,295
Accrued interest receivable	9,758	40,716	50,474
Interfund balances	365,088	(365,088)	-
Due from other governments	443,314	332,918	776,232
Inventory	-	125,859	125,859
Restricted cash and cash equivalents	6,056	300,257	306,313
Note receivable	386,095	-	386,095
Other assets	-	52,463	52,463
Capital assets			
Nondepreciable	1,581,484	503,192	2,084,676
Depreciable, net	2,778,783	9,967,709	12,746,492
Unamortized bond costs	-	3,542	3,542
Total assets	6,201,616	16,169,268	22,370,884
Liabilities			
Accounts payable	259,969	476,611	736,580
Accrued expenses	9,203	16,400	25,603
Accrued interest payable	-	8,928	8,928
Deferred revenue	8,648	-	8,648
Customer deposits	-	153,830	153,830
Long-term liabilities			
Due within one year			
Capital lease	25,969	60,312	86,281
Note payable	41,082	-	41,082
Revenue bonds payable	-	45,000	45,000
Accrued compensated absences	24,138	27,911	52,049
Due in more than one year			
Capital lease	41,427	233,897	275,324
Note payable	345,013	-	345,013
Revenue bonds payable, net	-	1,617,000	1,617,000
Accrued compensated absences	24,389	14,276	38,665
Other post-employment benefit obligation	32,000	-	32,000
Total liabilities	811,838	2,654,165	3,466,003
Net assets			
Invested in capital assets, net of related debt	4,292,870	8,808,901	13,101,771
Restricted for			
Law enforcement	5,986	-	5,986
Debt service	-	90,790	90,790
Unrestricted	1,090,922	4,615,412	5,706,334
Total net assets	\$ 5,389,778	\$ 13,515,103	\$ 18,904,881

See accompanying notes to financial statements.

City of Blountstown
Statement of Activities

For the year ended September 30, 2010

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
Primary government							
Governmental activities							
General government	\$ 389,201	\$ 148,263	\$ -	\$ -	\$ (240,938)	\$ -	\$ (240,938)
Public safety	904,457	2,603	54,450	-	(847,404)	-	(847,404)
Highways and streets	478,839	19,502	80,384	270,313	(108,640)	-	(108,640)
Culture and recreation	46,723	-	-	126,579	79,856	-	79,856
Interest on long-term debt	3,367	-	-	-	(3,367)	-	(3,367)
Total governmental activities	1,822,587	170,368	134,834	396,892	(1,120,493)	-	(1,120,493)
Business-type activities							
Electric	4,888,791	5,316,790	-	-	-	427,999	427,999
Water	468,761	581,002	-	130,891	-	243,132	243,132
Sewer	846,779	722,734	-	801,903	-	677,858	677,858
Natural Gas	559,488	519,040	-	50,000	-	9,552	9,552
Sanitation	345,243	309,976	-	-	-	(35,267)	(35,267)
Cemetery	8,231	3,401	-	-	-	(4,830)	(4,830)
Total business-type activities	7,117,293	7,452,943	-	982,794	-	1,318,444	1,318,444
Total primary government	\$ 8,939,880	\$ 7,623,311	\$ 134,834	\$ 1,379,686	(1,120,493)	1,318,444	197,951
General revenues							
Taxes:							
Franchise and public service taxes					464,793	-	464,793
Property taxes, levied for general purposes					86,345	-	86,345
Local option taxes					75,309	-	75,309
State shared revenues					145,742	-	145,742
Miscellaneous					190,653	85,271	275,924
Total general revenues					962,842	85,271	1,048,113
Interest earnings					11,190	78,630	89,820
Total general revenues and interest					974,032	163,901	1,137,933
Transfers					917,647	(917,647)	-
Total general revenues, interest and transfers					1,891,679	(753,746)	1,137,933
Change in net assets					771,186	564,698	1,335,884
Net assets - beginning					4,618,592	12,950,405	17,568,997
Net assets - ending					\$ 5,389,778	\$ 13,515,103	\$ 18,904,881

See accompanying notes to financial statements.

City of Blountstown
Balance Sheet
Governmental Fund

September 30, 2010

	General
Assets	
Cash and cash equivalents	\$ 17,779
Investments	548,914
Accounts receivable, net	64,345
Interest receivable	9,758
Due from other funds	365,088
Due from other governments	443,314
Restricted cash and cash equivalents	6,056
Total assets	\$ 1,455,254
Liabilities	
Accounts payable	\$ 259,972
Accrued expenses	9,203
Deferred revenues	8,648
Total liabilities	277,823
Fund balances	
Reserved for law enforcement	5,986
Unreserved, reported in general fund	1,171,448
Total fund balances	1,177,434
Total liabilities and fund balances	\$ 1,455,257

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

Total fund balances - governmental funds	\$ 1,177,434
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,360,267
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	386,095
Long-term liabilities, including notes payable and compensated absences, are not due and payable in current period, and therefore, are not reported in the funds.	(534,018)
Net assets of governmental activities	\$ 5,389,778

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, 2010

	General
Revenues	
Property taxes, levied for general purposes	\$ 86,345
Other taxes	540,102
Intergovernmental	145,742
Licenses and permits	8,160
Fines and forfeitures	9,133
Grants and contributions	531,726
Interest	11,190
Other fees and miscellaneous	343,728
Total revenues	1,676,126
Expenditures	
Current	
General government	310,771
Public safety	807,836
Highways and streets	417,613
Culture and recreation	11,820
Capital outlay	
General government	37,760
Public safety	116,476
Highways and streets	353,367
Culture and recreation	119,287
Debt service	
Principal	30,653
Interest and other charges	3,367
Total expenditures	2,208,950
Excess of expenditures over revenues	(532,824)
Other financing sources (uses)	
Transfers in	1,167,185
Transfers out	(249,538)
Debt proceeds	46,032
Debt service repayment - Florida Revolving Funds Program	(39,870)
Loan repayment - Calhoun-Liberty Hospital Association, Inc.	39,870
Net other financing sources (uses)	963,679
Net change in fund balance	430,855
Fund balance - beginning	746,579
Fund balance - ending	\$ 1,177,434

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, 2010

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

Net change in fund balance - total governmental fund	\$ 430,855
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the statement of net assets	626,890
Depreciation expense on governmental capital assets is included in the governmental activities in the statement of activities.	(238,929)
Repayment of long-term debt is reported as an expenditure in governmental funds but as a reduction of long-term liabilities in the statement of net assets.	30,653
The issuance of long-term debt (notes payable) provides current financial resources to governmental funds, while it has no effect on the statement of activities.	(46,032)
Accrued other post-employment benefits do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(32,000)
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	(251)

Change in net assets of governmental activities (page 5)	\$ 771,186
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City of Blountstown
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund

For the year ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Property taxes, levied for general purposes	\$ 89,000	\$ 89,000	\$ 86,345	\$ (2,655)
Other taxes	504,596	504,596	540,102	35,506
Intergovernmental	189,737	189,737	145,742	(43,995)
Licenses and permits	15,000	15,000	8,160	(6,840)
Fines and forfeitures	14,750	14,750	9,133	(5,617)
Grants and contributions	428,813	428,813	531,726	102,913
Interest	20,000	20,000	11,190	(8,810)
Other fees and miscellaneous	260,851	260,851	343,728	82,877
Total revenues	1,522,747	1,522,747	1,676,126	153,379
Expenditures				
Current				
General government	378,068	378,068	310,771	67,297
Public safety	841,753	841,753	807,836	33,917
Highways and streets	371,070	371,070	417,613	(46,543)
Culture and recreation	23,773	23,773	11,820	11,953
Capital outlay	655,765	655,765	626,890	28,875
Debt service				
Principal	35,350	35,350	30,653	4,697
Interest and other charges	4,000	4,000	3,367	633
Total expenditures	2,309,779	2,309,779	2,208,950	100,829
Excess of revenues over (under) expenditures	(787,032)	(787,032)	(532,824)	254,208
Other financing sources (uses)				
Transfers in	1,167,185	1,167,185	1,167,185	-
Transfers out	(249,538)	(249,538)	(249,538)	-
Debt proceeds	-	-	46,032	46,032
Total other financing sources (uses)	917,647	917,647	963,679	46,032
Net change in fund balances	130,615	130,615	430,855	300,240
Fund balances - beginning	746,579	746,579	746,579	-
Fund balances - ending	\$ 877,194	\$ 877,194	\$ 1,177,434	\$ 300,240

See accompanying notes to financial statements.

City of Blountstown
Statement of Net Assets
Proprietary Funds

September 30, 2010

	Business-type Activities / Enterprise Funds				
	Electric	Water	Sewer	Non-major Funds	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 40,405	\$ 145,389	\$ 414,686	\$ 440,837	\$ 1,041,317
Investments	105,976	1,370,492	1,741,214	7,751	3,225,433
Accounts receivable, net	713,340	78,291	81,582	67,737	940,950
Accrued interest receivable	5,374	15,467	19,783	92	40,716
Due from other funds	-	30,475	3,075	22,748	56,298
Due from other governments	15,588	9,525	307,667	138	332,918
Inventory	59,869	18,801	7,006	40,183	125,859
Total current assets	940,552	1,668,440	2,575,013	579,486	5,763,491
Noncurrent assets					
Restricted cash and cash equivalents	119,352	28,866	131,516	20,523	300,257
Other assets	-	-	-	52,463	52,463
Capital assets					
Nondepreciable	-	274,036	214,156	15,000	503,192
Depreciable, net	650,670	1,186,523	7,997,296	133,220	9,967,709
Unamortized debt issuance costs	-	-	3,542	-	3,542
Total noncurrent assets	770,022	1,489,425	8,346,510	221,206	10,827,163
Total assets	1,710,574	3,157,865	10,921,523	800,692	16,590,654
Liabilities					
Current liabilities					
Accounts payable	400,365	12,107	39,313	24,826	476,611
Accrued expenses	6,435	3,192	2,473	4,300	16,400
Due to other funds	386,307	108	33,999	972	421,386
Compensated absences payable	5,255	6,181	6,181	10,294	27,911
Liabilities payable from restricted assets					
Accrued interest payable	-	463	8,465	-	8,928
Capital lease - current	60,312	-	-	-	60,312
Bonds payable - current	-	4,000	41,000	-	45,000
Customer deposits	118,275	15,664	-	19,891	153,830
Total current liabilities	976,949	41,715	131,431	60,283	1,210,378
Noncurrent liabilities					
Accrued compensated absences	2,319	3,704	3,704	4,549	14,276
Capital lease	233,897	-	-	-	233,897
Revenue bonds payable, net	-	33,000	1,584,000	-	1,617,000
Total noncurrent liabilities	236,216	36,704	1,587,704	4,549	1,865,173
Total liabilities	1,213,165	78,419	1,719,135	64,832	3,075,551
Net assets					
Invested in capital assets, net of related debt	650,670	1,423,559	6,586,452	148,220	8,808,901
Restricted for:					
Debt service	-	8,739	82,051	-	90,790
Unrestricted	(153,261)	1,647,148	2,533,885	587,640	4,615,412
Total net assets	\$ 497,409	\$ 3,079,446	\$ 9,202,388	\$ 735,860	\$ 13,515,103

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, 2010

	Business-type Activities / Enterprise Funds				
	Electric	Water	Sewer	Non-major Funds	Total
Operating revenues					
Charges for services	\$ 5,316,790	\$ -	\$ -	\$ 832,416	\$ 6,149,206
Water revenues pledged as security for revenue bonds	-	581,002	-	-	581,002
Sewer revenues pledged as security for revenue bonds	-	-	722,734	-	722,734
Total operating revenues	5,316,790	581,002	722,734	832,416	7,452,942
Operating expenses					
Personal services	347,690	250,289	225,122	257,863	1,080,964
Purchased energy	4,238,556	-	-	338,883	4,577,439
Services and supplies	151,250	66,370	29,338	175,644	422,602
Heat, light and power	16,305	18,305	109,422	1,189	145,221
Insurance	4,403	4,206	12,525	2,615	23,749
Repairs and maintenance	38,129	1,934	3,484	16,355	59,902
Other operating expenses	26,440	59,365	58,931	87,410	232,146
Depreciation	56,537	66,376	332,211	32,953	488,077
Amortization	-	16	268	-	284
Total operating expenses	4,879,310	466,861	771,301	912,912	7,030,384
Net operating income (loss)	437,480	114,141	(48,567)	(80,496)	422,558
Nonoperating revenues (expenses)					
Interest income	10,000	31,813	32,746	4,071	78,630
Miscellaneous revenue	34,189	48,423	1,147	1,463	85,222
Interest expense	(9,481)	(1,900)	(75,478)	-	(86,859)
Net nonoperating revenues (expenses)	34,708	78,336	(41,585)	5,534	76,993
Income before contributions and transfers	472,188	192,477	(90,152)	(74,962)	499,551
Capital contributions	-	130,891	801,903	50,000	982,794
Transfers, net	(919,463)	(138,435)	196,727	(56,476)	(917,647)
Change in net assets	(447,275)	184,933	908,478	(81,438)	564,698
Net assets - beginning	944,684	2,894,513	8,293,910	817,298	12,950,405
Net assets - ending	\$ 497,409	\$ 3,079,446	\$ 9,202,388	\$ 735,860	\$ 13,515,103

See accompanying notes to financial statements.

City of Blountstown
Statement of Cash Flows
Proprietary Funds

For the year ended September 30, 2010

	Business-type Activities / Enterprise Funds				
	Electric	Water	Sewer	Non-major Funds	Total
Operating activities					
Receipts from customers and users	\$ 5,301,045	\$ 566,605	\$ 451,604	\$ 842,617	\$ 7,161,871
Payments to suppliers	(4,290,615)	(217,257)	83,502	(638,119)	(5,062,489)
Payments to employees	(344,862)	(252,309)	(227,011)	(257,679)	(1,081,861)
Other receipts (payments)	-	-	-	921	921
Net cash provided by (used for) operating activities	665,568	97,039	308,095	(52,260)	1,018,442
Noncapital financing activities					
Other receipts (payments)	34,189	48,423	1,147	1,463	85,222
Transfers to/from other funds	(919,463)	(138,435)	196,727	(56,476)	(917,647)
Net cash (used for) provided by noncapital financing activities	(885,274)	(90,012)	197,874	(55,013)	(832,425)
Capital and related financing activities					
Proceeds from debt	327,582	-	-	-	327,582
Capital contributions	-	130,891	801,903	50,000	982,794
Purchase of capital assets	(345,476)	(180,477)	(928,116)	(15,389)	(1,469,458)
Principal paid on debt	(33,373)	(4,000)	(26,000)	-	(63,373)
Interest paid on debt	(9,481)	(1,950)	(75,751)	-	(87,182)
Net cash (used for) provided by capital and related financing activities	(60,748)	(55,536)	(227,964)	34,611	(309,637)
Investing activities					
Change in investment principal	250,000	-	(402,221)	-	(152,221)
Interest received	3,046	5,037	57,780	3,917	69,780
Net cash provided by (used for) investing activities	253,046	5,037	(344,441)	3,917	(82,441)
Net (decrease) in cash and cash equivalents	(27,408)	(43,472)	(66,436)	(68,745)	(206,061)
Cash and cash equivalents - beginning	187,165	217,727	612,638	530,105	1,547,635
Cash and cash equivalents - ending	\$ 159,757	\$ 174,255	\$ 546,202	\$ 461,360	\$ 1,341,574
Classified as					
Current assets - cash and cash equivalents	\$ 40,405	\$ 145,389	\$ 414,686	\$ 440,837	\$ 1,041,317
Restricted assets - cash and cash equivalents	119,352	28,866	131,516	20,523	300,257
	\$ 159,757	\$ 174,255	\$ 546,202	\$ 461,360	\$ 1,341,574

(Continued)

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

For the year ended September 30, 2010

	Business-type Activities / Enterprise Funds				
	Electric	Water	Sewer	Non-major Funds	Total
Reconciliation of net operating income (loss) to net cash provided by operating activities					
Net operating income (loss)	\$ 437,480	\$ 114,141	\$ (48,567)	\$ (80,496)	\$ 422,558
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	56,537	66,392	332,479	32,953	488,361
(Increase) decrease in accounts receivable	(15,257)	(4,077)	16,333	9,227	6,226
(Increase) decrease in inventory	-	-	-	(6,814)	(6,814)
(Increase) decrease in due from other funds	-	(30,475)	330,030	-	299,555
(Increase) decrease in other assets	-	(9,525)	(287,463)	921	(296,067)
Increase (decrease) in accounts payable and accrued expenses	23,193	(25,076)	(68,716)	(9,344)	(79,943)
Increase (decrease) in due to other funds	164,103	(13,546)	33,999	633	185,189
Increase (decrease) in customer deposits	(488)	(795)	-	660	(623)
Net cash provided by (used for) operating activities	\$ 665,568	\$ 97,039	\$ 308,095	\$ (52,260)	\$ 1,018,442

See accompanying notes to financial statements.

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 2010.

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and Cash Equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Short-term investments also include amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pools created by Sections 218.405 and 218.417, Florida Statutes.

Investments

Investments consist of those deposits made locally in commercial banks with a maturity dates greater than three months of the date acquired by the government.

The City follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, in reporting on investments owned. Generally, this statement requires various investments be reported at fair value, including debt securities and open-ended mutual funds.

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 Other Governments

Due from other governments consists of funds earned as of September 30, 2010, but not yet received by the City. These amounts were received in October and November 2010.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

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

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences, *continued*

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, 2010, 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make use of estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from 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.

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.

Subsequent Events

The City has evaluated subsequent events through the date of the auditors' report.

NOTE 3 - CASH AND INVESTMENTS

At September 30, 2010, the carrying amount of the City's cash and cash equivalents and restricted cash was \$5,139,756 and the bank balance was \$5,188,176. 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.

The City invested funds in the Florida State Board of Administration Local Government Surplus Funds Investment Pool. At September 30, 2010, the market value and the carrying value of these funds were \$24,825. The funds are carried as a cash equivalent on the balance sheet at September 30, 2010 (See Note 2 for definition of cash equivalents) and are included in carrying value and bank balance in the first paragraph of this note.

As a Florida PRIME participant, the City invests in a pool of investments whereby the City owns a share of the respective pool, not the underlying securities. The State Board of Administration's interpretation of GASB 31 is that the Florida PRIME is currently considered a Securities and Exchange Commission Rule 2a7-like fund, as of September 30, 2010. These investments are reported at fair value, which is amortized cost.

The State Board of Administration's interpretation in regards to the City's investments in Fund B is that it does not meet the requirement of a SEC 2a-7-like fund; therefore, State Board of Administration is providing a Fair Value factor (i.e. total net asset value of Fund B divided by total participant balances of Fund B) for September 30, 2010. The Fair Value factor for Fund B for September 30, 2010, is .707058094.

As of September 30, 2010, the City had \$14,507 and \$10,318 invested in Florida PRIME and Fund B, respectively. Additional information and investment policies regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration at www.sbafla.com/prime.

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Credit Risk

The credit risk of certain investments, such as investment pools managed by other governments, cannot be categorized as to credit risk because the City investments are not evidenced by specific, identifiable investment securities.

As of September 30, 2010, the City's investment in the Florida PRIME is rated by Standard and Poors and the current rating is AAAM. The Fund B Surplus Funds Trust Fund is not rated by any nationally recognized statistical rating agency.

Interest Rate Risk

The weighted average days to maturity (WAM) of the Florida PRIME at September 30, 2010, is 52 days. Next interest rate reset for floating rate securities are used in the calculation of the WAM. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB 40 is not available. An estimate of weighted average life (WAL) is available. In the calculation of WAL, the time at which an expected principal amount is to be received (measured in years) is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL (based on expected future cash flows) of Fund B at September 30, 2010, is estimated at 7.49 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

Custodial Credit Risk

At September 30, 2010, the City did not hold any deposits or investments that were considered to have custodial risk.

Concentration of Credit Risk

At September 30, 2010, the City did not hold any investments that were considered to have concentration of credit risk.

At September 30, 2010, the City's investments consisted of the following:

	Carrying Amount	Market Value
Certificate of Deposit	\$ 3,774,347	\$ 3,774,347

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 ensure 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.

City of Blountstown, Florida
Notes to Financial Statements

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

NOTE 4 - RECEIVABLES

Receivables at September 30, 2010 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.

	General Fund	Business-type Activities	Totals
Utility charges-billed	\$ -	\$ 630,433	\$ 630,433
Utility charges-unbilled	-	291,212	291,212
Other	64,345	19,305	83,650
Accounts receivable total	\$ 64,345	\$ 940,950	\$ 1,005,295

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. The agreement was amended in March 2009. The revised note is payable in monthly installments of \$4,345 including interest of 3%. At September 30, 2010, the note receivable balance was \$386,095.

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers at September 30, 2010, consisted of the following:

TRANSFERS OUT	General	Sewer	Sanitation	TOTAL
General	\$ -	\$ 196,727	\$ 52,811	\$ 249,538
Electric	919,463	-	-	919,463
Natural Gas	109,287	-	-	109,287
Water	138,435	-	-	138,435
	\$ 1,167,185	\$ 196,727	\$ 52,811	\$ 1,416,723

City of Blountstown, Florida
Notes to Financial Statements

NOTE 5 - INTERFUND TRANSFERS (CONTINUED)

The City's transfers include transfers to (a) other funds based on budgetary requirements and (b) funds that are required by statute or budgetary authority to expend revenues from another fund that by statute or budgetary authority must collect revenues.

Balances due to/from other funds at September 30, 2010 are as follows:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General fund	\$ 365,088	\$ -
Business-type funds		
Electric	-	386,307
Water	30,475	108
Sewer	3,075	33,999
Natural Gas	-	653
Sanitation	15,496	319
Cemetery	7,252	-
Total	\$ 421,386	\$ 421,386

The balances resulted from the time lag between the dates that (a) interfund goods and services are provided or reimbursable expenditures occur, (b) transactions are recorded in the accounting system, and (c) payments between funds are made. Amounts are generally repaid during the next fiscal year.

City of Blountstown, Florida
Notes to Financial Statements

NOTE 6 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 1,124,896	\$ 400	\$ -	\$ 1,125,296
Construction in progress	6,525	449,663	-	456,188
Total capital assets, not being depreciated	1,131,421	450,063	-	1,581,484
Capital assets being depreciated:				
Buildings	600,061	-	-	600,061
Machinery and equipment	3,951,126	176,827	(209,528)	3,918,425
Total capital assets being depreciated	4,551,187	176,827	(209,528)	4,518,486
Less accumulated depreciation for:				
Buildings	199,846	17,595	-	217,441
Machinery and equipment	1,510,456	221,334	(209,528)	1,522,262
Total accumulated depreciation	1,710,302	238,929	(209,528)	1,739,703
Total capital assets being depreciated, net	2,840,885	(62,102)	-	2,778,783
Governmental activities capital assets, net	\$ 3,972,306	\$ 387,961	\$ -	\$ 4,360,267

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

General government	\$ 46,179
Public safety	96,621
Highways and streets	61,226
Culture and recreation	34,903
Total depreciation expense - governmental activities	\$ 238,929

City of Blountstown, Florida
Notes to Financial Statements

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 49,595	\$ -	\$ -	\$ 49,595
Construction in progress	233,177	265,992	45,572	453,597
Total non-depreciable assets	282,772	265,992	45,572	503,192
Capital assets being depreciated:				
Utility systems	14,558,707	845,171	-	15,403,878
Other property, plant and equipment	1,736,003	403,867	51,738	2,088,132
Total capital assets being depreciated	16,294,710	1,249,038	51,738	17,492,010
Less accumulated depreciation for:				
Utility systems	5,926,545	358,241	-	6,284,786
Other property, plant and equipment	1,161,416	129,837	51,738	1,239,515
Total accumulated depreciation	7,087,961	488,078	-	7,524,301
Total capital assets being depreciated, net	9,206,749	760,960	-	9,967,709
Business-type activities capital assets, net	\$ 9,489,521	\$ 1,026,952	\$ 45,572	\$10,470,901

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

Electric fund	\$ 56,538
Water fund	66,376
Sewer fund	332,211
Natural gas fund	22,371
Sanitation fund	10,414
Cemetery fund	168
Total depreciation expense - business-type activities	\$ 488,078

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, 2010, was as follows:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
Governmental activities:					
Compensated absences	\$ 48,276	\$ 251	\$ -	\$ 48,527	\$ 24,138
Capital lease	52,017	46,032	30,653	67,396	25,969
Notes payable	425,965	-	39,870	386,095	41,082
	526,258	46,283	70,523	502,018	91,189
Business-type activities:					
Water and Sewer revenue bonds	1,692,000	-	30,000	1,662,000	45,000
Compensated absences	41,494	693	-	42,187	27,911
Capital lease	-	327,582	33,373	294,209	60,312
	1,733,494	328,275	63,373	1,998,396	133,223
Total	\$ 2,259,752	\$ 374,558	\$ 133,896	\$ 2,500,414	\$ 224,412

Debt service requirements for the governmental activities on long-term debt at September 30, 2010 are as follows:

FISCAL YEAR ENDING SEPTEMBER 30,	GOVERNMENTAL ACTIVITIES			
	CAPITAL LEASE		NOTES PAYABLE	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2011	\$ 25,969	\$ 2,618	\$ 41,082	\$ 11,060
2012	18,788	1,537	42,331	9,812
2013	13,875	729	43,620	8,523
2014	7,056	413	44,945	7,197
2015	1,708	17	45,000	6,000
2016-2019	-	-	169,117	8,857
Total	\$ 67,396	\$ 5,314	\$ 386,095	\$ 51,449

City of Blountstown, Florida
Notes to Financial Statements

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

Notes payable

\$600,000, State of Florida, Office of Tourism, Trade and Development, payable in monthly installments of \$4,345 through 2019, including interest at 3.00%, used as working capital for Calhoun-Liberty Hospital Association, Inc.	\$ 386,095
Total notes payable	386,095

Capital leases

\$26,992, Mears Motor Leasing, payable in monthly installments of \$620 through 2013, interest at 4.90%. Secured by 2009 Chevrolet Tahoe Police Unit.	16,935
\$21,453 Mears Motor Leasing, payable in monthly installments of \$639 through 2012, interest at 4.90%. Secured by 2009 Ford Crown Victoria Police Unit.	8,779
\$21,453, Mears Motor Leasing, payable in monthly installments of \$936 through 2011, interest at 4.90%. Secured by 2009 Ford Crown Victoria Police Unit.	1,958
\$23,016, Mears Motor Leasing, payable in monthly installments of \$432 through 2015, interest at 4.70%. Secured by 2010 Ford Crown Victoria Police Unit.	20,251
\$23,016, Mears Motor Leasing, payable in monthly installments of \$527 through 2014, interest at 4.70%. Secured by 2010 Ford Crown Victoria Police Unit.	19,473
Total capital leases	67,396
Total governmental activities	\$ 453,491

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. The note payable was amended in March 2009. The revised note is payable in monthly installments of \$4,345 including interest of 3%.

City of Blountstown, Florida
Notes to Financial Statements

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

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

Future debt service requirements for the Business-type activities 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
2011	\$ 25,000	\$ 56,205	\$ 2,000	\$ 3,825
2012	26,000	55,080	2,000	3,735
2013	27,000	53,910	2,000	3,645
2014	28,000	52,695	2,000	3,555
2015	30,000	51,435	2,000	3,465
2016-2020	170,000	235,755	11,000	15,975
2021-2025	212,000	193,860	15,000	13,050
2026-2030	264,000	141,840	18,000	9,540
2031-2035	330,000	76,725	22,000	5,130
2036-2037	137,000	8,955	9,000	585
Totals	\$ 1,249,000	\$ 926,460	\$ 85,000	\$ 62,505

Year ending September 30	Series 1979		Series 1984		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
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	4,000	1,450	15,000	12,400	48,000	71,405
2014	5,000	1,250	17,000	11,650	52,000	69,150
2015	5,000	1,000	17,000	10,800	54,000	66,700
2016-2020	15,000	1,500	100,000	40,250	296,000	293,480
2021-2025	-	-	113,000	12,650	340,000	219,560
2026-2030	-	-	-	-	282,000	151,380
2031-2035	-	-	-	-	352,000	81,855
2036-2037	-	-	-	-	146,000	9,540
Totals	\$ 37,000	\$ 8,700	\$ 291,000	\$ 114,750	\$1,662,000	\$ 1,112,415

City of Blountstown, Florida
Notes to Financial Statements

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

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

- (a) Water and Sewer System Revenue Bonds, Series 1998A - \$1,249,000 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.
- (b) Water and Sewer System Revenue Bonds, Series 1998B - \$85,000 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 - \$37,000 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 - \$291,000 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, 2010, are as follows:

	1998A Issue	1998B Issue	1979 Issue	1984 Issue	Total
Sinking fund - principal and interest	\$ 7,192	\$ 514	\$ 3,083	\$ 13,293	\$ 24,082
Reserve account	71,923	5,651	7,192	32,943	117,709
Totals	\$ 79,115	\$ 6,165	\$ 10,275	\$ 46,236	\$ 141,791

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.

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:

	10/01/09-6/30/10	07/01/10-09/30/10
Regular class	9.85%	10.77%
Senior management	13.12%	14.57%
Special risk class	20.92%	23.25%
DROP program participants	10.91%	12.25%

NOTE 9 - EMPLOYEE BENEFITS (CONTINUED)

Contribution rates equal actuarial determined rates. During the years ended September 30, 2010, 2009, and 2008 total payroll for all employees was \$1,491,536, \$1,430,749 and \$1,437,926 respectively. The retirement contributions for all employees covered by FRS for the years ended September 30, 2010, 2009, and 2008 were \$183,011, \$169,894 and \$181,503, respectively. The contributions for the years ending September 30, 2010, 2009, and 2008 represented 12.05%, 11.68% and 12.42%, respectively, of total payroll.

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, 2010, 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.

City of Blountstown, Florida
Notes to Financial Statements

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:

Funds	Purpose	Amount
General fund	Police education	\$ 5,986
Water fund	Debt Service	8,739
Sewer fund	Debt Service	82,051
Total restricted fund equity		\$ 96,776

NOTE 13 - OPERATING LEASE

The City entered into a non-cancellable operating lease for a garbage truck. The lease term commenced on March 30, 2010 and expires on February 29, 2012. The City agrees to pay 24 monthly payments of \$3,392.

NOTE 14 - 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.

The City was awarded a \$217,813 grant from USDA-NCRS for West Sherry Dam Improvements. Awarded bid for the "West Sherry Dam Project" to North Florida Construction, Inc. for \$250,418.

The City was awarded an Energy Conservation Block Grant for upgrades to the electric system in the amount of \$1.2 million.

The City was awarded a \$150,000 LAP Agreement from FDOT for the Design of The Charlie John Street Corridor Sidewalk Project. This is the beginning phase of this project.

The City was awarded a \$300,000 grant from The Executive Office of the Governor Office of Tourism, Trade and Economic Development for the Calhoun County Catalyst Project for Surveys, Conceptual Engineering, Water and Sewer System Master Plans and the Engineering, Design and Permitting of Catalyst Site Development.

The City has contracted with Gulf Power Company under a service agreement dated December 5, 2007. 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 April 30, 2012.

NOTE 15 - MAJOR SUPPLIER

Florida Gas Utilities (FGU) acts as the agent for the City on all natural gas purchases. Purchases totaled \$338,883 for the year ended September 30, 2010. The City has placed a deposit totaling \$52,463 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 \$4,238,556 for the year ended September 30, 2010.

NOTE 16 - RECLASSIFICATION

Certain 2009 amounts have been reclassified to conform with 2010 classifications. Such reclassifications had no effect on reported net income.

NOTE 17 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION

Plan Description – Effective for the fiscal year ending September 30, 2010, the City has implemented Governmental Accounting Standards Board Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions for retiree health insurance.

The City of Blountstown Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan which provides Other Postemployment Benefits (OPEB) to eligible retirees and their eligible dependents. Pursuant to the provisions of Section 112.0801, the Florida Statutes, employees who retire from the City and eligible dependents, may continue to participate in the group health insurance plan. Retirees and their eligible dependents shall be offered the same health insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The Plan does not issue a publicly available financial report.

Eligibility for participation in the Plan is limited to full-time employees of the City. For Special Risk, participants are eligible for normal retirement upon attaining the earlier of 1) ten years of special risk service and age 55 or 2) 25 total years of service and age 52. For all other employees, participants are eligible for normal retirement upon attaining the earlier of 1) six years of service and age 62 or 2) 30 years of service regardless of age.

Benefits Provided – The City provides post-employment healthcare to its retirees. Health benefits are provided through the City's healthcare provider, United Healthcare. The benefit levels are the same as those afforded to active employees. Health benefits include inpatient and outpatient medical services and prescriptions.

City of Blountstown, Florida
Notes to Financial Statements

NOTE 17 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Membership – At September 30, 2010, there were no terminated employees entitled to benefits but not yet receiving them. The membership of the Plan consisted of:

Active employees	40
Retirees and beneficiaries currently receiving benefits	5
Total membership	45
<hr/>	
Participating employers	1

Funding Policy – A qualifying trust or agency fund has not been authorized by the City. The City negotiates the premium rates with United Healthcare. The required contribution is based on pay-as-you-go financing requirements. Retirees and beneficiaries currently receiving benefits are required to contribute 100% of their current premium costs, which for fiscal year 2010 was \$21,910. The chart below shows the cost of the monthly retiree premiums.

	9GJ	9GN	9GO
Coverage	United Healthcare	United Healthcare	United Healthcare
Retiree	\$ 408.50	\$ 379.56	\$ 352.77
Retiree & Spouse	\$ 874.20	\$ 812.26	\$ 754.93
Retiree & Children	\$ 770.10	\$ 715.54	\$ 665.04
Family	\$ 1,298.86	\$ 1,206.84	\$ 1,121.66

Annual OPEB and Net OPEB Obligation – The City’s annual other post employment benefit (OPEB) cost (expenses) is calculated based on the annual required contribution of the employer (the “ARC”) actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a closed period not to exceed 15 years. The following shows the components of the City’s net OPEB obligation:

September 30,	2010
Annual required contribution	\$ 38,000
Interest on prior year net OPEB obligation	-
Adjustments to annual required contribution	-
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Annual OPEB costs	38,000
Estimated employer contribution made	6,000
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Increase (decrease) in net OPEB obligation	32,000
Net OPEB obligation, beginning of year	-
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Estimated net OPEB obligation, end of year	\$ 32,000

City of Blountstown, Florida
Notes to Financial Statements

NOTE 17 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

The City's annual OPEB cost (expense) of \$38,000 was equal to the ARC for the fiscal year, as the transition liability was set at zero as of October 1, 2009. The City has chosen to apply GASB No. 45 requirements prospectively in this transition year. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2010 and the prior two (2) years were as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of OPEB Cost Contributed	Net OPEB Obligation
9/30/08	N/A	N/A	N/A
9/30/09	N/A	N/A	N/A
9/30/10	\$38,000	16%	\$6,000

Funded Status and Funding Progress – As of September 30, 2010, the actuarial accrued liability of \$175,000 was unfunded. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the ARC's of employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements in the government-wide financial statements of City of Blountstown, Florida, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Method and Assumptions – The valuation dated October 1, 2010, for the fiscal date of October 1, 2009 to September 30, 2010, was prepared using generally accepted accrual principles and practices, and relied on unaudited census data and medical claims data reported by the City. Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

City of Blountstown, Florida
Notes to Financial Statements

NOTE 17 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

The initial OPEB actuarial valuation method used for the City was the projected unit credit cost method. This method was used to determine all liabilities, with the liability for each active employee assumed to accrue over his working lifetime based on elapsed time from his date of hire until retirement. Because the OPEB liability is currently unfunded, the actuarial assumption included a 4.0% investment rate of return on investments for the City. The actuarial assumption also includes inflation at 2.75% per annum. Medical and drug cost trend rate is 10.00% for the fiscal year ended September 30, 2010, gradually decreasing to future rate of 6.00% for the fiscal year ended September 30, 2019. The Unfunded Actuarial Accrued Liability (UAAL) is being amortized over 15-year open period.

Post Employment Benefits Plan Schedule of Funding Progress –

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage Of Covered Payroll	
10/01/2010	\$ -	\$175,000	\$ 175,000	0.00%	\$1,297,000	13.5%	(1)

(1) Initial year of Plan disclosure, no prior data available.

Supplementary Information

City of Blountstown
Combining Statement of Net Assets
Nonmajor Proprietary Funds

September 30, 2010

	Business-type Activities / Enterprise Funds			
	Natural Gas	Sanitation	Cemetery	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 157,758	\$ 196,877	\$ 86,202	\$ 440,837
Investments	7,751	-	-	7,751
Accounts receivable, net	30,483	37,254	-	67,737
Accrued interest receivable	92	-	-	92
Due from other funds	-	15,496	7,252	22,748
Due from other governments	138	-	-	138
Inventory	40,183	-	-	40,183
Total current assets	236,405	249,627	93,454	579,486
Noncurrent assets				
Restricted cash and cash equivalents	20,523	-	-	20,523
Other assets	52,463	-	-	52,463
Capital assets				
Nondepreciable	-	-	15,000	15,000
Depreciable, net	84,432	45,593	3,195	133,220
Total noncurrent assets	157,418	45,593	18,195	221,206
Total assets	393,823	295,220	111,649	800,692
Liabilities				
Current liabilities				
Accounts payable	14,296	10,530	-	24,826
Accrued expenses	1,988	2,312	-	4,300
Due to other funds	653	319	-	972
Compensated absences payable	5,572	4,722	-	10,294
Liabilities payable from restricted assets				
Customer deposits	19,891	-	-	19,891
Total current liabilities	42,400	17,883	-	60,283
Noncurrent liabilities				
Accrued compensated absences	2,306	2,243	-	4,549
Total noncurrent liabilities	2,306	2,243	-	4,549
Total liabilities	44,706	20,126	-	64,832
Net assets				
Invested in capital assets, net of related debt	84,432	45,593	18,195	148,220
Unrestricted	264,685	229,501	93,454	587,640
Total net assets	\$ 349,117	\$ 275,094	\$ 111,649	\$ 735,860

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

For the year ended September 30, 2010

	Business-type Activities / Enterprise Funds			
	Natural Gas	Sanitation	Cemetery	Total
Operating revenues				
Charges for services	\$ 519,040	\$ 309,976	\$ 3,400	\$ 832,416
Total operating revenues	519,040	309,976	3,400	832,416
Operating expenses				
Personal services	104,656	153,207	-	257,863
Purchased energy	338,883	-	-	338,883
Services and supplies	65,158	102,422	8,064	175,644
Heat, light and power	1,189	-	-	1,189
Insurance	2,615	-	-	2,615
Repairs and maintenance	1,014	15,341	-	16,355
Other operating expenses	23,553	63,857	-	87,410
Depreciation	22,371	10,414	168	32,953
Total operating expenses	559,439	345,241	8,232	912,912
Net operating income (loss)	(40,399)	(35,265)	(4,832)	(80,496)
Nonoperating revenues (expenses)				
Interest income	1,046	1,104	1,921	4,071
Miscellaneous revenue	1,463	-	-	1,463
Total nonoperating revenues (expenses)	2,509	1,104	1,921	5,534
Income (loss) before contributions and transfers	(37,890)	(34,161)	(2,911)	(74,962)
Capital contributions	50,000	-	-	50,000
Transfers, net	(109,287)	52,811	-	(56,476)
Change in net assets	(97,177)	18,650	(2,911)	(81,438)
Net assets - beginning	446,294	256,444	114,560	817,298
Net assets - ending	\$ 349,117	\$ 275,094	\$ 111,649	\$ 735,860

City of Blountstown
Combining Statement of Cash Flows
Nonmajor Proprietary Funds

For the year ended September 30, 2010

	Business-type Activities / Enterprise Funds			
	Natural Gas	Sanitation	Cemetery	Total
Operating activities				
Receipts from customers and users	\$ 523,187	\$ 316,030	\$ 3,400	\$ 842,617
Payments to suppliers	(439,055)	(183,748)	(15,316)	(638,119)
Payments to employees	(104,169)	(153,510)	-	(257,679)
Other receipts (payments)	921	-	-	921
Net cash (used for) provided by operating activities	(19,116)	(21,228)	(11,916)	(52,260)
Noncapital financing activities				
Miscellaneous revenue and contributions	1,463	-	-	1,463
Transfers from other funds	(109,287)	52,811	-	(56,476)
Net cash (used for) provided by noncapital financing activities	(107,824)	52,811	-	(55,013)
Capital and related financing activities				
Capital contributions	50,000	-	-	50,000
Purchase of capital assets	(6,522)	(5,504)	(3,363)	(15,389)
Net cash provided by (used for) capital and related financing activities	43,478	(5,504)	(3,363)	34,611
Investing activities				
Interest received	892	1,104	1,921	3,917
Net cash provided by investing activities	892	1,104	1,921	3,917
Net (decrease) increase in cash and cash equivalents	(82,570)	27,183	(13,358)	(68,745)
Cash and cash equivalents - beginning	260,851	169,694	99,560	530,105
Cash and cash equivalents - ending	\$ 178,281	\$ 196,877	\$ 86,202	\$ 461,360
Classified as				
Current assets - cash and cash equivalents	\$ 157,758	\$ 196,877	\$ 86,202	\$ 440,837
Restricted assets - cash and cash equivalents	20,523	-	-	20,523
	\$ 178,281	\$ 196,877	\$ 86,202	\$ 461,360

(Continued)

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

For the year ended September 30, 2010

	Business-type Activities / Enterprise Funds			
	Natural Gas	Sanitation	Cemetery	Total
Reconciliation of net operating income (loss) to net cash provided (used) by operating activities				
Net operating income (loss)	\$ (40,399)	\$ (35,265)	\$ (4,832)	\$ (80,496)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	22,371	10,414	168	32,953
(Increase) decrease in accounts receivable	3,173	6,054	-	9,227
(Increase) decrease in inventory	-	438	(7,252)	(6,814)
(Increase) decrease in other assets	921	-	-	921
Increase (decrease) in accounts payable and accrued expenses	(6,156)	(3,188)	-	(9,344)
Increase (decrease) in due to other funds	314	319	-	633
Increase (decrease) in customer deposits	660	-	-	660
Net cash (used for) provided by operating activities	\$ (19,116)	\$ (21,228)	\$ (11,916)	\$ (52,260)

INDEPENDENT AUDITORS' MANAGEMENT LETTER

Honorable Mayor and 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, 2010, and have issued our report thereon dated March 2, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 2, 2011, 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. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address 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 under the heading "Prior Year Findings and Recommendations."
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that City of Blountstown, Florida complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any findings and recommendations that improve financial management. In connection with our audit, we did not have any such recommendations.

Honorable Mayor and City Council
City of Blountstown
Blountstown, Florida

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material, but, more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information is disclosed in the notes to the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Blountstown for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City'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 Mayor and City Council
City of Blountstown
Blountstown, Florida

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

Cam, Riggs & Ingram, L.L.C.

March 2, 2011

**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 Mayor and 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, 2010, which collectively comprise the City of Blountstown, Florida's basic financial statements and have issued our report thereon dated March 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the summary schedule of prior audit findings as items 06-01 and 07-01 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Honorable Mayor and City Council
City of Blountstown
Blountstown, Florida

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.

March 2, 2011

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

Honorable Mayor and City Council
City of Blountstown
Blountstown, Florida

Compliance

We have audited the compliance of the City of Blountstown, Florida with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement*, and the requirements described in the Executive Office of the Governor's *State Projects Compliance Supplement*, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2010. The City's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City of Blountstown, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City of Blountstown, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Blountstown, Florida's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2010.

Honorable Mayor and City Council
City of Blountstown
Blountstown, Florida

Internal Control Over Compliance

The management of the City of Blountstown is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Blountstown's internal control over compliance.

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

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

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

Caru, Riggs & Ingram, L.L.C.

March 2, 2011

City of Blountstown
Schedule of Expenditures of Federal Awards Programs
and State Financial Assistance Projects

For the year ended September 30, 2010

Federal Agency Pass through entity Federal Awards Programs	Contract/ Grant Number	CFDA/ CSFA	Expenditures
U.S. Department of Housing and Urban Development			
Passed through the State of Florida Department of Community Affairs Community Development Block Grant - Infrastructure Improvements	09DB-4N-02-17-02N02	14.228	\$ 624,661
U.S. Department of Agriculture			
Natural Resources Conservation Service	69-4209-10-1738	10.904	217,813
U.S. Department of Justice			
Passed through Florida Department of Law Enforcement Blountstown Police LEBG 2010	2010-ARRD-CALH-2-W8-055	16.803	2,010
Blountstown Police JAGD 2010	2010-JAGD-CALH-2-4Y-046	16.738	1,000
U.S. Department of Transportation			
Pipeline and Hazardous Materials Passed through the Florida Department of Transportation	DTPH56-09-G-PHPT22	20.710	50,000
ARRA - Stimulus Striping Project	ARRA-460-B	20.205	80,384
Charlie Johns Sidewalk Project	428176-1-38-01	20.205	52,500
Total expenditures of Federal Award Programs			1,028,368
State Agency State Financial Assistance Projects			
Florida Office of the Governor			
Office of Tourism, Trade and Economic Development Rural Infrastructure Fund - Calhoun County Industrial Park	OT09-143	31.03	151,740
Florida Department of Environmental Protection			
Florida Recreation Development Assistance Program	A09109	37.017	116,364
Total expenditures of State Financial Assistance Projects			268,104
Total expenditures of Federal Award Programs and State Financial Assistance Projects			\$ 1,296,472

See accompanying notes to this schedule.

City of Blountstown, Florida
Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance
For the year ended September 30, 2010

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance include the federal and state activities of the City of Blountstown and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirement of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

City of Blountstown, Florida
Schedule of Findings and Questioned Costs
For the year ended September 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The Independent Auditors' Report expresses an unqualified opinion on the financial statements of the City of Blountstown.
2. Significant deficiencies disclosed during the audit of the financial statements are reported in the 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*. No instances of material weakness to the financial statements of the City of Blountstown were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of the City of Blountstown were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award program and state projects are reported in the Independent Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Program and State Project.
5. The Independent Auditors' Report on Compliance and Internal Control over Compliance Applicable to Each Major Federal Program and State Project of the City of Blountstown expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs and state projects for the City of Blountstown are reported in this schedule.
7. The programs/projects tested as major programs and projects includes:

Federal Programs	CFDA No.
U.S. Department of Housing and Urban Development	
Florida Department of Community Affairs	
Community Development Block Grant	14.228
8. The threshold for distinguishing Type A and B programs was \$300,000 for major federal programs and major state projects.
9. The City of Blountstown was not determined to be a low-risk auditee.

City of Blountstown, Florida
Schedule of Findings and Questioned Costs
For the year ended September 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

There were no current year audit findings.

See summary schedule of prior year audit findings for findings not resolved in the current year.

C. FINDINGS - MAJOR FEDERAL PROGRAMS AND STATE PROJECTS

There were no current year audit findings.

City of Blountstown, Florida
Summary Schedule of Prior Audit Findings
For the year ended September 30, 2010

PRIOR-YEAR AUDIT FINDINGS AND QUESTIONED COSTS

MAJOR FEDERAL PROGRAMS AND STATE PROJECTS

There were no prior year audit findings.

FINANCIAL STATEMENTS

CLASSIFICATION OF REVENUE AND EXPENSES 09-01 - RESOLVED

COMMENT: It was noted that revenues and related expenses were sometimes netted into one account. According to generally accepted accounting principles (GAAP), revenues and expenses are to be recorded in their entirety.

RECOMMENDATION: We recommend that all revenues and expenses be recorded in their entirety.

STATUS: This item has been corrected.

ACCOUNTS RECEIVABLE 08-03- RESOLVED

COMMENT: We noted some governmental revenues were not properly accounted for at year end. We also noted a year end entry to record utility accounts receivable was posted improperly thereby understating revenues. Failure to properly accrue all earned revenue results in the financial statements being understated.

RECOMMENDATION: We recommend all revenue to be properly accrued at year end. We also recommend management review monthly financial statements and reconcile all applicable accounts accordingly.

STATUS: This item has been corrected.

UTILITY BILLING 08-05- RESOLVED

COMMENT: During review of the utility billing process, we noted some errors relating to customer bills. Some of the errors were result of incorrect reading and machinery malfunction. We also noted some were related to the multiplier for certain commercial clients. Management has reviewed the errors and has taken corrective action to limit reoccurrence.

RECOMMENDATION: We recommend management ascertain internal control procedures are adequate to prevent billing errors.

STATUS: This item has been corrected.

City of Blountstown, Florida
Summary Schedule of Prior Audit Findings
For the year ended September 30, 2010

PRIOR-YEAR AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)

FINANCIAL STATEMENTS (CONTINUED)

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 procedure, 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.

DEFICIENCY OVER FINANCIAL REPORTING, FINDING 07-01 - NOT RESOLVED

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).

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.

STATUS: This matter continues to exist.



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, 2010.

FINDINGS – FINANCIAL STATEMENTS – INTERNAL CONTROL

Prior Year Audit Finding : Need for Segregation of Duties

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

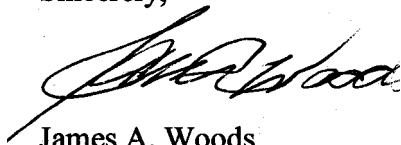
Prior Year Audit Finding: Deficiency Over Financial Reporting

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, ensure accuracy 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, we 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