

PUTNAM COUNTY FLORIDA



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2011

Introductory Section



STATE OF FLORIDA

COUNTY OF PUTNAM COUNTY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2011

Prepared by:

**Finance and Accounting Department
Of the Clerk of the Circuit Court**

**John H. Jones, CPA, CIA
Director of Finance**



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COUNTY OFFICIALS

BOARD OF COUNTY COMMISSIONERS

NANCY S. HARRIS

CHIP LAIBL

KENNY EUBANKS

ED TAYLOR

BRAD PURCELL

DISTRICT No. 1

DISTRICT No. 2

DISTRICT No. 3

DISTRICT No. 4

DISTRICT No. 5

CLERK OF COURTS

Tim Smith

SHERIFF

JEFF HARDY

PROPERTY APPRAISER

TIM PARKER, CFA

TAX COLLECTOR

KENNETH R. MAHAFFEY, CFC

SUPERVISOR OF ELECTIONS

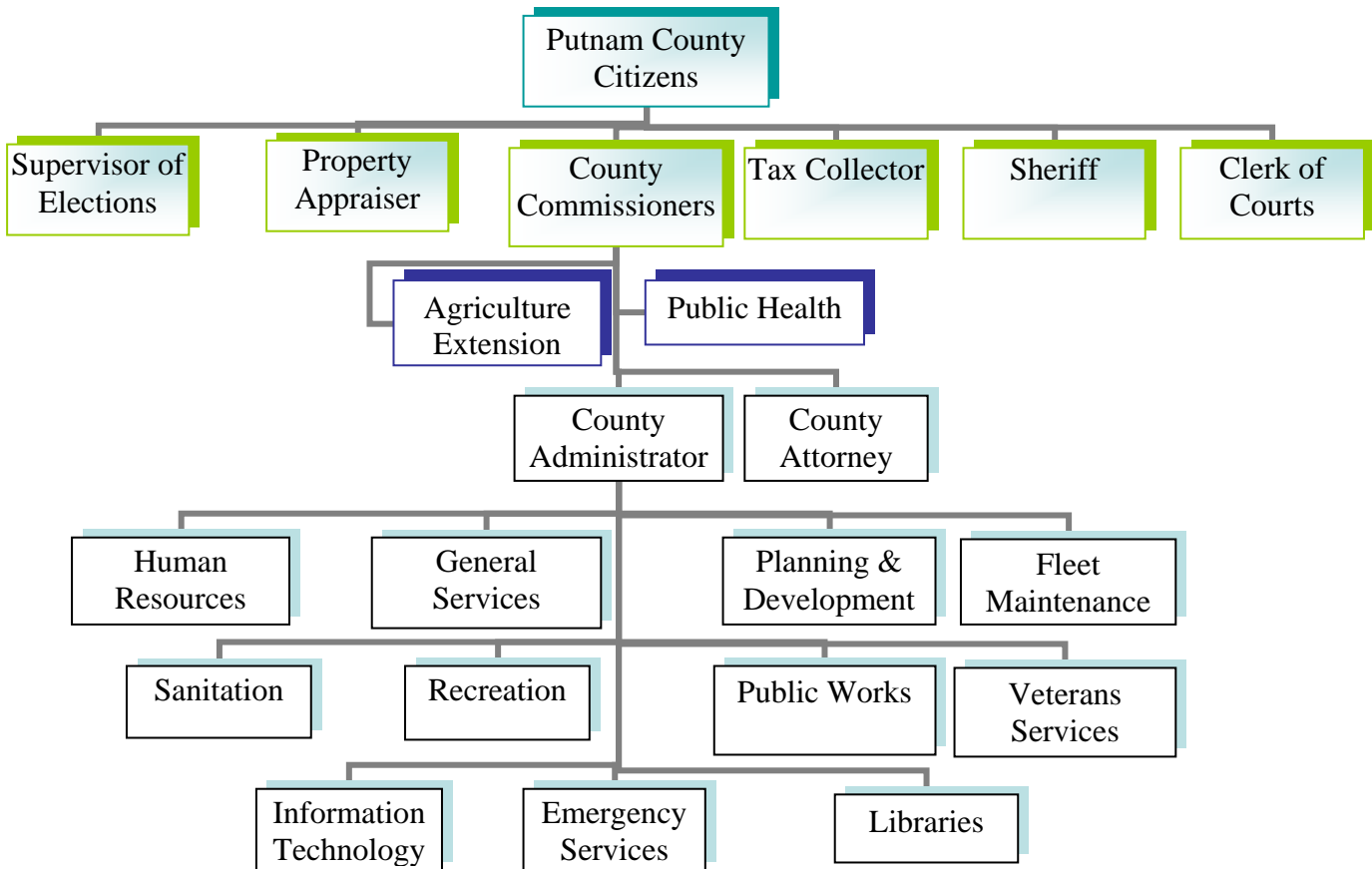
SUSAN C. MCCOOL

COUNTY ADMINISTRATOR

R. G. LEARY

DIRECTOR OF FINANCE

JOHN H. JONES, CPA, CIA



| | Fiscal Year 2009-2010 | Fiscal Year 2010-2011 | | Fiscal Year 2009-2010 | Fiscal Year 2010-2011 |
|-------------------------|--------------------------|--------------------------|--------------------|--------------------------|--------------------------|
| Supervisor of Elections | 6 | 6 | Recreation | 12 | 12 |
| Property Appraiser | 25 | 25 | General Services | 11 | 11 |
| County Commissioners | 5 | 5 | Fleet Maintenance | 8 | 8 |
| Tax Collector | 30 | 30 | Public Works | 84 | 84 |
| Sheriff | 236 | 242 | Libraries | 21 | 21 |
| Clerk of Courts | 67 | 69 | Human Resources | 5 | 5 |
| Agriculture Extension | 8 | 7 | Emergency Services | 86 | 84 |
| County Administrator | 6 | 6 | Sanitation | 21 | 21 |
| County Attorney | 2 | 2 | Planning/Develop | 33 | 31 |
| Information Technology | 18 | 18 | Veterans Services | 2 | 2 |

Agriculture Extension & Public Health funded in whole or in part by the County but administered by other agencies.

Authorized Full time Equivalent (FTE) employees at the end of the Fiscal Year

| | |
|---------------------|-----|
| 2010-2011 Total FTE | 686 |
| 2011-2012 Total FTE | 689 |

Source: Putnam County Florida Budget

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Putnam County
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

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PUTNAM COUNTY, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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PUTNAM COUNTY GENERAL INFORMATION Inside Back Cover

Letter of Transmittal





Office of
Clerk of Court
Tim Smith

February 27, 2012

The Honorable Kenny Eubanks
Chairman, Board of County Commissioners
P. O. Box 758
Palatka, FL 32178-0758

Dear Mr. Eubanks:

In accordance with Section 218.39 of the Florida Statutes, we are pleased to submit to you, the Board of County Commissioners and the Citizens of Putnam County, the Comprehensive Annual Financial Report (CAFR) of Putnam County, Florida, for the fiscal year ended September 30, 2011.

This report was prepared by the Finance Department of the Clerk of the Circuit Court. Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the Clerk of the Circuit Court as Chief Financial Officer of Putnam County. We believe the data contained in this report is accurate in all material respects and is shown in a manner that fairly presents the financial position of the County at September 30, 2011, and the results of its operations and its cash flows for the year then ended.

County management is responsible for establishing and maintaining internal controls to provide reasonable, but not absolute, assurance that the County's assets are safeguarded against loss from unauthorized use or disposition. Additionally, the Clerk of the Circuit Court, through the Finance Department, is responsible for providing reasonable assurance that financial records are reliable for preparing financial statements and that proper accountability for assets is maintained. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires judgments by management. All internal control evaluations occur within this framework. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The independent accounting firm of Carr, Riggs & Ingram, LLC, whose report is herein included, audited the County's Financial Statements. The goal of the audit was to provide reasonable assurance that the financial statements of the County are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by Management, and evaluating the overall financial statement presentation. Based upon their independent audit, Carr, Riggs & Ingram, LLC concluded that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements are fairly presented in conformity with accounting principles generally accepted in the United States of America for the fiscal year ended September 30, 2011.

Putnam County • P.O. Box 758 • Palatka, FL 32178-0758

Additionally, the audit was also designed to meet the requirements of Generally Accepted Government Auditing Standards, the Federal Single Audit Act of 1984, the Single Audit Act Amendments of 1996, related OMB Circular A-133, the Florida Single Audit Act, and the Rules of the Auditor General, Chapter 10.550. The standards require the auditor to report on the County's internal controls and legal compliance requirements as they specifically relate to state and federal awards. These reports are presented in the Compliance section of this report.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with that document. Putnam County's MD&A can be found immediately following the report of the independent auditors.

GOVERNMENT PROFILE

Putnam County was founded in January 1849. The county seat, Palatka, was established in January 1853. The County encompasses approximately 827 square miles and is located in the Northeast region of the State of Florida between Gainesville to the west and Jacksonville to the northeast. On the St. Johns River, Palatka was a major water transportation and commerce center until a fire in 1884 destroyed the majority of the downtown/riverfront area. Today, the river is primarily used for recreational boating and fishing, as are the numerous large and small lakes located throughout the County.

The Board of County Commissioners of Putnam County (the Board) operates under a non-charter form of government under the authority provided in Article III of the Constitution of the State of Florida, which empowers the creation of counties as political subdivisions of the State. Under the Constitution of the State of Florida, the offices of Clerk of Circuit Court, Property Appraiser, Sheriff, Tax Collector and Supervisor of Elections are specifically authorized and empowered to provide their functional services independently of the Board. All elected officials serve four-year terms and those currently in office are identified at the front of this CAFR.

The Board is composed of five members, one from each district within the County. However, each commissioner is elected Countywide. The Commissioners appoint a County Administrator whose duties include the administration of directives and policies of the Board and who has the responsibility for the operation of all business centers and the provision of services under the purview of the Board.

The County is financially accountable for an organization when the County appoints a voting majority of the organization's governing body and is able to impose its will on the organization; or there is a potential for the organization to provide a financial benefit or impose a financial burden on the County; or the organization is fiscally dependent on the County. The Putnam County Development Authority is included as a component unit in the County's reporting entity because the Authority has been deemed to be fiscally dependent on the County. However, the County has determined that the Putnam County Fair Association and the Putnam County School District do not meet the criteria for inclusion in the reporting entity.

Annual budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. Prior to June 1, elected constitutional officers, with the exception of the Tax Collector, submit tentative budget requests for the operation of their offices to the Board. Prior to July 15, the County Administrator/Budget Officer and the other members of the Budget Review Committee review these requests and those of the County's various departments for expenditures for the next fiscal year. All previous expenditures, accomplishments and objectives are

reviewed. In particular, additional personnel, vehicles, computer equipment and software, and capital outlay appropriation requests are scrutinized. By July 15 the proposed budget is submitted to the Board. The final adoption of the budget by resolution occurs in September after two advertised public hearings are held to obtain taxpayer input. All budget appropriations lapse at year end and are not rolled forward into the next fiscal year unless they are included as expenditures in the next year's budget.

Florida Statutes provide that it is unlawful to make expenditures that exceed the total amount budgeted for each fund. Therefore, the fund level is the legal level of control for budget considerations. The County Administrator/Budget Officer and the Department managers can transfer appropriations within the budget, but cannot change the total appropriation of an individual fund without the approval of the Board.

ECONOMIC CONDITION AND OUTLOOK

Putnam County is a rural county with a population of about 75,000, of which approximately 80% is located within the unincorporated areas of the County. Historically, the County has experienced relatively slow growth and that trend is expected to continue for the foreseeable future.

Despite slow growth in financial resources, County management has worked hard to manage the increasing demands on services and infrastructure. Critical review and prioritization of proposed projects has allowed the county to support a reasonable amount of growth, and begin to develop the means to expand commercial development. A one-cent voter approved surtax has provided in excess of \$40 million for infrastructure improvements since January 2003. The improvements are helping to promote economic development and an overall improvement in quality of life for the citizens of Putnam County.

The County's unemployment rate of 11.6% for September 2011 is a full percentage points above the State's rate of 10.6%, but is much lower than the 14.0% rate for September 2010, a decrease of over 17%. This is indicative of the recent economic uptick.

The outlook for future economic growth in the County has moderated from previous years. Some of the factors affecting future growth are as follows:

1. Seminole Electric, the County's largest taxpayer, had previously planned to expand its operations by adding a third generating unit. Construction was scheduled to begin in September 2008 with commercial operations scheduled to begin in May 2012, but unexpected issues have caused the project to be cancelled. While significantly increasing the County's tax base, the \$1.2 billion project would have provided an estimated 1,500 skilled construction jobs during the four year construction period. An additional 50 employees would have been added to Seminole's work force had the unit gone into service.
2. Wal-Mart previously announced plans to construct a large distribution center in the southern end of the County. The proposed 850,000 square foot facility was projected to employ approximately 600 people when completed. The plans are currently on hold.
3. The completion of the four lane Highway 207 from East Palatka to St. Augustine along with the four laning of Highway 20 between Palatka and Gainesville have greatly enhanced access to the County and dramatically improved coastal evacuation routes.

4. Recent statewide property tax reform will reduce the amount of ad-valorem tax revenue between \$3 to \$5 million annually. At a minimum, the reduction in revenue will result in some projects or capital expenditures being delayed. Additionally, some cuts in non-vital services may become necessary.

MAJOR INITIATIVES

Property tax reform in 2007 and the subsequent passage of Amendment 1 resulted in changing the landscape of annual revenue forecasting which continues to create a difficult situation for the county in being able to move forward on critical infrastructure projects and those which would improve quality of life. This makes it even more important that the County broaden its tax base through economic development and the creation of jobs, but efforts to do so have been hampered by the continued economic slowdown affecting the rest of Florida and the county. The Business Park on St. John's Avenue should be a major attraction to companies and businesses considering relocation. Previously, the County, in partnership with a private developer, constructed a 52,000 square foot industrial shell building in the Park. This building remains available, and it is hoped that this will aid in attracting a prospect that has an interest in a facility which can be readily completed to expedite start-up in a new location. Some prospects have demonstrated interest in the building but none have followed through with a project to date. Successful marketing of this structure may lead to the construction of another building or the extension of infrastructure within the Park. The County has changed its future land use map to designate several properties for large scale industrial use in order to provide some diversity in potential locations for businesses which may have an interest in Putnam County.

Improving roads through resurfacing, widening and turning "dirt to pavement" will continue to be a major priority for the County both now and in the future. The evaluation of alternative asphalt mixes has aided in stretching available dollars to maximize the number of miles that can be improved. While the one cent infrastructure surtax, approved in a referendum in September 2002, provides the primary source of revenue for these road projects, the County continues to pursue grant funds from both the State and Federal governments. Additionally, the Board of Commissioners adopted ordinances in May 2009 to increase gasoline taxes resulting in more revenue available for transportation infrastructure. Proceeds from these increased taxes began to be received in January 2010. Federal and state funds in excess of \$3.75 million were earmarked for 309C construction which is expected to be completed early in the coming fiscal year. Road projects undertaken using the surtax dollars had been limited during the previous year due to accelerated spending to accomplish multiple projects in the past and the need to repay principal and interest of Board-authorized borrowing against the expected surtax proceeds; however, several roads were identified for improvement in the form of resurfacing during the year and the accumulated surtax dollars and gasoline tax proceeds were allocated for those projects totaling approximately \$2 million.

The County administered grant funds in excess of \$1 million from the Florida Division of Emergency Management for a project to retrofit the Middleton-Burney School as a certified Red Cross shelter to be used when local emergencies are declared to exist. This work began at the end of the school year and was completed over the summer before the students returned to school. This provides the citizens of the southern part of the county a safe haven in the event of the declaration of a local emergency.

Applications for funding through the Florida Communities Trust program for acquisition of land in the Georgetown and Nine Mile Swamp areas had received approval during the previous year. The County finalized acquisition of these future Parks and Recreation properties during the year. Matching funds that were required to be paid from local funds for Georgetown came from the one cent surtax, and the matching funds for the Nine Mile Swamp property were donated by the seller. The twenty-eight acre

Georgetown property will ultimately be developed as a passive recreation area and boat ramp, and the approximately 1,200 acre Nine Mile Swamp property will be a nature preserve.

The County completed construction of a new class I area at the landfill for the disposal of household solid waste. The construction of this cell was awarded in July 2009, and the new cell was activated in October of this fiscal year. Life expectancy of the new cell is approximately five years. During the coming fiscal year, a Master Plan for the central landfill will be developed, and one of the options to be considered will be the mining of closed cells.

The existing jail facility continues to be a situation that must be addressed in the future. A needs assessment presented in March 2011 indicated that a 224 bed expansion, renovation of existing cells and improved and expanded ancillary services is desirable. Approximately \$15 million may be required if all aspects of a proposed project are pursued. The anticipated increased operational costs have slowed progress on this project during a time when limited resources make it difficult to consider undertaking a project of this magnitude. The County will be evaluating possible alternative construction options, i.e., pre-cast concrete, prefabricated steel cells, etc. One option that has emerged for consideration is the construction of two (2) 224 bed pods, a medical/program facility and an expansion of the kitchen storage/freezer area. Potential cost is \$16-\$19 million and funding options are being explored, but this would allow for the deactivation of the existing cells and reduce the projected operating cost increases.

A consultant previously conducted a needs assessment of the court functions and judicial offices. An increasing number of court cases requiring the assignment of additional court personnel have created overcrowded conditions in the courthouse and in offices that support the judicial process. A Task Force recommended that the County consider a new, stand-alone structure to address the space requirements and enhance security for the judiciary and support functions. To this end, a fifty-six acre parcel of property adjacent to the existing jail was acquired in January 2006. Regrettably, progress on this project has been brought to a halt by limited resources with the cancellation of the Seminole Electric expansion project being the most significant factor. However, the relocation of some county offices in August 2008 has resulted in some vacated space in a building adjacent to the courthouse that will be used as relief for court-related functions and may obviate the need for immediate action on a future judicial center. During the previous year an architect completed design of a criminal courtroom to be housed in the former Planning and Development facility. A bid to perform this work for \$596,000 was awarded in September 2010, and the contractor is expected to complete construction in the latter part of the fiscal year. Because of a realignment of responsibilities among judges assigned to Putnam County, most of the criminal court proceedings will occur in this new facility, and it is expected to be in use by January 2012.

The need for a centralized wastewater treatment system in the East Putnam area is essential to abating pollution of the river, reducing contamination of water supply wells and serving as a means to stimulate economic development. The County negotiated with the Florida Department of Corrections to partner in utilizing parts of its facilities as a segue to a Regional County Wastewater System in that area. Leases and agreements for services have been executed, and a consulting engineering firm for the design, permitting and bidding of a wastewater system has been approved and is moving forward in earnest. Bids on the proposed \$12 million first phase of the system may be solicited before the end of the next fiscal year.

In October 2006 the county implemented impact fees on new construction to generate revenue to offset the capital costs of providing infrastructure for essential county services that are impacted by growth. Ordinances were prepared to implement impact fees for schools, fire, transportation, EMS and parks and recreation and collection of the fees began in April 2007. In February 2009 the County

adopted a one year moratorium on impact fees as one means to help stimulate the local economy. In February 2010 the Board of Commissioners extended the moratorium for an additional twelve months, and in February 2011 the Board extended the moratorium for twenty-four months.

The County was successful in obtaining CDBG-Disaster Recovery grant funds of approximately \$1.2 million to assist in repairing infrastructure that was damaged during the storms of 2008. The funding will be used to repair and upgrade the Paradise Point wastewater system and the Port Buena Vista water/wastewater systems. It is anticipated that bids will be awarded early in the next fiscal year. The County was also successful in securing a job-creating CDBG-Economic Development grant for \$750,000 to expand infrastructure to serve one new business and one expanding business. Work to be covered by this grant was awarded in July of the fiscal year and the grant will be closed out in December 2012.

In the coming year the county will continue to oversee the construction of a portion of a bike trail along US17. This will be one component of a network of bike trails to make Putnam County the Trail Hub of Northeast Florida. In May 2010 the county designated 185 miles of paddling trails in the County and declared the County as the Paddling Hub of the St. Johns River and Northeast Florida. These efforts to promote eco-tourism are part of the county's overall plan to enhance economic development and business.

Through the efforts of the county's emergency management personnel the county will enter into a lease-purchase agreement early in the next fiscal year for the acquisition of 200 new air packs for volunteer fire department personnel. Those that are currently in use are over ten years old and were obtained as surplus equipment from the City of Jacksonville. This will be a significant upgrade to protective life safety equipment for those volunteers who provide fire protection. Replacing and upgrading fire apparatus on a rotating basis among the eighteen volunteer fire departments continues to be a priority for the county.

The county was awarded a housing assistance grant for \$1.03 million under the Neighborhood Stabilization Program. These funds will be used to acquire properties in foreclosure, renovate them and put them into a rental program for qualified individuals. The county will partner with the Palatka Housing Authority to oversee and administer these rental units in the coming fiscal year. The county also expects to implement another \$750,000 CDBG-Housing Rehabilitation grant during the coming fiscal year.

Notification had been provided to the county during the year that it would be awarded \$1.3 million in grant funds to upgrade the ferry landings at Drayton Island and Ft. Gates. These ferries provide access from the mainland to Drayton Island and across the St. Johns River, respectively. The grant dollars, matched with local surtax funds, would be used for improving the landings, upgrading the barges and perhaps, acquiring a new push boat. These projects will be initiated in the next fiscal year.

FINANCIAL POLICIES

General Fund Balance: During FY2011 the General Fund's financial position strengthened despite recent economic conditions. In recent years, County Management focused on maintaining or increasing unassigned fund balance by implementing reductions in personnel through attrition, scrutinizing operating expenditures and postponing some capital expenditures. Since the economic downturn of 2008, the County has been able to increase the General Fund's unassigned fund balance by approximately \$4.7 million or 54.4% to \$13.4 million as a result of these efforts. Unassigned fund balance easily exceeds GFOA recommended levels.

Cash Management: In accordance with Section 218.415, Florida Statutes, the County adopted an investment policy, which guides the investment of County surplus funds. This policy establishes investment objectives, maturity and liquidity requirements, portfolio composition, risk and diversification requirements and authorized investments. This policy allows the County to achieve market rates of return using safety, liquidity and yield, in that order of priority, as its three main objectives. While rates of return were low, this policy helped assure that the County did not sustain any losses in the recent market downturn.

LONG-TERM FINANCING PLANNING

The County's long-term Capital Improvement Plan serves as the starting point in the determination of the need for future financing, however, the decision to issue debt is made on a case by case basis after careful evaluation of all relevant factors. Some of the factors that are considered include the following:

- Current constraints under existing debt covenants
- The County's current financial condition
- Current market conditions, including current interest rates
- The type, availability and stability of revenues pledged for debt repayment
- Evaluation between the availability of internal and external funding sources

The County's responsiveness to emerging economic challenges and its careful long-range planning have been key factors in Putnam County's fiscal health. Fiscal conservatism, a streamlined budget, and operating efficiencies have resulted in a solid financial position for the County at the close of FY 2011.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Comprehensive Annual Financial Report for the year ended September 30, 2010. This was the 27th consecutive year the County has received this prestigious award.

In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the requirements of the Certificate of Achievement Program. This report will be submitted to the GFOA to determine its eligibility for another certificate.

Additionally, the County has received the GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for the last seven years.

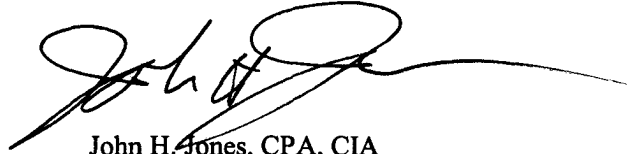
Acknowledgments: A Comprehensive Annual Financial Report of this nature could not have been prepared without the dedicated efforts of the Finance Department staff of the Office of Clerk of Courts. Each member of the department has our sincere appreciation for the contributions made in the presentation of this report. We thank the Board of County Commissioners and the Constitutional Officers for their leadership and support in planning the financial operations of the County in a responsible and progressive manner. We would also like to recognize and thank the members of Carr,

Riggs & Ingram, LLC, our independent auditors; Mr. Scott Fleming, Assistant Director of Finance; Ms. Linda Vining, Staff Accountant and Ms. Laura Rich, Administrative Assistant; for their valuable assistance and contributions toward this effort.

Respectfully submitted,



Tim Smith
Clerk of the Circuit Court



John H. Jones, CPA, CIA
Director of Finance

Financial Section



Independent Auditors' Report

Board of County Commissioners
Putnam County, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Putnam County, Florida (the "County"), as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

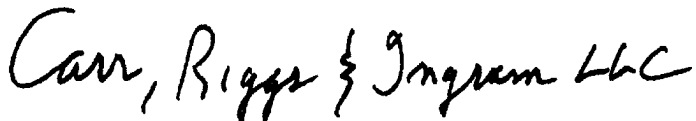
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the County as of September 30, 2011, and the respective changes in financial position and cash flows where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2012 on our consideration of the County'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.

As discussed in Note 20 to the financial statements, the County restated its beginning net position. Our previously-issued auditors' report (dated February 14, 2011) is replaced by this report on the restated financial statements.

Management's discussion and analysis and the required supplementary information listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The information listed in the table of contents as "supplemental information", including the Schedule of Expenditures of Federal Awards and State Financial Assistance, which is required by the 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, is presented for purposes of additional analysis and is 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. The introductory section and the information provided in the statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



February 27, 2012
Palatka, Florida

Management's Discussion & Analysis



PUTNAM COUNTY, FLORIDA
Management's Discussion and Analysis
September 30, 2011

The County's discussion and analysis is designed to provide an objective and easy to read analysis of the County's financial activities for the fiscal year ended September 30, 2011. It is intended to provide a broad overview using a short-term and long-term analysis of the County's activities based on information in the financial report and fiscal policies that have been adopted by the Board of County Commissioners. Please read it in conjunction with the Letter of Transmittal and the County's financial statements. *All amounts, unless otherwise indicated, are expressed in thousands of dollars.*

Financial Highlights

Government-wide Statements

... Putnam County's assets and deferred outflows of resources exceeded its liabilities at September 30, 2011 by \$157,814 (*net position*). Of this amount, \$16,630 may be used to meet the government's ongoing obligations to citizens and creditors.

... Total net position is comprised of the following:

- 1) Capital assets, net of related debt, of \$122,018, include property, equipment, intangibles and infrastructure, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of those capital assets.
- 2) Net position of \$19,166 is restricted by constraints imposed from outside of the County such as debt covenants, grantors, laws, or regulations.
- 3) \$17,978 of governmental net position less a deficit of \$1,348 of business-type net position represents the portion available to maintain the County's continuing obligations to citizens and creditors.

... The County's total net position increased \$10,444 over the previous year with an increase of \$10,390 resulting from governmental activities and an increase of \$54 resulting from business activities.

Fund Statements

... At September 30, 2011, the County's governmental funds reported combined ending fund balances of \$35,957, an increase of \$3,284 in comparison with the prior fiscal year.

... At September 30, 2011, unassigned fund balance for the General Fund (a major fund) was \$13,426 or 27.0% of General Fund operating revenue. This is within the Government Finance Officers Association's Recommended Practices guidelines for fund balance levels. The General Fund Cash and Equivalent balance at year end was \$14,072.

... Governmental Fund revenues increased \$4,557 or 6.5% from the prior year. All categories of revenue decreased from the previous year except Intergovernmental Revenue which increased by \$8,561. Tax revenue decreased by \$1,430. Other decreases were as follows: Licenses and Permits, \$45; Charges for Services, \$1,849; Fines and Forfeitures, \$374; and Miscellaneous Revenue, \$306.

... The County's outstanding governmental long-term obligations decreased by \$708. The change was due to the following: issuance of a capital lease in the amount of \$1,178 for

- ... sheriff's vehicles and computer software; payment of outstanding principal in the amount of \$2,122; an increase in OPEB liability of \$321; and a decrease of accrued compensated absences in the amount of \$85.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Putnam County's Comprehensive Annual Financial Report (CAFR). The CAFR contains the Basic Financial Statements which include three components: Government-wide Financial Statements, Fund Financial Statements and Notes to the Financial Statements. The report also contains the Statistical Section, Compliance Section and Other Supplementary Information.

Government-wide Financial Statements

The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. These statements include a *Statement of Net Position* and a *Statement of Activities*.

- ... The *Statement of Net Position* presents information on all of the County's assets, deferred outflows of resources and liabilities, with the difference between sum of assets and deferred outflows of resources minus liabilities reported as net position. Changes in net position over time may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.
- ... The *Statement of Activities* presents information showing how the government's net position changed during the fiscal year. Changes in net position are reported as soon as the underlying economic transactions occur, regardless of when cash is received or paid. Therefore, some of the revenues or expenses reported in the Statement of Activities will have cash flows in future fiscal periods. For example, certain sales taxes are shown as revenues although cash receipts will occur early in the following fiscal year; an increase in unused vacation leave is recorded as an expense although related cash outflows will occur in the future. Furthermore, this statement demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Please refer to the Notes to the Financial Statements for further elaboration regarding direct expenses and program versus general revenues.

The *Government-wide Financial Statements* show a distinction between activities that are supported primarily by taxes and intergovernmental revenues (i.e., governmental activities) and activities that attempt to recover all or most of their costs through user fees and charges (i.e., business-type activities). The governmental activities of the County include general government, public safety, physical environment, transportation, economic environment, human services, court related activities, and culture and recreation. Business-type activities of the County are the Water and Wastewater Utility System, Port Authority and the Waste Management System.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with legal, legislative, contractual, and other finance-related provisions. The fund statements focus on the *major* funds of the County (i.e., the most significant funds, either quantitatively or qualitatively). All of the County's funds may be divided into three categories: *governmental*, *proprietary* and *fiduciary* funds.

Governmental funds

Governmental funds are used to account for essentially the same functions that are reported as *governmental activities* in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Reconciliations of the differences between the Government-wide and the Fund Financial Statements are provided immediately after the *Balance Sheet-Governmental Funds* and the *Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds*, respectively, in the *Basic Financial Statements*.

Governmental funds presented individually in the County's statements include three major funds: the General Fund, the East Putnam Grant Fund, and the Better Place Plan Fund. Although there are numerous smaller governmental funds in the County, they have been presented in a total column labeled as *Other Governmental Funds*. Budget and actual comparison statements are also presented as *Required Supplementary Information* (RSI) for the General Fund and for each major special revenue fund with an annually adopted budget. Combining statements for the County's non-major funds and budget and actual comparison schedules for any non-major funds with annually appropriated budgets are presented in the *Supplemental Information* section of this report.

Proprietary funds

The *Proprietary Fund Financial Statements* may be found in the *Basic Financial Statements*. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report in greater detail the same functions presented as business-type activities in the Government-wide Financial Statements. The County uses enterprise funds to account for its Water and Wastewater Utility System, Port Authority and its Waste Management System. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its Fleet Maintenance, Group Insurance Reserve and Risk Management Funds. These programs are included within governmental activities in the Government-wide Financial Statements because they predominantly benefit governmental rather than business-type functions. The internal service funds are combined into a single presentation in the Proprietary Fund Financial Statements. Individual fund data for the internal service funds are provided in the *Supplemental Information* section of the report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. *Agency funds* are the only type of fiduciary fund used by the County. The amounts in these fiduciary funds are not included in the Government-wide Financial Statements because the resources of these funds are not available to support the County's own programs. However, the *Statement of Fiduciary Net Position-Fiduciary Funds* in the *Basic Financial Statements* is

provided for information on the fiduciary funds. In addition, the individual agency funds are presented in the *Supplemental Information* section of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements.

Other Information

Combining and individual statements and schedules referred to earlier, which present more detailed views of nonmajor funds, as well as individual fund budget and actual comparison schedules for the nonmajor funds, are found in the *Supplemental Information* section of the CAFR.

Government-wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$157,814 at the close of the fiscal year ended September 30, 2011. By far the largest portion of the County's net position, \$122,018 or 77.3%, reflects its investment in capital assets such as land, buildings, infrastructure, intangibles and equipment, less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to its citizens. Consequently, these assets are *not available* for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The payment of maintenance and debt service costs on those capital assets will require future government resources.

Putnam County
Summary Statement of Net Position
(amounts expressed in thousands)

| | Governmental | | Business-type | | Total | | Percent Change |
|--|-------------------|-------------------|------------------|------------------|-------------------|-------------------|-------------------|
| | Activities | | Activities | | | | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | |
| Cash and Investments | \$ 43,448 | \$ 42,854 | \$ 10,607 | \$ 9,441 | \$ 54,055 | \$ 52,295 | 3.4% |
| Other Current Assets | 7,132 | 3,738 | 267 | 286 | 7,399 | 4,024 | 83.9% |
| Capital Assets, Net | 108,253 | 102,067 | 46,203 | 47,119 | 154,456 | 149,186 | 3.5% |
| Total Assets | 158,833 | 148,659 | 57,077 | 56,846 | 215,910 | 205,505 | 5.1% |
| Deferred Outflows of Resources | 1,070 | 1,388 | - | - | 1,070 | 1,388 | -22.9% |
| Current Liabilities | 9,707 | 9,707 | 781 | 945 | 10,488 | 10,652 | -1.5% |
| Interest Rate Swaps | 1,070 | 1,388 | - | - | 1,070 | 1,388 | |
| Long-Term Obligations | 16,988 | 17,204 | 30,620 | 30,279 | 47,608 | 47,483 | 0.3% |
| Total Liabilities | 27,765 | 28,299 | 31,401 | 31,224 | 59,166 | 59,523 | -0.6% |
| Net Position: | | | | | | | |
| Invested in Capital Assets, net of Related Debt | 94,994 | 87,821 | 27,024 | 27,649 | 122,018 | 115,470 | 5.7% |
| Restricted | 19,166 | 18,990 | - | - | 19,166 | 18,990 | 0.9% |
| Unrestricted | 17,978 | 14,937 | (1,348) | (2,027) | 16,630 | 12,910 | 28.8% |
| TOTAL NET POSITION | \$ 132,138 | \$ 121,748 | \$ 25,676 | \$ 25,622 | \$ 157,814 | \$ 147,370 | 7.1% |

as restated

An additional portion of the County's net position, \$19,166, is restricted, meaning it is subject to constraints on how the funds may be used, such as by laws, grantors, debt covenants, regulations or capital projects. At the end of the current fiscal year, the County is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities. The County's business-type activities, however, reflect a deficit unrestricted net position balance. This deficit balance is a direct result of large changes during the 2005 through 2011 fiscal years in estimates for closure costs, long-term care costs and remaining capacity related to the County's Landfill operations.

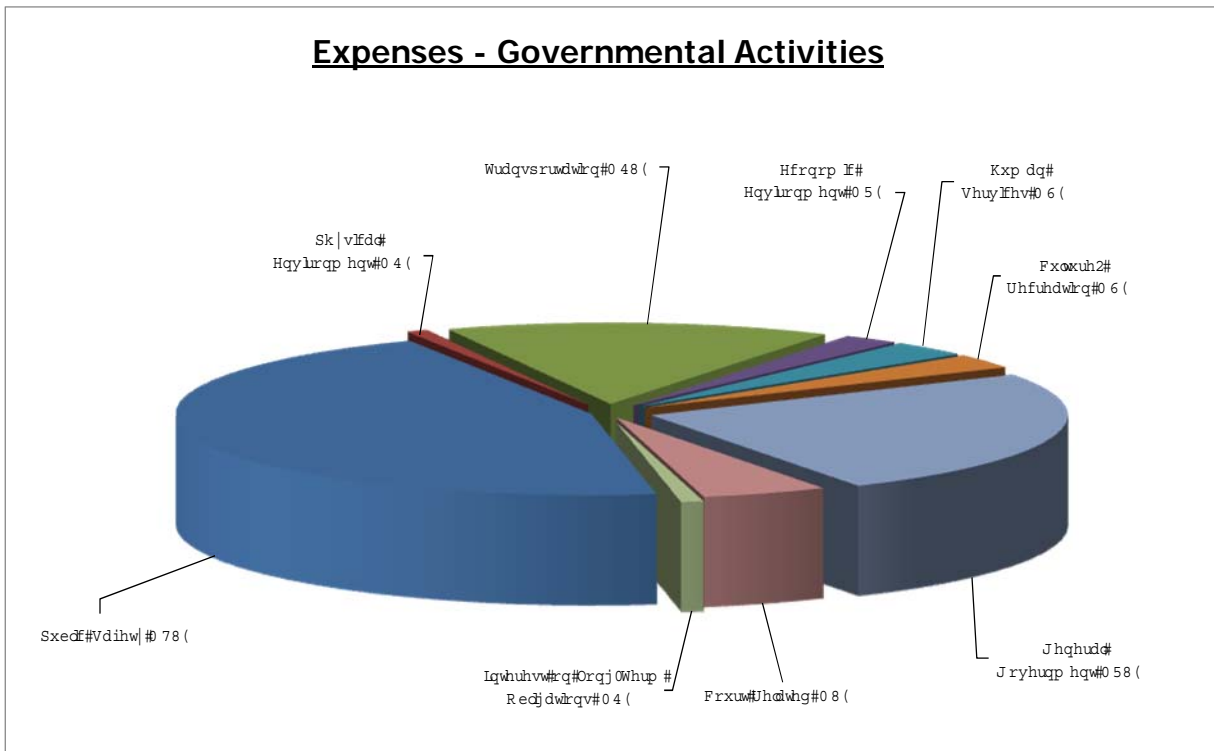
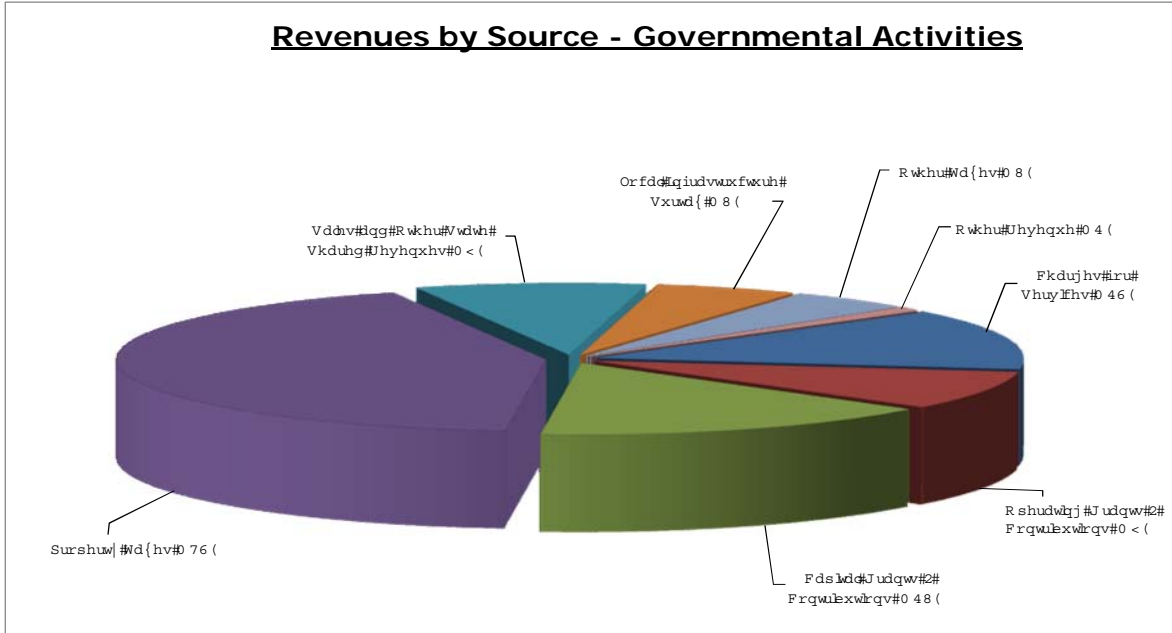
Change in Net Position

Governmental activities increased the County's net position by \$10,390. This increase resulted from the following: capital asset acquisitions and disposals \$13,645; the recognition of (\$7,470) of depreciation expense; the issuance of debt in the amount of (\$1,178); principal payments of \$2,122; the recognition of accrued interest expense of \$14; the recognition of deferred revenues of \$268; the recognition of \$88 expense for decreased compensated absences; the recognition of (\$317) expense for Other Postemployment Benefit (OPEB) obligations; the inclusion of Internal Service Funds in governmental activities in the amount of (\$66); and a \$3,284 increase in the fund balance total for the Governmental Funds.

| Putnam County, Florida | | | | | | | |
|---|---------------------|---------------|----------------------|---------------|---------------|---------------|----------------|
| Changes in Net Position | | | | | | | |
| (amounts expressed in thousands) | | | | | | | |
| | Governmental | | Business-type | | Total | | Percent |
| | Activities | | Activities | | | | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | Change |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 9,391 | \$ 10,859 | \$ 8,815 | \$ 8,862 | \$ 18,206 | \$ 19,721 | -7.7% |
| Operating grants and contributions | 6,785 | 6,095 | 70 | 79 | 6,855 | 6,174 | 11.0% |
| Capital grants and contributions | 11,956 | 4,442 | 701 | 1,124 | 12,657 | 5,566 | 127.4% |
| General revenues: | | | | | | | |
| Property taxes | 33,375 | 35,203 | - | - | 33,375 | 35,203 | -5.2% |
| Sales and other state shared revenues | 6,791 | 6,805 | - | - | 6,791 | 6,805 | -0.2% |
| Local Infrastructure Surtax | 4,204 | 3,942 | - | - | 4,204 | 3,942 | 6.6% |
| Other taxes | 3,611 | 3,414 | - | - | 3,611 | 3,414 | 5.8% |
| Other revenue | 746 | 1,078 | 261 | 181 | 1,007 | 1,259 | -20.0% |
| Total revenues | 76,859 | 71,838 | 9,847 | 10,246 | 86,706 | 82,084 | 5.6% |
| Expenses: | | | | | | | |
| General Government | 15,567 | 16,865 | - | - | 15,567 | 16,865 | -7.7% |
| Public Safety | 30,393 | 29,668 | - | - | 30,393 | 29,668 | 2.4% |
| Physical Environment | 541 | 524 | - | - | 541 | 524 | 3.2% |
| Transportation | 10,057 | 10,086 | - | - | 10,057 | 10,086 | -0.3% |
| Economic Environment | 1,456 | 1,095 | - | - | 1,456 | 1,095 | 33.0% |
| Human Services | 2,068 | 1,916 | - | - | 2,068 | 1,916 | 7.9% |
| Culture/Recreation | 1,884 | 1,986 | - | - | 1,884 | 1,986 | -5.1% |
| Court Related | 3,273 | 3,259 | - | - | 3,273 | 3,259 | 0.4% |
| Interest on L-T Obligations | 586 | 623 | - | - | 586 | 623 | -5.9% |
| Water and Wastewater | - | - | 1,863 | 2,016 | 1,863 | 2,016 | -7.6% |
| Solid Waste | - | - | 8,396 | 7,703 | 8,396 | 7,703 | 9.0% |
| Port Authority | - | - | 178 | 281 | 178 | 281 | -36.7% |
| Total Expenses | 65,825 | 66,022 | 10,437 | 10,000 | 76,262 | 76,022 | 0.3% |
| Increase in Net Position | | | | | | | |
| Before Transfers | 11,034 | 5,816 | (590) | 246 | 10,444 | 6,062 | |
| Transfers | (644) | (2,956) | 644 | 2,956 | - | - | |
| Increase (Decrease) in net position | 10,390 | 2,860 | 54 | 3,202 | 10,444 | 6,062 | |
| Net Position - Beginning of Year (restated) | 121,748 | 118,888 | 25,622 | 22,420 | 147,370 | 141,308 | |
| Net Position - End of Year | \$ 132,138 | \$ 121,748 | \$ 25,676 | \$ 25,622 | \$ 157,814 | \$ 147,370 | 7.1% |

Governmental Activities

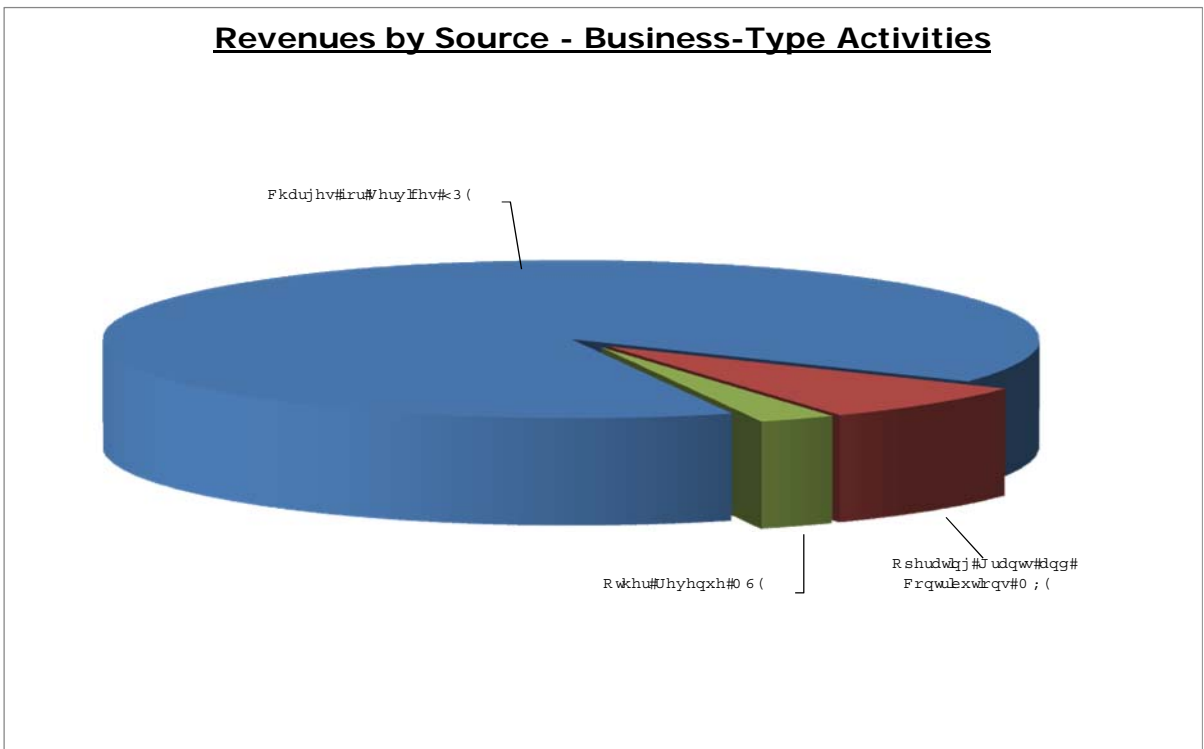
The County's overall financial position improved in comparison to the previous year. Total net position increased \$10,444 over the prior year with an increase of \$10,390 resulting from governmental activities and an increase of \$54 resulting from business-type activities. The reasons for these changes are the same as enumerated above in the discussion of the statement of net assets and on the following page under the caption of Business-Type Activities.



Business-type Activities

Business-type activities increased the County's net position by \$54. Key elements resulting in the increase are as follows:

- ... Capital grants of \$701 were received for use in building the East Putnam Water System.
- ... Transfers-in totaling \$697 (\$500 from the Better Place Plan Fund and \$197 from the General Fund were used by the East Putnam Water Fund to fund debt service payments).



Financial Analysis of the County's Funds

As mentioned earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This difference in focus and purpose creates significant variances between the Governmental Fund Financial Statements and the Government-wide Financial Statements. For the year ended September 30, 2011, the net increase in fund balances per the Governmental Funds Financial Statements totaled \$3,284 while the governmental activities column of the Government-wide Financial Statements reported an increase of \$10,390 in net position. A detailed reconciliation between these two amounts is provided on page 6 of the accompanying Financial Statements.

Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At September 30, 2011, the County's governmental funds reported combined ending fund balances of \$35,957. Of the total governmental fund balance, \$12,914 constitutes unassigned fund balance, which is available for spending within each particular fund. The remainder of the fund balance is \$1,607 that is non-spendable (primarily \$760 for advances to other funds, \$597 for local housing assistance (SHIP) loan guarantees, and \$213 for prepaid expenditures); \$16,996 is restricted (primarily \$5,519 for Better Place Plan – Capital, \$1,754 for Fire Protection, \$1,976 for Court Improvement, \$321 for Sewage Utilities, and \$1,232 for Road Projects); \$628 is committed for sheriff's contractual obligations, and \$3,812 is assigned (primarily \$1,816 for subsequent year's expenditures and \$1,986 for Road and Bridge Maintenance).

The following funds experienced the most significant changes in fund balance for the year: the General Fund (a major fund) increased by \$1,571 largely due to fiscal conservatism; the East Putnam Grant Fund (a major fund) increased \$1,570 largely due to the issuance of debt; the fund balance for the Better Place Plan Fund (a major fund) increased \$1,647 as the result of fiscal conservatism; Fire Tax Unit Fund decreased \$873 due to the purchase of three new fire trucks; and the fund balance for the Court Improvement Fund decreased \$675 as the result of a renovation of a Courthouse Annex building.

Proprietary Funds

The proprietary funds provide the same type of information found in the Government-wide Financial Statements, but in more detail. Two of the proprietary funds (Waste Management and East Putnam Water) are major funds. At September 30, 2011, total net position amounted to \$25,676, an increase of \$54 from the prior fiscal year. Unrestricted net position totaled (\$1,348). Other factors concerning the finances of the Proprietary Funds were previously addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

The General Fund budget to actual schedule is presented as *Required Supplementary Information* on page 49 of the accompanying Financial Statements. The variance between original and final budgeted amounts for the year is composed of the following:

- ... Intergovernmental revenues were increased by \$4,256 to account for unanticipated grant revenues received and miscellaneous revenues increased by \$235 primarily from donations for a recreational park. The majority of the grant revenues received were used by the Sheriff for various law enforcement activities and by the Road Department for multiple grant funded road projects.

A comparison of actual revenues versus the final budget reflects that the collection of Licenses and Permits, Charges for Services, and Fines and Forfeitures were \$33, \$1,428, and \$38 less than the budgeted projections, respectively. All other categories of revenues exceeded budget estimates by a total of \$748. The highest portion of the additional revenue over budget, \$299, is attributable to higher than anticipated tax collections. Charges for Services did not reach projections due to fewer ambulance billings being received.

A review of actual expenditure results versus the final budget reveals that the actual expenditures for the General Fund were \$2,821 under budget. General Government and Public Safety expenditures were respectively \$2,237 and \$114 under budget projections because of sound/conservative fiscal management. Court Related expenditures were \$149 under budget

because of lower than anticipated expenditures by the States Attorney, Public Defender and Drug Court. Additionally, Reserves for Contingencies of \$144 were not needed during the year.

Capital Asset and Debt Administration

Putnam County Capital Assets
(Net of Depreciation)
(amounts expressed in thousands)

| | Governmental Activities | | Business-type Activities | | Total | | Percent Change |
|-------------------------------------|----------------------------|------------|-----------------------------|-----------|------------|------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | |
| Land | \$ 20,894 | \$ 16,642 | \$ 6,203 | \$ 6,203 | \$ 27,097 | \$ 22,845 | 18.6% |
| Intangible Assets | 790 | 403 | - | - | 790 | 403 | 96.0% |
| Buildings and Improvements | 20,036 | 20,660 | 2,348 | 2,481 | 22,384 | 23,141 | -3.3% |
| Equipment | 8,007 | 8,224 | 985 | 716 | 8,992 | 8,940 | 0.6% |
| Infrastructure | 57,405 | 55,897 | - | - | 57,405 | 55,897 | 2.7% |
| Water and Sewer Distribution System | | | 29,984 | 30,518 | 29,984 | 30,518 | -1.7% |
| Landfill | | | 4,235 | 255 | 4,235 | 255 | 1560.8% |
| Construction in Progress | 1,122 | 241 | 2,448 | 6,946 | 3,570 | 7,187 | -50.3% |
| Total Capital Assets, Net | \$ 108,254 | \$ 102,067 | \$ 46,203 | \$ 47,119 | \$ 154,457 | \$ 149,186 | 3.5% |

as restated

Capital Assets

The County's financial statements present capital assets in two groups: those assets subject to depreciation or amortization such as infrastructure, equipment, operational facilities, intangible assets, and those assets not subject to depreciation such as land and construction in progress. The County's investment in capital assets for its governmental and business-type activities as of September 30, 2011, amounts to \$154,457 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, equipment, computer software, infrastructure (including roads and bridges), construction in progress, the Landfill, and the Water and Sewer Distribution System. Currently, infrastructure, land and buildings and improvements represent the largest components of governmental capital assets.

Major capital asset events completed during the current fiscal year include the following:

- ... Sanitation completed construction of Landfill Cell #3 totaling \$4,550.
- ... Parks and Recreation obtained land for two parks totaling \$4,219.
- ... The County continued its program to resurface, widen and add paved roads during the year at a capitalized cost of \$4,484.
- ... Emergency Management and Fire Control acquired equipment totaling \$814, which included three fire engines.
- ... The Sheriff purchased assets totaling \$550, which included \$100 for new vehicles and \$450 for computer software.

Additional information on the County's Capital Assets may be found in Note 8 beginning on page 29 of the accompanying Financial Statements.

Long-term Obligations

County-wide, total long-term debt obligations owed to outside institutions decreased by \$1,236 from the prior year, the long-term liability for Other Postemployment Benefits increased by \$333, and the long-term obligation for compensated absences decreased by approximately \$90. Accrued landfill closure and long-term care costs increased by a net of \$624.

Throughout fiscal year 2011, the County's governmental activities entered into two capital leases agreement totaling \$1,178, while the business-type activities increased its State Revolving Fund obligation for East Putnam Water by \$362 and entered into two capital leases agreement totaling \$360.

Governmental Activities:

- ... The Sheriff issued debt for a \$615 capital lease agreement to purchase vehicles and a \$563 capital lease agreement to purchase computer software.
- ... The County made the following principal payments during the year: special assessment debt - \$286, notes payable - \$1,474, and capital leases - \$363.
- ... Governmental obligations for compensated absences decreased 3.7% or \$85 to \$2,190.

**Putnam County, FL
Long-Term Debt Obligations
(amounts expressed in thousands)**

| | Governmental Activities | | Business-type Activities | | Total | | Percent Change |
|---------------------------|----------------------------|------------------|-----------------------------|------------------|------------------|------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | |
| Revenue Bonds | \$ - | \$ - | \$ 6,255 | \$ 6,323 | 6,255 | 6,323 | - |
| Special Assessment Debt | 1,574 | 1,859 | - | - | 1,574 | 1,859 | -15.3% |
| Notes Payable | 10,141 | 11,615 | 12,468 | 12,961 | 22,609 | 24,576 | -8.0% |
| Capital Lease Obligations | 1,587 | 772 | 455 | 186 | 2,042 | 958 | 113.2% |
| Total | \$ 13,302 | \$ 14,246 | \$ 19,178 | \$ 19,470 | \$ 32,480 | \$ 33,716 | -3.7% |

Business-type Activities:

- ... The Waste Management Fund retired \$91 of capital lease obligations.
- ... Accrued landfill closure and post-closure costs were increased by \$880 due to a change in accounting estimate that resulted when an engineering study revealed less than expected remaining capacity within the active cells. Those increases were offset by a reduction of \$255 due to payments made toward a cell closure.
- ... Obligations for compensated absences decreased by \$5, or 7.1%, to \$60.
- ... The East Putnam Water Fund increased its note payable obligation for the construction of the East Putnam Water System in the amount of \$362 with the State of Florida Department of Environmental Protection State Revolving Loan Fund.

Additional information on the County's long-term obligations can be found in Note 9 beginning on page 30 of the accompanying Financial Statements.

Economic Factors and Next Year's Budgets and Rates

- ... The unemployment rate for the County for September 2011 was 11.6%. This represents a decrease over the previous year's 14.0%.
- ... The taxable value of real property decreased 7.4%, while the taxable value of personal property increased 0.6% in the 2011 fiscal year.
- ... Building permit activity revenues decreased approximately 15.5% from the prior year.
- ... The population decreased slightly from the prior year to an estimated 74,052 from 74,364.

During the current fiscal year, the unassigned fund balance in the General Fund increased to \$13,426, an increase of 6.0%. The overall fund balance in the General Fund increased to \$16,766, an increase of 11.2% from the previous year. The increase was primarily the result of prudent management and fiscal conservatism in addition to the combining of the former Sheriff General Fund into the County-wide General Fund. The ad valorem tax rate remained unchanged at 8.5765 mils for fiscal year 2011.

Requests for Information

This financial report is designed to present users with a general overview of the County's finances and to demonstrate the County's accountability. If you have questions concerning any of the information provided in this report or need additional information, contact the Putnam County Clerk of Courts, Finance and Accounting, P.O. Box 758, Palatka, Florida 32178-0758. Additional financial information can be found on our website at <http://www.putnam-fl.com/coc/> and click on *Clerks in the Sunshine*.

Basic Financial Statements

