

City of St. Augustine, Florida

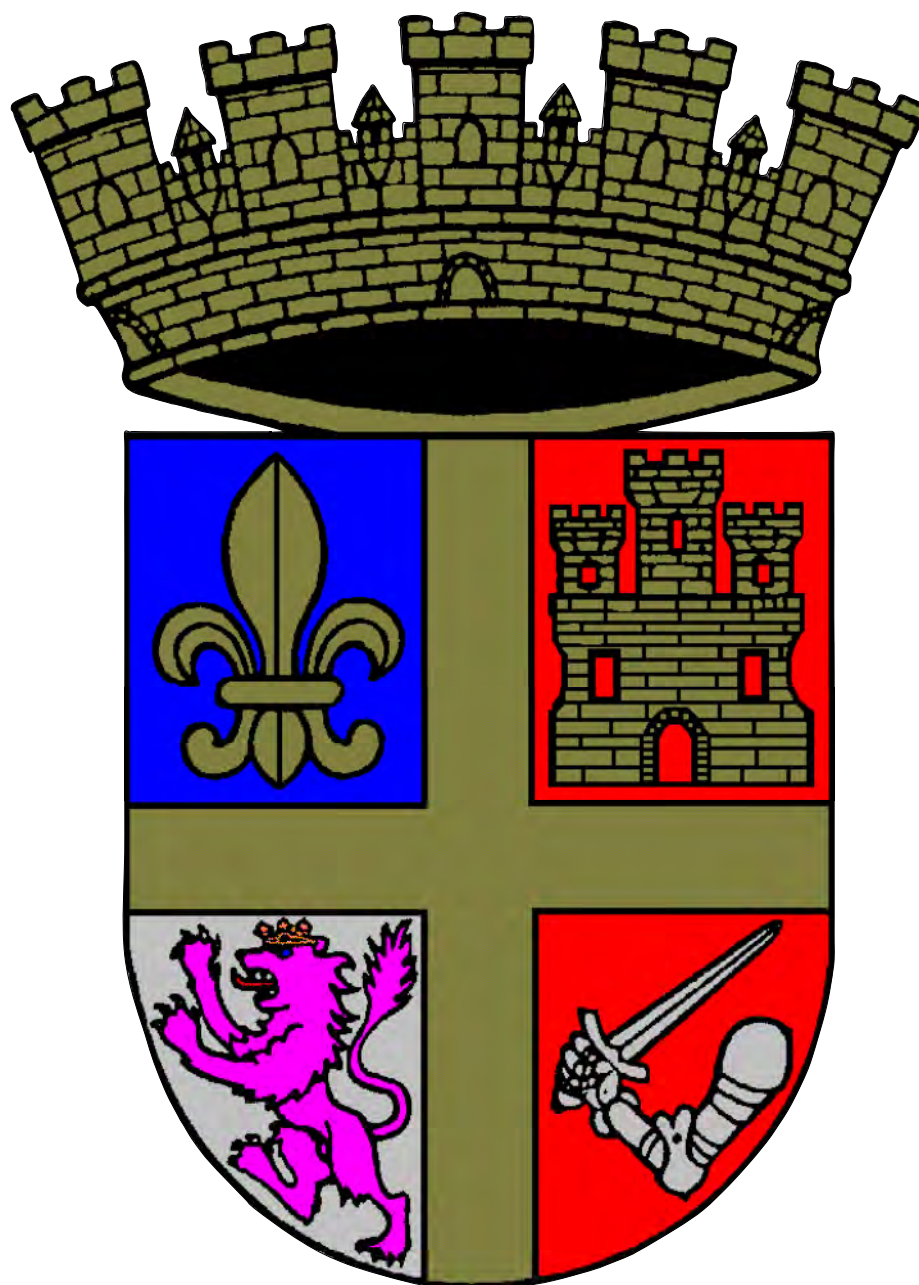
Comprehensive Annual Financial Report Fiscal Year Ended September 30, 2010

Prepared By:

Finance, Budget and Management Department

Mark R. Litzinger
City Comptroller

Meredith Breidenstein, CPA
Financial Services Group Manager



CITY OF ST. AUGUSTINE, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2010

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INTRODUCTORY SECTION

This Section Contains the Following:

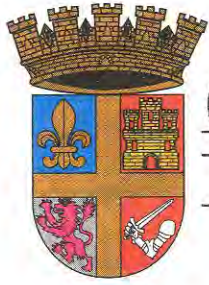
Letter of Transmittal

Certificate of Achievement

Principal City Officials

Organizational Chart

Letter of Transmittal



City of St. Augustine



St. Augustine, Florida

Finance, Budget & Management

March 25, 2011

Honorable Mayor and Commissioners
City of St. Augustine, Florida

Mayor and Commissioners:

The Comprehensive Annual Financial Report of the City of St. Augustine, Florida, for the fiscal year ended September 30, 2010, is submitted herewith, pursuant to Florida Statutes Chapter 166.241 (4) and Chapter 10.550 of the Rules of the Auditor General of the State of Florida. This Comprehensive Annual Financial Report was prepared by the staff of the City's Finance, Budget and Management Department and, therefore, responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of activity of its various funds, and that all disclosures necessary to enable the readers to gain the maximum understanding of the City's financial activity have been included.

The City is responsible for establishing and maintaining internal controls to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, the reliability of financial records for preparing financial statements, and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits. The evaluation of this relationship is a responsibility of City management. We believe these controls adequately safeguard City assets, as well as provide reasonable assurance for properly recording transactions.

The independent accounting firm of Masters, Smith & Wisby, P.A., whose report is included herein, has audited the City's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City are free of material misstatements. The independent 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 City management and evaluating the overall financial statement presentation. Based upon the audit, Masters, Smith & Wisby, P.A. concluded there is a reasonable basis for rendering an unqualified opinion that the City's financial statements are fairly presented in conformity with accounting principles generally accepted in the United States of America.

GOVERNMENT PROFILE

Often called the City of the Centuries because of its antiquity, St. Augustine was founded by Spain in 1565 and is the oldest continuously occupied settlement of European origin in what is now the United States. The City was founded 55 years before the Pilgrims landed at Plymouth Rock and was already two centuries old at the time of the American Revolution.

Four flags have flown over St. Augustine: Spanish, British, Confederate, and American. For nearly two centuries (1565-1763), St. Augustine was a Spanish possession. This 200-year period is referred to as the First Spanish Period. Britain obtained possession of Florida and St. Augustine in 1763, and for 20 years (1763-1783). This period included the American Revolution. This is known as the British Period. Spain regained and maintained possession of St. Augustine and the rest of Florida in 1784 until Florida became a possession of the United States in 1821, this is known as the second Spanish Period.

Florida, with St. Augustine as the capital of East Florida, maintained its territorial status until 1845 when it was admitted to the United States as the twenty-seventh state. St. Augustine was briefly under the Confederate flag when Florida seceded from the Union in 1861, but the City was captured by Union forces early during the War Between the States and was occupied during most of the hostilities.

During its earliest years, St. Augustine was a collection of palm thatch huts. These gave way to board-sided houses with thatched roofs in the 17th century. After the town was burned in 1702 during an attack by Carolinians, the populace erected temporary straw or thatch shelters until they could build with more permanent materials such as tabby, the colonial equivalent of modern concrete, or coquina, a native shell stone quarried on Anastasia Island across the Matanzas River.

Many of the City's colonial structures have been carefully preserved and restored, and there is a continuing program to restore and reconstruct other buildings on their original foundations. Historic sites, buildings, and St. Augustine's old world charm are found throughout the colonial city. A number of groups, both private and governmental, have and continue to pursue active roles in the restoration, preservation and interpretation of St. Augustine's history.

Today, the City of St. Augustine is a full-service municipality located within the boundaries of St. Johns County. The City derives its government authority from a charter granted by the legislature of the State of Florida. The City operates under a City Manager form of government. Five commission members, including the mayor, are elected at large on a non-partisan basis. Four of the seats are staggered four-year terms with the mayor's seat elected every two years. The City Commission appoints the City Manager who directs the business of the City and its various departments. The City Commission determines policy, adopts legislation, approves the budget, sets taxes and appoints the City Attorney, the City Clerk and members of various boards and committees.

The City budget process begins in May and concludes in September with two public hearings. The budgets are prepared by each department and submitted to the budget committee for review. Once the budget is balanced and adopted by the Commission the departments may transfer resources within their own departments as needed and with approval. The legal level of control for budget

variations is at the fund level. However, actual spending can exceed the appropriated amount of the fund to the extent revenues exceed the fund's budget.

ECONOMIC CONDITIONS AND OUTLOOK

The City of St. Augustine is located within St. Johns County on the northeast coast of Florida. The City's limited economy is concentrated in tourism, although major employers provide some diversification and security. A four-year liberal arts college, the State Headquarters of the Florida National Guard and the Florida State School for the Deaf and the Blind contribute greatly to a stable economy.

Founded by the Spanish 445 years ago, St. Augustine's historical and resort attractions draw millions of visitors every year. Tourism is responsible for close to \$1.5 billion in revenue and 32,000 jobs for St. Johns County. It is estimated over 6 million tourists visit St. Johns County annually with St. Augustine being the principal attraction. St. Johns County has an estimated 2.46 million overnight visitors staying in paid accommodations, 800,000 overnight visitors staying with friends or relatives, and 3 million people visiting and returning home the same day. This type of tourism, short-term and daily visitors, is less affected by downturns in the economy and may even see an increase as people avoid popular high-priced venues.

Reflective of many communities across the state of Florida, the City's revenues have decreased due to falling real estate values and stagnant new construction. The City expects ad valorem tax revenues to suffer an additional decrease before stabilizing. It is anticipated that the City will experience resumed economic growth leading to growth in major revenue sources in the near-term.

MAJOR INITIATIVES/PROGRAMS

Management's purpose is to continue to provide the same or an improved level of service while managing future growth through sound fiscal management being cognizant of limited financial resources. Prudent budgeting and cash management has enabled the City to meet emerging infrastructure needs while maintaining services provided to its constituency.

The City has both new and continuing initiatives and programs that are indicative of the challenges and opportunities related to development:

Capital Improvement Bond Series 2011

Riberia Street Improvements

Design for Phase 1 and 2 of the \$3.1 million Riberia Street project is complete, with construction of Phase 1 having started in January 2011. Phase 1 will be completed by the end of 2011 followed by Phase 2, which will be completed by year-end 2012. The City received a \$450,000 Section 319 EPA

Non-Point Source Pollution Prevention grant for the construction of Riberia Street and a \$700,000 Community Development Block Grant (CDBG) for the Phase 2 portion.

Utility Improvements

With proceeds from the 2011 Utility Bond Issue, the Public Works Department is concentrating on infrastructure repair and replacement; in particular the sewer collection and water distribution systems. Sewer system collection repairs and replacements to two major lift stations (#51 and #52) located on Anastasia Island that have reached their service life are planned. Boosting the Inflow and Infiltration (I&I) program through increasing the number of miles of sewers to be slip-lined and manholes to be coated and reducing costs associated with treatment plant flows are also planned. On the water side, resources will be focused towards neighborhood water main replacements in areas where old water mains are reaching service life and exhibiting water quality or water pressure issues. Additionally, the Bond will fund a new outfall for the Reverse Osmosis Concentrate into the Sebastian River. This project is currently in the permitting stage and will be ready for construction by Fiscal Year 2012. The benefit of this project will allow moving the concentrate disposal from the wastewater treatment plant and into a surface water body, reducing wastewater treatment flows by 300,000 gallons per day.

Municipal Marina Breakwater System

The St. Augustine Municipal Marina is located on the Atlantic Intracoastal Waterway, just south of the Bridge of Lions. Built in the early 1990s, the Marina has 85 berthing slips allocated to transient, short-term and long-term clients. Its floating dock design is warranted because of the constant tidal changes that commonly and routinely exceed five feet.

A major improvement and renovation initiative on the floating dock system commenced in September 2006, with the awarding of a contract to design and engineer a breakwater system located on the north of the current marina. This system will not only help protect the docks from strong winds and tides, but will also add approximately 20 smaller slips to the Marina's inventory. It is anticipated that this project design will begin with dredging the marina in the autumn of 2011. The City currently has all permits on hand to begin this project. The City is currently seeking grant funds to be used along with the Series 2011 bond proceeds and plans to complete the project by the summer of 2012.

Water and Sewer Infrastructure Improvements

The City continues an aggressive asset management program prioritizing infrastructure repairs, replacements and upgrades. According to the Annual Capacity Analysis Report both water and wastewater treatment plants have sufficient capacity for the next decade, thus efforts are focused on rehabilitations to keep pace as equipment reach its life cycle.

At the Wastewater Treatment Plant substantial improvements largely completed in 2010 include: \$1.715 million in upgrades of aeration equipment, new station for grease and stormwater discharge, and a prevention system for activated sludge discharge. These improvements better positions plant operations to meet pending new regulations for nutrient removals. Remaining project work includes room environmental controls and control system programming and pump replacement. The project will provide substantial energy savings and improve overall capacity and plant operability.

City of St. Augustine, Florida
Letter of Transmittal

The Water Treatment Plant underwent modifications in 2008/2009 that increased capacity by two million gallons per day, and the following year the lime softening filter system underwent extensive upgrade. The well field project initiated in 2009 was completed, along with new pump stations, securing source water for the next 20 years. With the availability of new production wells, the nine shallow water supply wells were decommissioned.

Improvements to the sewer collection and water transmission system continue under an on-going program of replacements and upgrades. The City continues reduction of inflow and infiltration into the sanitary sewer system, committing approximately \$150,000 towards this effort to reduce flows into the wastewater treatment plant and thus reducing the need for plant capacity expansions.

Maintaining the sewer system's 73 pump stations by using repair and replacement funds in an effective and efficient manner remains a priority. During 2010, two stations were completely refurbished, an emergency standby generator was placed into one of the more critical stations, and designs are underway for replacing two additional stations. In addition, several sewer and force main replacements are scheduled as is design completion to replace the ten-inch sewer force main under the San Sebastian River.

The City continues an annual program of replacing and upgrading water mains. In 2010, approximately \$600,000 was invested in replacing water mains reaching the end of their life cycle, resulting in approximately 1.25 miles of water main replacements.

Stormwater Infrastructure Improvements

Major stormwater infrastructure improvements are scheduled for a number of areas including Riberia (described in more detail above), Cordova, Treasury, Charlotte, and Pine Streets. With these projects accomplished, the City will have completed the projects identified in the 1995 Master Drainage Study; therefore, a new master plan is anticipated for Fiscal Year 2011.

Maintenance dredging of Lake Maria Sanchez had been planned for 2010, however, was delayed due to technical difficulties and is now expected to be underway and completed in 2011.

Riberia Street Bank Stabilization

In 2010 plans were made ready to construct a cap over the closed area and construct shoreline hardening along the perimeter. The City's consultant completed the project designs, obtained the necessary permits and prepared the construction bidding documents. Construction bids and project completion are on-target to be completed by end of Fiscal Year 2011.

Lincolnvile Initiative

The Lincolnvile neighborhood is a forty-five block area and National Register District composed of 867 primary structures, 447 of which are contributing properties to the district, meaning they are structures of cultural, historic and architectural merit. Lincolnvile has contributed to St. Augustine's history through all of its major historical periods.

City of St. Augustine, Florida
Letter of Transmittal

Many of Lincolnville's homes and streets are in need of maintenance. The climate of St. Augustine is hard on old homes and since Lincolnville is located at the tip of a peninsula, between the Matanzas River and San Sebastian River, it is particularly vulnerable. Its property owners and the City often expend tremendous resources on maintenance of private and public properties.

In the fall of 2010, the City of St. Augustine launched "Lift Up Lincolnville," a neighborhood-focused improvement project "to address the maintenance of public and private properties, upgrade public infrastructure, install new landscaping and improve public safety."

Municipal Marina Mooring Fields

The City of St. Augustine completed the construction of three mooring fields, totaling 168 moorings, in November 2010, and the success of the program has greatly surpassed all predictions. During the initial month of operation, two of the three fields were completely sold out of moorings on three separate occasions.

The mooring field program is part of the City's Harbor Management Plan designed to better manage boats using our waterways by requiring live-aboard vessels to properly dispose of waste, addressing the issue of derelict boats, encouraging responsible boating, and increase public accessibility.

Salt Run Dredging

The City has entered into part two of an inter-local agreement with the St. Augustine Port, Waterway & Beach District and the Florida Inland Navigation District to begin a three to eight year phased dredging project in Salt Run. Phase 2, just completed and totaling \$400,000, will remove more than ten thousand cubic yards of material from the Conch House Marina to the Lighthouse Boat Ramp.

San Sebastian Dredging

The City, partnering with the St. Augustine Port, Waterway & Beach District, has received all of the permits needed to dredge the San Sebastian River, and is currently seeking a funding source in order to proceed further with this project.

Derelict Vessel Removal

The City continues to work with the St. Augustine Port, Waterway & Beach District, the Florida Inland Navigation District, and the St. Johns County Sheriff's Office to identify and remove derelict vessels from the waterways. Since the installation of the City's mooring fields, the numbers of derelict boats found within City limits have significantly diminished. All removal work is managed by City staff and expenses incurred are reimbursed by the St. Augustine Port, Waterway & Beach District.

Dr. Sue A. Middleton Archeology Research Center

The City's Archaeology Division was created in 1990 as part of the Archaeological Preservation Ordinance, established in 1986. The ordinance created the position of City Archaeologist and

City of St. Augustine, Florida
Letter of Transmittal

established regulations designed to protect, through documentation, the City's archaeological heritage from the effects of ground-penetrating construction activities. The division was housed for 16 years at the water treatment plant on King Street, then relocated to the basement of Government House. Transfer of that property to the University of Florida necessitated another relocation. A former warehouse owned by the City was adapted and remodeled to accommodate the division. In honor of a major benefactor of the City's Archaeology program, the facility was named the Dr. Sue A. Middleton Archeology Research Center.

Since the establishment of the Archaeological Preservation Ordinance, more than 600 projects have been logged resulting in the collection of hundreds of thousands of artifacts. The new facility, which includes administrative offices, an exhibit area, a laboratory, and an archives area, will increase the City's ability to store, catalogue and curate items, and maintain their accompanying documentation.

Parking

Managing the wide variety of vehicle parking needs in St. Augustine continues to be a major focus of the City Commission, City management and the community. The City Commission adopted a seven-point master plan whose implementation has been continuously monitored by the citizen-member Parking & Traffic Committee.

The plan includes: construction of the Historic Downtown Parking Facility; parking policy revisions for the downtown area; a residential parking decal program; heritage tourism signage; parking at the San Sebastian Harbour development; and the remodeling of the Lightner Parking Lot.

Construction of the 1,200 vehicle Historic Downtown Parking Facility and the adjacent restored and enlarged Visitor Information Center are now in their fifth year of operation. Public acceptance and use of the parking facility continues to grow each year since opening in 2006. A residential parking permit program was launched in January 2006 and is now operating in multiple areas of the City proving to be a viable parking scheme for residents in those designated areas.

The Heritage Tourism Signage Program was completed in 2010 resulting in the installation of 11 informational signs strategically placed at the City's entry points to direct traffic in the most functional way. Tourists entering the City are directed to the Historic Downtown Parking Facility and the Visitor Information Center where access to the downtown area is most convenient. Installation of the signs has shown a noticeable increase in the number of vehicles using the parking facility.

The downtown parking meter and pay-station system was phased in from December 2007 through spring of 2009. As the system became operational the City worked to educate the public on the system, a process that is on-going. This process includes the promotion of and education regarding the City's *ParkNow Card*, a method of purchasing bulk parking at a discounted rate via smart card.

Transfer of State Owned Historical Properties

In 1997, upon elimination of the Historic St. Augustine Preservation Board, an agency of the State of Florida funded by annual legislation appropriation, the City of St. Augustine assumed responsibility for the Board's properties and programs. The City also assumed the responsibility of deferred

City of St. Augustine, Florida
Letter of Transmittal

maintenance on the properties. The cost of maintaining these properties and programs was burdensome, as the City received no state compensation.

In 2007, the state legislature approved legislation authorizing transfer of the administration of these same properties and programs from the City to the University of Florida. This legislation took effect when the transfer was formally approved by the University in 2010.

The City successfully transferred the administration and management of each of these properties to the University of Florida and in September 2010 signed a Memorandum of Agreement with the University of Florida regarding the management and operation of the Colonial Spanish Quarter.

Colonial Spanish Quarter

The Department of Heritage Tourism & Historic Preservation continues to develop a citywide comprehensive heritage tourism system based on a business/programmatic model implemented in January 2010 with a special projects appropriation from the City Commission. Efforts initially focused on upgrading the product at the Colonial Spanish Quarter through restoration of infrastructure, buildings, gardens, pathways and visitor amenities, as well as retraining and cross-training the staff in the areas of interactive interpretation, customer service, and visitor engagement. The second phase focused on developing a comprehensive program for visitors seeking colonial experiences in St. Augustine. This included the creation of an Explorer's Passport program, a high-quality promotional and marketing strategy, and "visitor experience previews" at the Visitor Information Center and other locations. The third and current phase focuses on the improvement and reopening of the southern half of the Spanish Quarter, closed many years ago to consolidate operations at the museum. The southern quarter, called the De Mesa Yard, will open April 1, 2011 with a new visitor center and Spanish Quarter entrance on Castillo, a new trolley-train pull-off drive-through, and new and dynamic programs for heritage tourists and school students.

450th Commemoration

The commemoration of the 450th anniversary of the founding of St. Augustine in 2015 is widely recognized as a significant opportunity to elevate the recognition of St. Augustine to a much wider than normal audience.

Toward that end, the City of St. Augustine has contracted with First America Foundation, a non-profit corporation, to produce four major events related to the history of the City culminating with the 450th anniversary. Those events are: the bicentennial of the 1812 Spanish Constitución in 2012; the 500th anniversary of the founding of Florida in 2013; the 50th anniversary of the passage of the Civil Rights Act in 2014; and the 450th anniversary of the founding of St. Augustine in 2015. The City funded First America Foundation with \$275,000 in September 2010.

In addition to this initiative by local government, the Federal Government has established within the Department of the Interior, the Commission on the Commemoration of St. Augustine's 450th Anniversary. The 14-member commission is expected to be appointed and schedule its first meeting in St. Augustine by early summer 2011. The commission carries an appropriation authorization of \$500,000 annually through 2015.

Economic Recovery

The City is experiencing a renewal of projects that once were in foreclosure including: the multifamily Islander development now under construction as a 72 unit townhome development; the 80 unit single-family, Old Sebastian Point; and Whispering Creek Town Center, a mixed use commercial and residential development actively under construction.

Many projects throughout the City experienced a slowdown or stop in activity during the economic recession, however, recent activity has demonstrated a positive shift in activity. The 749 unit Madeira project, north of the City along U.S. 1, has obtained refinancing after being threatened with foreclosure and is now expected to resume activity in the near future.

Flagler College is redeveloping the third tower of the former Flagler East Coast Railroad building as dormitories and this will complete the redevelopment of this important property on the King Street entry corridor into downtown.

Anastasia Boulevard

Now that construction is complete with the renovations of the Bridge of Lions, commercial development opportunities are being observed along Anastasia Boulevard. Commercial property owners have recently organized the Anastasia Business Association, new offices and a restaurant have been permitted, the Alligator Farm Zoological Park has constructed a new "zip line" attraction and an increase in the volume of development proposals is anticipated.

Historic Downtown

The historic downtown of the City has continued to experience positive development activity despite the recent economic recession. Few stores are vacant for any length of time and there is a continuous move on the part of entrepreneurs to seek commercial development activities in the downtown historic area. For instance, the Monterey Motel, once slated for a complete redevelopment, is now set for partial renovation and redevelopment. Public sector development of the Colonial Spanish Quarter Museum, the National Park Service Visitor's Orientation Center and grant assisted activities to improve pedestrian access to the Castillo de San Marcos are on-going. Flagler College has received architectural and zoning approval for its new Welcome Center and is now in the preliminary planning stages for its new Communications Department building, both of which are in the historic downtown area.

State Road 312 Corridor

The State Road 312 corridor has experienced some recent activity, as expressed earlier with the Islander development. However, the Antigua development, consisting of 455 residential units, and Fish Island development, consisting of 450 residential units, have not yet demonstrated renewed activity. The Antigua development was returned to the lending institution with partial infrastructure complete and remains a desirable development opportunity along the intercostal waterway. The Fish Island development has obtained dock permits from the State of Florida, but has not applied for a building permit.

CHALLENGES AND CONCERNS

As the City addresses the need for improved services, it is important that it identify the challenges which will face the community in future years.

Property Values

In addition to Florida's property-tax reform, the current economic crisis has devastated property values within the area. The City's ad valorem tax revenues have decreased for Fiscal Year 2011 with no improvement expected in the near term.

Budget and Growth Concerns

The City is still faced with a weakened and narrow economy. A continuation of weak economic conditions could strain the City's revenue base further requiring the City to make additional adjustments to maintain balanced operations.

The City has historically maintained strong reserves, as evidenced by its most recent bond ratings of A+/Stable, A+ and Aa3. There have, however, been recent decisions to make one-time draw-downs of reserves for non-budgeted expenditures. In order for the City to maintain its healthy financial position, additional draw-downs of reserves must be evaluated closely before approval.

Utility and Stormwater Infrastructure

As the City addresses its various requests for improved services, it is important that it identifies the challenges which will face the community in future years. Current challenges are caused by reduced growth and reduction in revenue projects coupled with excess capacity awaiting new connections.

As the economy has slowed, new service connections have diminished creating an excess service capacity. Maintaining underutilized facilities places some strain on the utility, however, it is considerably minimal in comparison to the rest of the system and can be easily maintained in its current configuration indefinitely.

The City is taking aggressive measures to conserve potable water and assure all billable water use is charged accordingly. New procedures and practices will better account for water usage and lost water, process for inspections, repair/replacement of meters, and for the calibration and adjustment of meters as necessary. This will ensure all revenue is captured and reduce the City's use of potable water for irrigation purposes.

Additionally, due to the age of the infrastructure of the utility system, the challenge is to make the best use of the available resources with limited maintenance dollars. As revenues are down, the department must use objective criteria to target improvements to extend life cycle and take measures to reduce labor costs through attrition. Therefore, a number of positions remain vacant that relate to engineering, development review, and utility connections.

West Augustine Community Redevelopment Area (CRA)

The West Augustine CRA is located within the City's utility service area. During Fiscal Year 2010 the City and St. Johns County entered into an inter-local agreement to help address concerns made by the CRA to provide sewer expansion into the area. To fulfill the City's role in the inter-local agreement, the City completed the West Augustine Master Sewer Plan in 2010. The Plan identified \$15 million of improvements to provide sewer to all areas of the CRA. Another provision of the inter-local agreement was for the City and the County to work together to find financing mechanisms to fund the sewer expansion and to address and solve the connection fee policy. Work is continuing between both agencies towards developing strategies to fund sewer expansion and to address connection fees to provide economic development to the blighted CRA. Such mechanisms include applications for grants or low cost loans with Community Development Block Grants (CDBG) and State Revolving Loan Fund (SRF) and the USDA Rural Small Community Grants.

Colonial Spanish Quarter

As discussed earlier, the Colonial Spanish Quarter is currently being upgraded through restoration, cross-training of staff, a new promotional and marketing strategy, the opening of the De Mesa Yard and the construction of a new trolley-train pull-off drive-through. For Fiscal Year 2011, the City's General Fund supplemented the operations of the Spanish Quarter with \$440,000. Once these improvements are fully in place, the City hopes to begin reducing this transfer from the General Fund. If the Spanish Quarter does not begin to realize increased revenue, the City will have to make decisions about the future of operations.

Galimore Center Pool

The Galimore Center Pool at Eddie Vickers Park is located within the Lincolnville neighborhood and is maintained by both the City and the County via inter-local agreement. The pool is currently closed and in need of repair before it can be reopened. The City is currently working with the County to establish a plan for the future of the pool.

MANAGEMENT DISCUSSION AND ANALYSIS

Included in the Financial Section of this Comprehensive Annual Financial Report is the Management Discussion and Analysis. This section provides a broad overview and analysis of the City's activities and should be used in conjunction with the Letter of Transmittal.

City of St. Augustine, Florida
Letter of Transmittal

DEBT ADMINISTRATION

The City does not have any outstanding property tax supported debt. Each of the proprietary debt issues are considered to be self-supporting because revenues derived from operations provide for the debt requirements on an annual basis. A summary of outstanding bond issues and long-term notes payable as of September 30, 2010, for the City are as follows:

Outstanding Bond Issue	Balance
Water and Sewer Revenue, 2005	\$ 10,950,000
Water and Sewer Revenue, 2003	12,849,012
Public Service Tax and Guaranteed Entitlement, 2001	10,505,000
Public Service Tax and Guaranteed Entitlement, 2004	<u>21,149,999</u>
Total Outstanding Bond Issues	<u>\$ 55,454,011</u>

The table below shows the City's debt service coverage for the Utility Fund for the year ended September 30, 2010.

Fiscal Year Ended	Gross Revenue	Operating Expenses	Net Revenue	Debt Service Requirements	Debt Service Coverage
2010	11,876,944	6,962,796	4,914,148	3,288,337	1.49

REPORTING ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of St. Augustine, Florida, for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2009. This is the 18th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy 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 Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

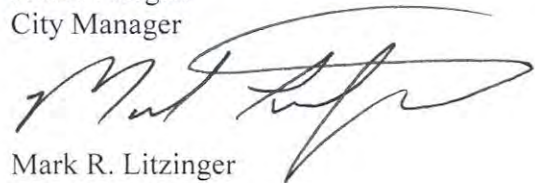
The presentation of this report, in a timely manner, was accomplished with the efficient and dedicated service of the City of St. Augustine's Finance, Budget and Management Department, and the CPA firm of Masters, Smith & Wisby, P.A.

We would like to express our appreciation to all members of the department who assisted and contributed to its preparation. We would also like to thank the Mayor and the members of the City Commission for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



John P. Regan
City Manager



Mark R. Litzinger
City Comptroller

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of St. Augustine
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

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.



President

Executive Director

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Principal City Officials

City of St. Augustine

Comprehensive Annual Financial Report For the Year Ended September 30th, 2010

Principal City Officials

City Commission

Mayor-Commissioner.....	Joseph Boles
Vice Mayor-Commissioner.....	Errol Jones
Commissioner.....	Donald Crichlow
Commissioner.....	Leanna Freeman
Commissioner.....	Nancy Sikes-Kline

City Staff

City Manager.....	John Regan
City Attorney.....	Ronald Brown
City Clerk.....	Vacant
Assistant City Manager.....	Timothy Burchfield
City Comptroller.....	Mark Litzinger
Police Chief.....	Loran Lueders
Fire Chief.....	Michael Arnold
Director, General Services.....	James Piggott
Director, Heritage Tourism.....	Dana Ste. Claire
Director, Planning & Building.....	Mark Knight
Director, Public Affairs.....	Paul Williamson
Director, Public Works.....	Martha Graham

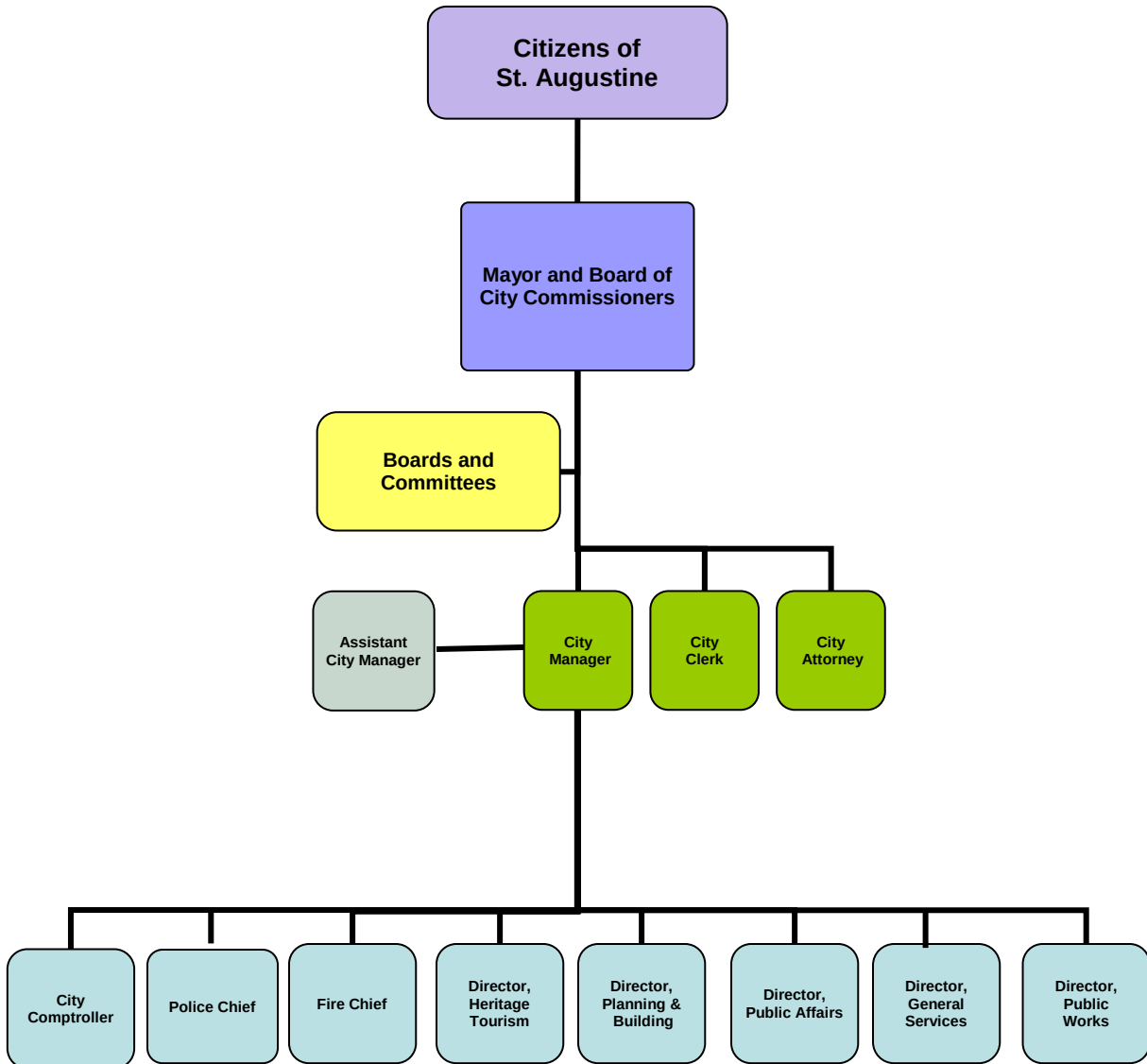
City Boards & Committees

Care & Share Committee
Civil Service Board
Code Enforcement, Adjustments & Appeals Board
Entry Corridor Review Committee
Firefighters' Retirement Board of Trustees
General Employees' Retirement Board
Historic Architectural Review Board (HARB)
Historic Preservation Advisory Committee (HPAC)
Parking & Traffic Committee
Planning & Zoning Board (PZB)
Police Officers' Retirement Board
Street Tree Advisory Committee (STAC)

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Organizational Chart

City of St. Augustine
Comprehensive Annual Financial Report
For the Year Ended September 30th, 2010
City Government Organizational Chart



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FINANCIAL SECTION

This Section Contains the Following:

Independent Auditors' Report

**Management Discussion and Analysis
(MD&A)**

Basic Financial Statements

**Required Supplementary Information
Other than MD&A**

Combining Statements

**Schedule of Expenditures of
Federal Awards and
State Financial Assistance**

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of the City Commission
Mr. John Regan, City Manager
City of St. Augustine, Florida
St. Augustine, 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 St. Augustine, Florida, as of and for the year 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 St. Augustine, Florida's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the City of St. Augustine Municipal Firefighters' Pension Trust Fund, whose statements reflect \$7,929,358 (19%) and \$498,680 (14%), respectively, of the net assets and change in net assets of the Fiduciary Funds. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Firefighters' Pension Fund in the Fiduciary Funds, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally acceptable 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 and 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 and the report of the other auditors provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, 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 St. Augustine, 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 and Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Honorable Mayor and Members
of the City Commission
Mr. John Regan, City Manager
City of St. Augustine, Florida
St. Augustine, Florida
Page Two**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2011, on our consideration of the City of St. Augustine, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of St. Augustine, Florida's basic financial statements. The combining financial statements as listed in the table of contents and the schedule of expenditures of federal awards and state financial assistance, as required by U.S. *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and by section 215.97, Florida Statutes, *Florida Single Audit Act*, and by Chapter 10.550, Rules of the Auditor General, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of St. Augustine, Florida. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical sections listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Masters, Smith & Wisely, P.A.

Certified Public Accountants

March 18, 2011

Management Discussion & Analysis

Management Discussion and Analysis

The City of St. Augustine's Management Discussion and Analysis (MD&A) is designed to provide an objective and easy to read analysis of the City of St. Augustine's financial activities based on currently known facts, decisions and conditions. It is intended to provide a broad overview and short-term and long-term analysis of the City's activities based on information presented in the financial statements. Specifically, this information is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, distinguish material deviations from the approved budget and recognize any individual fund concerns.

The information contained within this MD&A is designed to focus on the current year's activities, resulting changes and currently known facts and is only a component of the entire financial statement report. We encourage readers to consider the information contained in this discussion in conjunction with additional information contained in our transmittal letter beginning on page 1 in the front of this report, and the City's financial statements beginning on page 41.

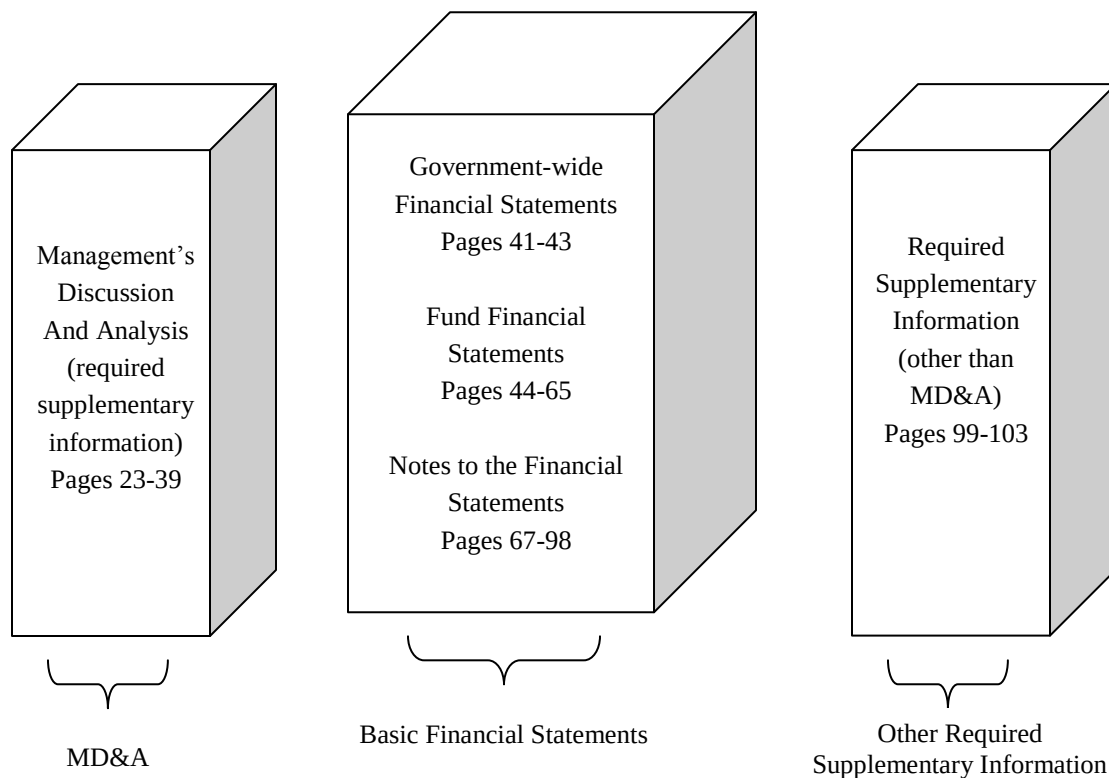
Financial Highlights

- The City's assets at the close of the most recent fiscal year exceeded its liabilities (reported as net assets) by \$85,663,808. Of this amount, \$25,382,154 (unrestricted net assets) can be used to meet the government's ongoing obligations to citizens and creditors. The City's net assets increased by \$2,296,527 (or 2.75%) from the previous year.
- Governmental net assets decreased by \$424,571 (or 1.5%) for the current fiscal year and governmental unrestricted net assets were equal to \$10,794,948.
- Business-type net assets increased by \$2,721,098 as restated (or 4.9%). Business-type unrestricted net assets were equal to \$14,587,206.
- The governmental fund activities revenue decreased by \$566,027 (or 2.3%). The current year's activities produced a decrease in net assets of \$424,471 compared to the previous year's decrease of \$703,054.
- The business-type activities operating revenue increased by \$222,454 (or 1.1%). The current year's activities produced an increase in net assets of \$2,721,098 compared to the previous year's restated increase of \$2,812,041.
- The City's total debt decreased by a net \$2,294,632 during the fiscal year.

Overview of the Financial Statements

Using the Annual Report

The following graphic is provided for your review to better understand this report's layout.



The City's basic financial statements are comprised of three components: Government-wide Financial Statements, Fund Financial Statements and Notes to the Financial Statements. The report also includes Required Supplementary Information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements report on the City as a whole. The statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. There are two government-wide statements. Both distinguish functions of the City that are principally supported by taxes, licenses and permits, 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 Government-wide Financial Statements can be found on pages 41-43 of this report.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or weakening. However, other factors should be considered such as the condition of the City's capital assets to assess the overall health of the City.

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

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. 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, like other state and local governments, uses fund accounting to ensure and demonstrate legal compliance with finance-related legal requirements. The City chose to include the required budget-to-actual comparisons in the fund financial statements of its financial report. The City has three fund categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds report basic services, which focus on near-term inflows and outflows of available resources and their balances at year-end. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences are reconciled between government-wide activities (reported in the statement of net assets and the statement of activities) and governmental funds on separate schedules following the respective governmental funds.

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2010

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City opted to report all funds as major funds which include the following: General Fund, Debt Service Fund, Special Revenue Fund, Capital Projects Fund and Permanent Fund.

The City of St. Augustine adopts an annual appropriated budget for its General Fund and Special Revenue Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with their budget.

Proprietary funds are used to account for revenues and expenses from services provided on a user-charge basis to the public. Proprietary fund activities are reported on the same accounting basis and measurement focus as the statement of activities, which is similar to that found in the private sector and provides a periodic measurement of net income. The City's proprietary activities are accounted for in enterprise funds. The City opted to report all funds as major funds which include the following: Utility Fund, Stormwater Fund, Solid Waste Fund, Municipal Marina Fund, Visitor Information Center Fund and Heritage Tourism Fund.

Fiduciary funds report information about financial arrangements in which the City acts solely as an agent or trustee for others. The City is responsible for ensuring these resources are used for their intended purposes. Since the funds are not resources of the City, but are held for the benefit of others, we exclude these activities from the government-wide statements. The City's fiduciary funds include the following: General Pension Fund, Police Pension Fund and Fire Pension Fund.

Notes to the Financial Statements & Other Information

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The required supplementary information includes the schedules of funding progress and contributions for the fiduciary funds. The combining statements include the fiduciary funds combined but in more detail than the government-wide. Additional statistical information is presented to give users of the report a historical perspective and to assist in determining current financial trends of the City.

Financial Analysis

City as a whole

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$85,663,808 as of September 30, 2010. A portion of the City's net assets of \$57,913,687 (or 67.61%), reflects its investments in capital assets less any related debt used to acquire these assets that is still outstanding. The City uses capital assets to provide services to citizens; therefore, these assets are not available for future spending. The governmental unrestricted net asset of \$10,794,948 is a decrease of \$1,299,337

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2010

from the previous year. This is due to a transfer of surplus funds to cover Commission approved projects that were beyond the normal operating budget. The business-type unrestricted net assets decreased \$494,287 from the previous year, as restated, primarily due to an investment of unrestricted net assets into capital assets.

Restricted net assets of the City in the amount of \$2,367,967 are reported in both governmental and business-type activities. These net assets have limits on their use that are externally imposed. The majority of these resources can be used only for renewal and replacement of existing utility infrastructure.

Unrestricted net assets of the City in the amount of \$25,382,154 can be used to meet the City's ongoing obligations to citizens and creditors. The terms restricted and unrestricted are governed by generally accepted accounting principles and do not fully consider City management decisions regarding spending limitations. Accounting principles may not restrict some amounts that have been earmarked for future uses governed by managerial decisions and plans.

City of St. Augustine

Summary of Net Assets as of September 30th, 2010, with comparative data for 2009

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 14,446,128	\$ 15,389,407	\$ 18,972,204	\$ 18,968,658	\$ 33,418,332	\$ 34,358,065
Capital Assets	23,781,410	23,278,055	89,586,289	88,686,286	113,367,699	111,964,341
Total Assets	38,227,538	38,667,462	108,558,493	107,654,944	146,786,031	146,322,406
Current and Other Liabilities	3,411,758	3,100,173	2,256,454	2,106,309	5,668,212	5,206,482
Long-term Debt Outstanding	7,331,955	7,658,893	48,122,056	50,089,750	55,454,011	57,748,643
Total Liabilities	10,743,713	10,759,066	50,378,510	52,196,059	61,122,223	62,955,125
Net Assets:						
Invested in Capital Assets, Net of Related Debt	16,449,454	15,619,162	41,464,233	38,596,536	57,913,687	54,215,698
Restricted	239,423	194,949	2,128,544	1,780,856	2,367,967	1,975,805
Unrestricted	10,794,948	12,094,285	14,587,206	15,081,493 *	25,382,154	27,175,778
Total Net Assets	\$ 27,483,825	\$ 27,908,396	\$ 58,179,983	\$ 55,458,885 *	\$ 85,663,808	\$ 83,367,281

* As restated, see Footnote below.

*The City restated its 2009 Total Net Assets to reflect two grant receivables that the City no longer plans to receive. This restatement results in reduction of Unrestricted Net Assets and therefore Total Net Assets of \$489,550.

Management Discussion and Analysis

As noted earlier, the statement of activities presents information showing how the government's net assets changed during the most recent fiscal year.

Statement of Activities for the year ended September 30th, 2010, with comparative data for 2009
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues:						
Charges for Services	\$ 5,627	\$ 5,677	\$ 20,983	\$ 20,558	\$ 26,610	\$ 26,235
Operating Grants and Contributions	264	396	-	-	264	396
Capital Grants and Contributions	763	594	1,047	1,448 *	1,810	2,042
General Revenues:					-	-
Taxes	14,570	15,022	-	-	14,570	15,022
Fees	1,415	1,465	-	-	1,415	1,465
Revenue Sharing	548	548	-	-	548	548
Investment Income	41	124	45	136	86	260
Miscellaneous	920	888	-	-	920	888
Total Revenues	24,148	24,715	22,075	22,142	46,223	46,856
Program Expenses Including						
Indirect Expenses						
General Administration	9,478	10,030	-	-	9,478	10,030
Public Safety	8,193	8,280	-	-	8,193	8,280
Physical Environment	3,464	3,512	-	-	3,464	3,512
Transportation	1,148	1,329	-	-	1,148	1,329
Culture/Recreation	518	526	-	-	518	526
Interest/Fiscal Charges on Long-term Debt	370	390	-	-	370	390
Utilities	-	-	10,621	10,685	10,621	10,685
Stormwater	-	-	467	539	467	539
Solid Waste	-	-	2,681	2,707	2,681	2,707
Municipal Marina	-	-	2,208	1,988	2,208	1,988
Visitor Information Center	-	-	3,068	-	3,068	-
Heritage Tourism	-	-	1,712	4,762	1,712	4,762
Total Expenses	23,171	24,067	20,757	20,681	43,928	44,747
Increase in Net Assets Before Transfers	977	648	1,318	1,461	2,295	2,109
Transfers	(1,402)	(1,351)	1,402	1,351	-	-
Increase in Net Assets	(425)	(703)	2,720	2,812 *	2,295	2,109
Net Assets - Beginning	27,908	28,611	55,459	52,647	83,367	81,258
Net Assets - Ending	\$ 27,483	\$ 27,908	\$ 58,179	\$ 55,459	\$ 85,662	\$ 83,367

*The City restated its 2009 Statement of Activities to reflect two grant receivables that the City no longer plans to receive.

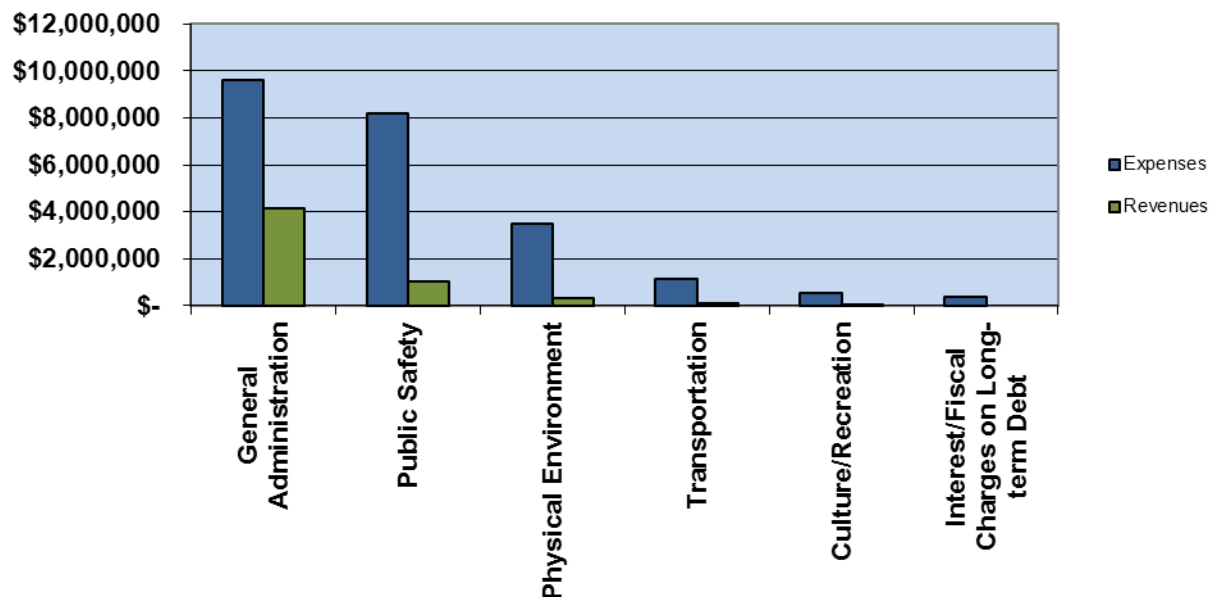
Governmental Activities

Governmental activities decreased the City's net assets by \$541,224. Key elements of this decrease are as follows:

- Although general fund revenues exceeded the budget by \$1,011,121, a transfer of \$1,320,217 was made from general fund surplus to cover Commission approved projects that were outside of the regular budget.
- General fund expenditures exceeded the budget by \$208,945. This was primarily due to an increase in capital outlay expenditures.

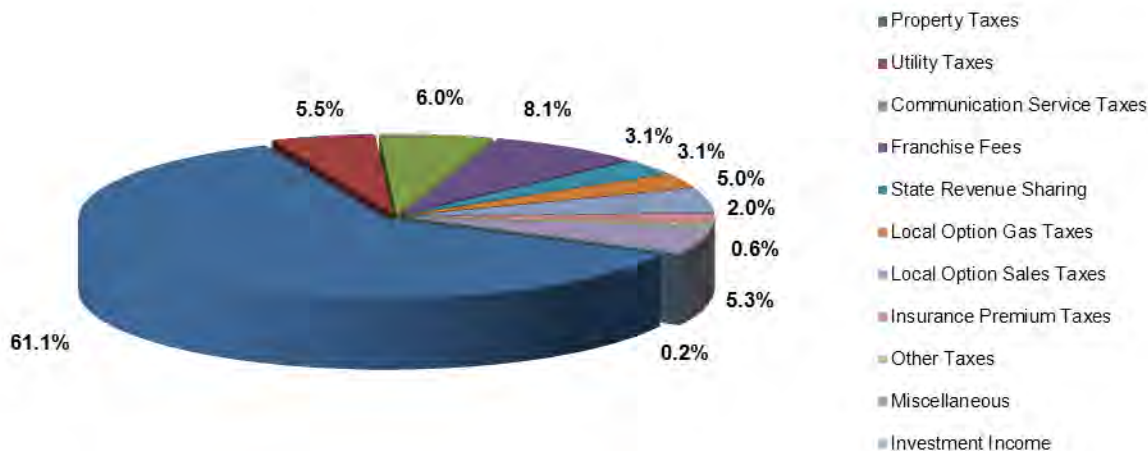
Program revenues are revenues that can be assigned or are attributable to a specific program. These revenues account for \$6,654,682 (or 27.56%) of total governmental activities revenue. The chart below shows governmental activities by program with their respective expenses and revenues.

Program Expenses and Revenues - Governmental Activities



General revenues are revenues that fail to meet the criteria of program specific revenues. General revenues account for \$17,494,026 (or 72.45%) of total governmental activities revenue. The chart below shows total general revenues by category.

General Revenues - Governmental Activities



Business-type Activities

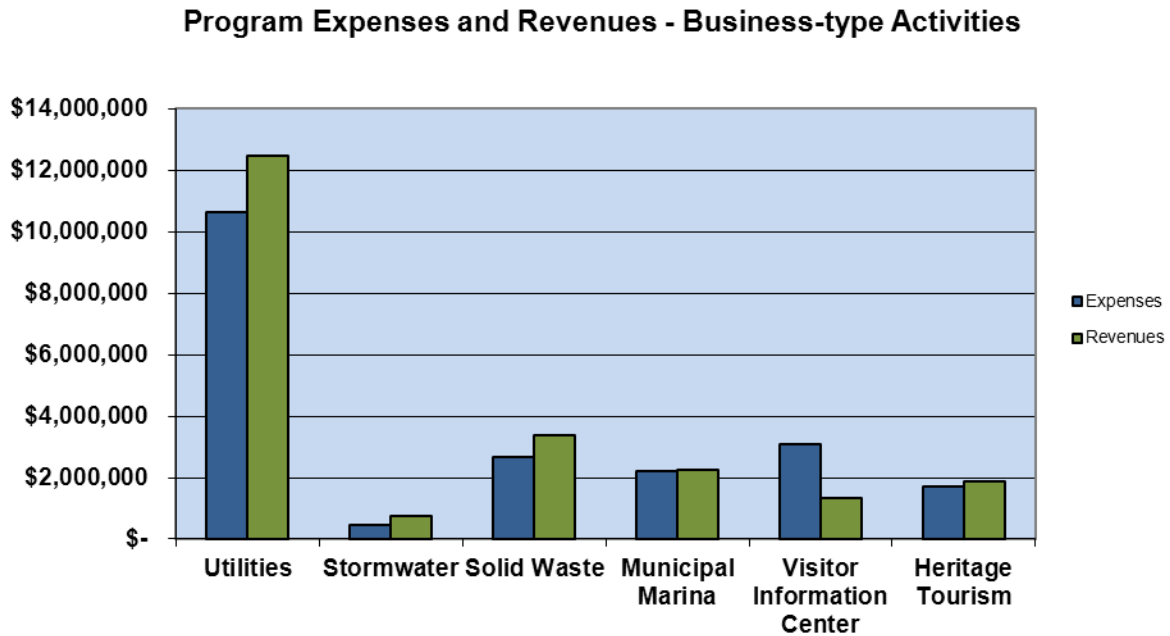
Business-type activities increased the City's net assets by \$2,721,098. Key elements of this increase are as follows:

- The business-type activities that are primarily driven by growth and development added \$3,296,515 to net assets. The majority of this addition can be attributed to charges for services and developer contributions of land, rights-of-way and infrastructure.
- The business-type activities that are primarily driven by the economy and tourism experienced a loss in net assets of \$575,417. This is primarily attributed to an operating loss in the Visitor Information Center Fund and interest expense for the Visitor Information Fund.

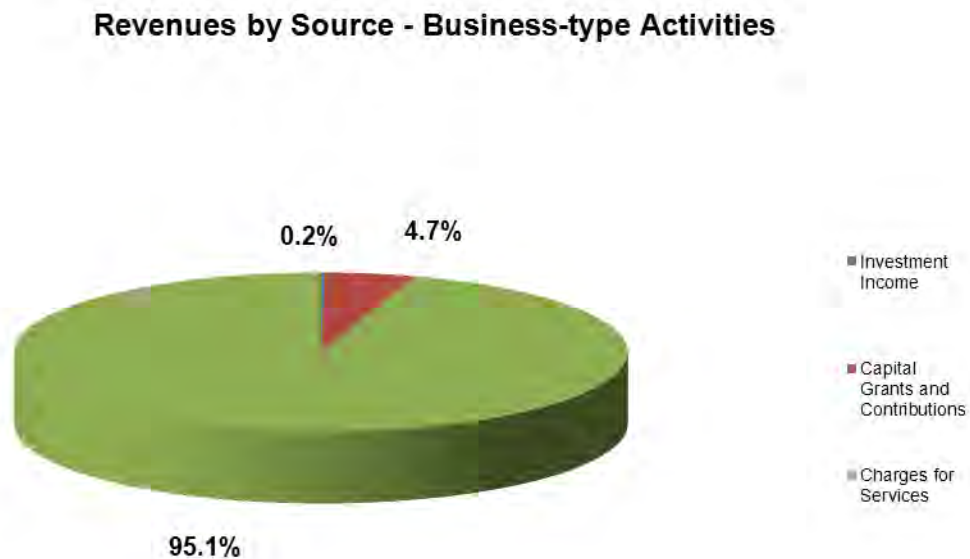
Program revenues are revenues that can be assigned or are attributable to a specific program. These revenues account for \$22,030,378 (or 99.8%) of total business-type activities revenue.

**City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2010**

The chart below shows business-type activities by program with their respective expenses and revenues.



Total revenues for business-type activities amounted to \$22,075,523. Below is a chart depicting business-type activities by source.



Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This 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.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,282,794, a decrease of \$1,091,924 from the previous fiscal year. The majority of this total amount, \$10,759,201 (or 87.60%) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remaining \$1,523,593 (or 12.40%) is designated to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$10,704,273 while the total fund balance was \$11,607,122. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and the total fund balance to the total fund expenditures.

Unreserved fund balance represents 48.7% of the total General Fund expenditures, while total fund balance represents 57.9% of that same amount.

The fund balance of the City's General Fund decreased by \$853,072 over the previous fiscal year. Key factors for this are as follows:

- Although general fund revenues exceeded the budget by \$1,011,121, a transfer of \$1,320,217 was made from general fund surplus to cover Commission approved projects that were outside of the regular budget.
- General fund expenditures exceeded the budget by \$208,945. This was primarily due to an increase in capital outlay expenditures.

The Debt Service Fund is the fund used to set aside resources to meet current debt service requirements on general long-term debt.

The Special Revenue Fund maintains certain revenue raised to be used for a specific purpose. At the end of the current fiscal year, the total fund balance was \$557,195. The fund balance decreased by \$284,882 below the previous fiscal year. This decrease is due mainly to the decrease in intergovernmental revenues received for the fiscal year.

The Capital Projects Fund is used to report major capital acquisitions and construction separately from ongoing operating activities. At the end of the current fiscal year, the total fund balance was \$54,928. The fund balance increased by \$45,906 compared to the previous fiscal year.

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2010

The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used to support the City's programs. At the end of the current fiscal year, the total fund balance was \$63,549. The fund balance increased by \$124 over the previous year. This increase is due to interest earned on the Anderson and Woodman Trust Funds throughout the year.

Proprietary Funds

The City's proprietary funds provide the same type of information provided in the government-wide statements, but in more detail. The tables below list the net assets summaries for the various enterprise funds.

Summary of Change in Net Assets - Proprietary Funds
For the Year Ended September 30, 2010
(in thousands)

	Utility	Storm Water Drainage	Solid Waste	Municipal Marina	Visitor Information Center	Heritage Tourism	Total Proprietary
Net Assets - Beginning	\$ 48,359	\$ 5,151	\$ 1,809	\$ 1,031	\$ (510) *	\$ (380)	\$ 55,459
Change in Net Assets	2,281	213	803	61	(607)	(30)	2,721
Net Assets - Ending	\$ 50,639	\$ 5,364	\$ 2,612	\$ 1,092	\$ (1,116)	\$ (410)	\$ 58,180

Net Assets As of September 30, 2010

	Utility	Storm Water Drainage	Solid Waste	Municipal Marina	Visitor Information Center	Heritage Tourism	Total Proprietary
Invested in Capital Assets,							
Net of Related Debt	\$ 39,820	\$ 1,772	\$ 1,308	\$ 874	\$ (2,925)	\$ 614	\$ 41,464
Restricted	1,880	-	-	-	-	249	2,129
Unrestricted	8,940	3,591	1,303	217	1,808	(1,273)	14,587
Total Net Assets	\$ 50,639	\$ 5,364	\$ 2,612	\$ 1,092	\$ (1,116)	\$ (410)	\$ 58,180

* The City restated its 2009 Total Net Assets to reflect two grant receivables that the City no longer plans to receive.

**City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2010**

Cumulatively, the proprietary funds had a \$2,721,098 increase in net assets. Key factors pertaining to this increase are as follows:

- The Utility Fund had a \$2,280,634 increase in net assets from the previous year. The fund had an operating income of \$2,116,624 due mainly to reduced operating expenses. Additionally, the fund received \$343,318 in developer contributions and \$633,170 in state grants.
- Of the increase in proprietary funds, \$212,645 can be attributed to the Stormwater Fund. The Stormwater Fund often accumulates money for future projects that are large in scope.
- The Solid Waste Fund experienced an increase in net assets of \$803,236. This amount can be attributed to the continued reduction in operating expenditures.
- The Municipal Marina Fund had a slight increase in net assets of \$61,173.
- The Visitor Information Center Fund had a decrease in fund balance of \$606,703. This is primarily attributed to depreciation expense for the VIC Garage.
- The Heritage Tourism Fund experienced a slight decrease in net assets of \$29,887.

General Fund Budgetary Highlights

There are no material differences between the original budget and the final amended budget for appropriations (expenditures) in the General Fund. There were no material budgetary changes to the General Fund budgets and all budgetary policies and controls were adhered to throughout the year. (See budget to actual comparison on page 51.)

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2010

Capital Asset and Long-term Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2010, amounts to \$113,367,698 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was 1.25%.

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ 6,563,747	\$ 6,311,529	\$ 1,130,003	\$ 1,130,003	\$ 7,693,750	\$ 7,441,532
Capitalized Interest	116,655	123,946	1,275,912	1,362,933	1,392,567	1,486,879
Buildings	9,800,376	7,627,776	35,693,270	22,203,223	45,493,646	29,830,999
Infrastructure	4,825,718	4,987,160	44,577,798	37,629,079	49,403,516	42,616,239
Machinery	1,423,448	1,717,714	1,698,159	1,653,056	3,121,607	3,370,770
Total	22,729,944	20,768,125	84,375,142	63,978,294	107,105,086	84,746,419
Work in Progress	1,051,465	2,509,930	5,211,147	24,707,992	6,262,612	27,217,922
Total	<u>\$ 23,781,409</u>	<u>\$ 23,278,055</u>	<u>\$ 89,586,289</u>	<u>\$ 88,686,286</u>	<u>\$ 113,367,698</u>	<u>\$ 111,964,341</u>

The following reconciliation summarizes the change in capital assets, which is presented in detail on pages 77-78 of the Notes to the Financial Statements.

	Governmental Activities	Business-type Activities	Total
Beginning Balance	\$ 23,278,055	\$ 88,686,286	\$ 111,964,341
Additions	3,374,434	24,230,591	27,605,025
Retirement	(114,879)	(117,005)	(231,884)
CWIP	(1,458,465)	(19,496,845)	(20,955,310)
Other	-	-	-
Depreciation	<u>(1,297,736)</u>	<u>(3,716,738)</u>	<u>(5,014,474)</u>
Ending Balance	<u>\$ 23,781,409</u>	<u>\$ 89,586,289</u>	<u>\$ 113,367,698</u>

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2010

The City currently has the following construction work-in-progress:

Wastewater Improvements	1,947,589
Salt Run Dredging	716,117
Mooring Field	367,238
Aviles Street Renovation	209,246
Riberia Street Phase II	183,231
Riberia Street Design	133,339
Water Treatment Plant	117,288
FDOT Traffic Engineering Safety Study	88,168
LRPO Concentrate Disposal Permitting	65,887
Pump Station Rehabilitation	63,077
N. Matanzas Blvd & Andreas St. Watermain	57,268
Aviles Street Improvements	37,302
Waterworks Building Repairs	27,787
Infil and Inflow Elimination	26,000
Design Horizontal Directional Drill	16,248
Trolley Train Drop Off	10,391
Archaeology Building Repair	9,199
Utility Building Office Remodel	948
Palmer Street Watermain Upgrade	139
Flagler Blvd Watermain	126
Total	<u><u>\$ 6,262,612</u></u>

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

Water Treatment Plant	\$ 14,482,027
Northwest Force Main	6,706,303
Fleet Building	2,813,766
Wastewater Treatment Plant Pipe Repairs	708,802
Milton Street Water Main	351,683
Land Purchase-101 S. Ponce de Leon	252,215
Street Sweeper	179,745
Transmission and Distribution Improvements	168,024
Marina Repairs	166,920
King Street Seg 3	152,684
Pump Station Improvements	115,094
Truck, Freightliner with Grapple Boom	114,537
Streets Improvements	102,701
	<u><u>\$ 26,314,501</u></u>

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2010

Long-Term Debt

At the end of fiscal year 2010, the City had total debt outstanding of \$55,454,011. All of this debt is secured solely by specified revenue sources. More detail on the long-term debt is presented on pages 79-85 of the Notes to the Financial Statements.

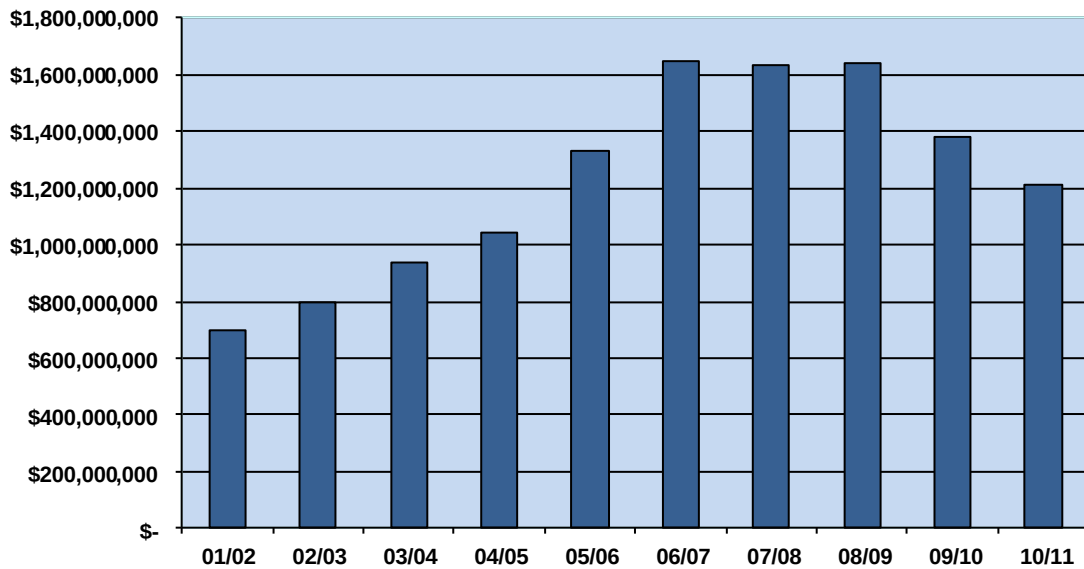
	2010	2009
Governmental:		
Revenue Bonds	\$ 7,331,955	\$ 7,658,893
Business Type:		
Water & Sewer Revenue Bonds	23,799,012	25,363,644
Municipal Marina Revenue Bonds	814,002	930,486
Heritage Tourism Revenue Bonds	23,509,042	23,795,620
Total	\$ 55,454,011	\$ 57,748,643

Economic Factors

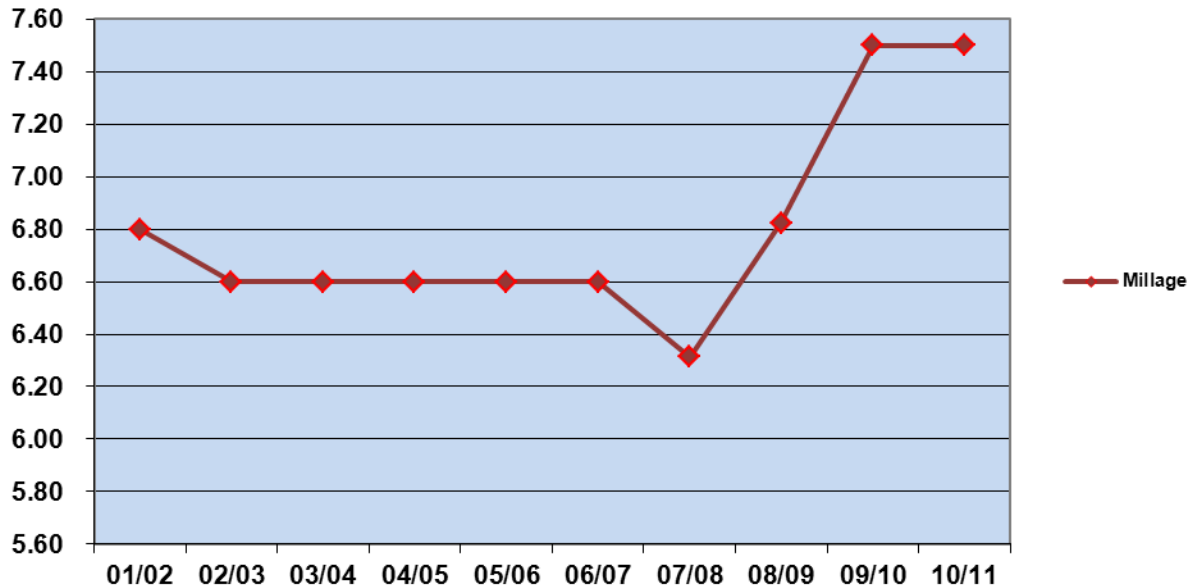
The City primarily relies on property and a limited array of permitted or other taxes and fees for governmental activities. There are a number of state-shared revenues and recurring and non-recurring grants from both the state and federal governments. Property values within the City have continued to fall over the last three years with the current economic state. Although the City was able to compensate for most of the lost tax revenue with a decrease in governmental activity expenses, the level of services offered to its citizens has still been impacted.

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2010

City of St. Augustine Total Taxable Value



Property Tax Rate Comparison



City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2010

The City regularly competes with the County for growth and expansion of services in an attempt to offset cost and lower customer fees. The level of taxes, fees and charges for services will have a bearing on the City's specific competitive ability to annex additional land into its corporate limits and encourage development to choose to locate within its jurisdiction.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, contact the City Comptroller's office located at the Financial Services Center, 50 Bridge Street, St. Augustine, Florida 32084.

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Basic Financial Statements

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Net Assets
September 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 10,906,763	\$ 13,501,388	\$ 24,408,151
Receivables (Net)	1,124,114	2,260,915	3,385,029
Due from Other Governments	4,017	-	4,017
Inventories	591,731	322,700	914,431
Prepaid Items	180,297	-	180,297
Investments, At Fair Value	7,500	-	7,500
Net Pension Assets	955,832	-	955,832
Restricted Assets:			
Cash and Cash Equivalents	675,875	2,128,544	2,804,419
Capital Assets:			
Non-Depreciable	6,965,571	6,341,150	13,306,721
Depreciable (Net)	16,815,838	83,245,139	100,060,977
Deferred Charges	-	758,657	758,657
Total Assets	38,227,538	108,558,493	146,786,031
LIABILITIES			
Accounts Payable and Accrued Expenses	1,032,888	1,512,897	2,545,785
Deposits	-	313,230	313,230
Unearned Revenue	174,615	-	174,615
Net Insurance Obligation	239,636	-	239,636
Non-Current Liabilities:			
Due Within One Year:			
Compensated Absences	79,333	30,550	109,883
Bonds Payable	341,823	2,628,177	2,970,000
Deferred Charges - Defeased Bond Cost	-	(191,532)	(191,532)
Due in More Than One Year			
Compensated Absences	1,885,286	485,244	2,370,530
Bonds Payable	6,990,132	45,493,879	52,484,011
Deferred Charges - Defeased Bond Cost	-	106,065	106,065
Total Liabilities	10,743,713	50,378,510	61,122,223
NET ASSETS			
Invested in Capital Assets (Net of Related Debt)	16,449,454	41,464,233	57,913,687
Restricted for:			
Expendable			
Capital Projects	54,928	-	54,928
Renewal and Replacement	-	1,879,846	1,879,846
Other	120,946	248,698	369,644
Non-Expendable			
Permanent Fund	63,549	-	63,549
Unrestricted	10,794,948	14,587,206	25,382,154
Total Net Assets	\$ 27,483,825	\$ 58,179,983	\$ 85,663,808

See accompanying notes to basic financial statements

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Activities
For Year Ended September 30, 2010

FUNCTION/PROGRAM ACTIVITIES	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General Government	\$ 9,477,947	\$ 4,159,321	\$ -	\$ 763,338
Public Safety	8,192,511	1,001,276	264,405	-
Physical Environment	3,464,066	301,983	-	-
Transportation	1,148,640	117,612	-	-
Culture/Recreation	517,985	46,747	-	-
Interest/Fiscal Charges on Long-term Debt	369,659	-	-	-
Total Governmental Activities	23,170,808	5,626,939	264,405	763,338
Business-type Activities:				
Utilities	10,620,601	11,471,373	-	976,488
Stormwater	466,522	747,339	-	-
Solid Waste	2,681,359	3,363,968	-	-
Municipal Marina	2,207,992	2,197,463	-	70,485
Visitor Information Center	3,068,303	1,327,438	-	-
Heritage Tourism	1,712,119	1,875,824	-	-
Total Business-type Activities	20,756,896	20,983,405	-	1,046,973
Total Primary Government	\$ 43,927,704	\$ 26,610,344	\$ 264,405	\$ 1,810,311

General Revenues:

Property Taxes
Utility Taxes
Communication Service Taxes
Franchise Fees
State Revenue Sharing, Unrestricted
Local Option Gas Taxes
Local Option Sales Taxes
Insurance Premium Taxes
Other Taxes
Miscellaneous
Investment Income

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year (as restated)

Net Assets - End of Year

See accompanying notes to basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (4,555,288)	\$ -	\$ (4,555,288)
(6,926,830)	-	(6,926,830)
(3,162,083)	-	(3,162,083)
(1,031,028)	-	(1,031,028)
(471,238)	-	(471,238)
(369,659)	-	(369,659)
(16,516,126)	-	(16,516,126)
-	1,827,260	1,827,260
-	280,817	280,817
-	682,609	682,609
-	59,956	59,956
-	(1,740,865)	(1,740,865)
-	163,705	163,705
-	1,273,482	1,273,482
(16,516,126)	1,273,482	(15,242,644)
10,690,906	-	10,690,906
961,872	-	961,872
1,046,752	-	1,046,752
1,415,038	-	1,415,038
547,520	-	547,520
535,223	-	535,223
878,398	-	878,398
357,602	-	357,602
99,409	-	99,409
919,858	-	919,858
41,448	45,145	86,593
(1,402,471)	1,402,471	-
16,091,555	1,447,616	17,539,171
(424,571)	2,721,098	2,296,527
27,908,396	55,458,885	83,367,281
\$ 27,483,825	\$ 58,179,983	\$ 85,663,808

CITY OF ST. AUGUSTINE, FLORIDA

Balance Sheet

Governmental Funds

September 30, 2010

	General	Debt Service	Special Revenue
ASSETS			
Cash and Cash Equivalents	\$ 10,822,468	\$ -	\$ -
Receivables (Net of Allowance for Uncollectibles)	1,124,114	-	-
Due from Other Funds	256	-	-
Due from Other Governments	4,017	-	-
Inventories, At Cost	591,731	-	-
Prepaid Expenditures	180,297	-	-
Investments, At Fair Value	7,500	-	-
Restricted Assets:			
Cash and Cash Equivalents	-	-	557,195
Total Assets	\$ 12,730,383	\$ -	\$ 557,195
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 836,535	\$ -	\$ -
Unearned Revenue	174,615	-	-
Accrued Expenditures	112,111	-	-
Due to Other Funds	-	-	-
Total Liabilities	1,123,261	-	-
Fund Balances:			
Reserved for:			
Inventories	591,731	-	-
Police Education/Confiscation/Donations	120,946	-	-
Tree Memorial Fund	9,875	-	-
Prepaid Expenditures	180,297	-	-
Community Redevelopment Area	-	-	557,195
Trust Funds	-	-	-
Unreserved, Reported In:			
General Fund	10,704,273	-	-
Capital Projects Fund	-	-	-
Total Fund Balances	11,607,122	-	557,195
Total Liabilities and Fund Balances	\$ 12,730,383	\$ -	\$ 557,195

See accompanying notes to basic financial statements

Capital Projects	Permanent	Total Governmental
\$ 84,242	\$ 53	\$ 10,906,763
-	-	1,124,114
-	-	256
-	-	4,017
-	-	591,731
-	-	180,297
-	-	7,500
54,928	63,752	675,875
\$ 139,170	\$ 63,805	\$ 13,490,553

\$ 84,242	\$ -	\$ 920,777
-	-	174,615
-	-	112,111
-	256	256
84,242	256	1,207,759

-	-	591,731
-	-	120,946
-	-	9,875
-	-	180,297
-	-	557,195
-	63,549	63,549
-	-	10,704,273
54,928	-	54,928
54,928	63,549	12,282,794
\$ 139,170	\$ 63,805	\$ 13,490,553

CITY OF ST. AUGUSTINE, FLORIDA
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets
September 30, 2010

Total Governmental Fund Balances		\$ 12,282,794
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	43,520,832	
Less accumulated depreciation	(19,739,423)	
	23,781,409	
		23,781,409

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities (net of discounts/premiums and deferred amounts on refunding) at year-end consist of:

Governmental bonds payable	(7,331,955)	
Compensated absences	(1,964,619)	
		(9,296,574)

Net pension assets/obligations and net insurance assets/obligations are not reported as assets/liabilities of the governmental funds.

Net pension assets	955,832	
Net insurance obligations	(239,636)	
		716,196

Net Assets of Governmental Activities		\$ 27,483,825
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See accompanying notes to basic financial statements

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CITY OF ST. AUGUSTINE, FLORIDA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2010

	General	Debt Service	Special Revenue
REVENUES			
Ad Valorem Taxes	\$ 10,361,986	\$ -	\$ -
Sales, Use and Gas Taxes	892,825	-	-
Utility and Communications Service Taxes	2,008,624	-	-
Grants	1,027,743	-	-
Intergovernmental	1,563,756	-	328,920
Franchise Fees	1,415,038	-	-
Licenses, Permits and Other Fees	2,567,238	-	-
Fines and Forfeitures	280,874	-	-
Administrative Overhead Charges	1,983,565	-	-
Investment Income	32,093	630	5,095
Miscellaneous	1,676,693	-	-
Total Revenues	23,810,435	630	334,015
EXPENDITURES			
Current Operating:			
General Government	7,169,422	-	-
Public Safety	8,143,485	-	-
Physical Environment	3,346,170	-	-
Transportation	1,112,354	-	-
Culture/Recreation	517,985	-	-
Capital Outlay	1,689,786	-	-
Debt Service:			
Principal Retirement	-	326,938	-
Interest and Other	-	369,659	-
Total Expenditures	21,979,202	696,597	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,831,233	(695,967)	334,015
OTHER FINANCING SOURCES (USES)			
Transfers In	856,571	695,967	513,938
Transfers (Out)	(3,540,876)	-	(1,132,835)
Total Other Financing Sources (Uses)	(2,684,305)	695,967	(618,897)
Net Change in Fund Balances	(853,072)	-	(284,882)
Fund Balances - Beginning	12,460,194	-	842,077
FUND BALANCES - ENDING	\$ 11,607,122	\$ -	\$ 557,195

See accompanying notes to basic financial statements

Capital Projects	Permanent	Total Governmental
\$ -	\$ -	\$ 10,361,986
-	-	892,825
-	-	2,008,624
-	-	1,027,743
-	-	1,892,676
-	-	1,415,038
-	-	2,567,238
-	-	280,874
-	-	1,983,565
3,449	180	41,447
-	-	1,676,693
3,449	180	24,148,709
851,413	-	8,020,835
-	-	8,143,485
-	-	3,346,170
-	-	1,112,354
-	-	517,985
310,950	-	2,000,736
-	-	326,938
-	-	369,659
1,162,363	-	23,838,162
(1,158,914)	180	310,547
1,210,217	-	3,276,693
(5,397)	(56)	(4,679,164)
1,204,820	(56)	(1,402,471)
45,906	124	(1,091,924)
9,022	63,425	13,374,718
\$ 54,928	\$ 63,549	\$ 12,282,794

CITY OF ST. AUGUSTINE, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2010

Net Change in Fund Balances - Total Governmental Funds **\$ (1,091,924)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital and related assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.

Expenditures for capital assets	2,000,736	
Less: current year depreciation and amortization	<u>(1,297,736)</u>	703,000

The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.

Gain/loss on transfer of capital assets to proprietary fund	(52,582)	
Cost of capital assets sold or retired net	<u>(147,063)</u>	(199,645)

Borrowing and repayment of bond principal is either a revenue or an expenditure in the governmental funds, the borrowing and repayment of principal either increases or reduces long-term liabilities in the statement of net assets.

Principal payments and retirement of debt	<u>326,938</u>	326,938
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Government funds do not report negative net pension obligations or net insurance obligations as assets/liabilities of the general fund.

Net pension asset	(121,842)	
Net insurance obligation	<u>(104,982)</u>	(226,824)

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.

Change in long-term compensated absences	<u>63,884</u>	63,884
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Change in Net Assets of Governmental Activities	<u><u>\$ (424,571)</u></u>
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See accompanying notes to basic financial statements

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 12,741,924	\$ 12,741,924	\$ 13,263,435	\$ 521,511
Intergovernmental	2,421,929	2,457,835	2,591,499	133,664
Licenses, Permits and Fees	4,063,475	4,063,475	3,982,266	(81,209)
Fines and Forfeitures	305,500	305,500	280,874	(24,626)
Administrative Service Charges	2,026,750	2,026,750	1,983,565	(43,185)
Investment Income	84,250	84,250	32,093	(52,157)
Proceeds from Sale of Land				-
Miscellaneous	1,102,890	1,119,580	1,676,703	557,123
Total Revenues	22,746,718	22,799,314	23,810,435	1,011,121
EXPENDITURES				
Current Operating:				
General Government	7,095,800	7,137,977	7,169,422	(31,445)
Public Safety	8,070,691	8,074,726	8,143,485	(68,759)
Physical Environment	3,570,265	3,570,265	3,346,170	224,095
Transportation	1,162,209	1,162,209	1,112,354	49,855
Culture/Recreation	539,190	538,701	517,985	20,716
Capital Outlay	1,169,019	1,286,379	1,689,786	(403,407)
Total Expenditures	21,607,174	21,770,257	21,979,202	(208,945)
Excess of Revenues Over Expenditures	1,139,544	1,029,057	1,831,233	802,176
OTHER FINANCING SOURCES (USES)				
Transfers In	1,107,588	1,328,075	856,571	(471,504)
Transfers (Out)	(2,247,132)	(2,357,132)	(3,540,876)	(1,183,744)
Total Other Financing Sources (Uses)	(1,139,544)	(1,029,057)	(2,684,305)	(1,655,248)
Net Change in Fund Balances	-	-	(853,072)	(853,072)
Fund Balances - Beginning	12,460,194	12,460,194	12,460,194	-
FUND BALANCES - ENDING	\$ 12,460,194	\$ 12,460,194	\$ 11,607,122	\$ (853,072)

See accompanying notes to basic financial statements

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Special Revenue Fund - Community Redevelopment Agency
For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 331,449	\$ 331,449	\$ 328,920	\$ (2,529)
Investment Income	16,000	16,000	5,095	(10,905)
Total Revenues	347,449	347,449	334,015	(13,434)
EXPENDITURES				
Current Operating:				
General Government	44,953	44,953	-	44,953
Capital Outlay	-	-	-	-
Total Expenditures	44,953	44,953	-	44,953
Excess of Revenues Over Expenditures	302,496	302,496	334,015	31,519
OTHER FINANCING SOURCES (USES)				
Transfers In	1,077,889	1,077,889	513,938	(563,951)
Transfers (Out)	(1,380,385)	(1,380,385)	(1,132,835)	247,550
Total Other Financing Sources (Uses)	(302,496)	(302,496)	(618,897)	(316,401)
Net Change in Fund Balances	-	-	(284,882)	(284,882)
Fund Balances - Beginning	842,077	842,077	842,077	-
FUND BALANCES - ENDING	\$ 842,077	\$ 842,077	\$ 557,195	\$ (284,882)

See accompanying notes to basic financial statements

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CITY OF ST. AUGUSTINE, FLORIDA

Statement of Net Assets

Proprietary Funds

September 30, 2010

	Utility	Stormwater Drainage	Solid Waste
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 8,601,166	\$ 3,514,191	\$ 876,917
Accounts Receivable (Net)	1,335,389	121,256	362,326
Due from Other Funds	-	-	208,000
Deferred Charges, Current Portion	37,302	-	-
Inventories, at Cost	119,373	-	-
Total Current Assets	10,093,230	3,635,447	1,447,243
Non-Current Assets:			
Restricted Assets			
Cash and Cash Equivalents	1,879,846	-	-
Total Restricted Assets	1,879,846	-	-
Other Assets:			
Deferred Charges, Less Current Portion	359,731	-	-
Property, Plant and Equipment:			
Land and Improvements	1,130,003	-	-
Buildings and Structures	28,526,991	-	333,163
Infrastructure	65,063,397	1,751,651	51,154
Machinery and Equipment	2,803,560	164,071	2,363,935
Construction in Progress	4,516,948	316,570	-
Accumulated Depreciation	(38,422,174)	(459,953)	(1,439,759)
Net Property, Plant and Equipment:	63,618,725	1,772,339	1,308,493
Total Non-Current Assets	65,858,302	1,772,339	1,308,493
Total Assets	\$ 75,951,532	\$ 5,407,786	\$ 2,755,736
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 1,204,306	\$ 30,950	\$ 90,723
Customer Deposits	307,880	-	-
Revenue Bonds Payable, Current Portion	2,215,000	-	-
Deferred Charges - Defeased Bonds, Current Portion	(191,060)	-	-
Unearned Revenues - Other	-	-	-
Due to Other Funds	-	-	-
Compensated Absences, Current Portion	12,227	767	3,947
Total Current Liabilities	3,548,353	31,717	94,670
(Continued)			

See accompanying notes to basic financial statements

Municipal Marina	Visitor Information Center	Heritage Tourism	Total Proprietary
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\$ 268,119	\$ 74,717	\$ 166,278	\$ 13,501,388
-	299,880	142,064	2,260,915
-	1,400,000	-	1,608,000
4,870	13,381	-	55,553
75,065		128,262	322,700
348,054	1,787,978	436,604	17,748,556

-		248,698	2,128,544
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-	-	248,698	2,128,544
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26,380	316,993	-	703,104
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-		-	1,130,003
2,921,408	23,639,673	1,093,232	56,514,467
1,098,919	935,502	-	68,900,623
132,892	72,195	7,380	5,544,033
367,238	-	10,391	5,211,147
(2,831,981)	(4,063,111)	(497,006)	(47,713,984)
1,688,476	20,584,259	613,997	89,586,289
1,714,856	20,901,252	862,695	92,417,937
\$ 2,062,910	\$ 22,689,230	\$ 1,299,299	\$ 110,166,493

\$ 127,310	\$ 23,756	\$ 35,852	\$ 1,512,897
-	-	5,350	313,230
122,031	291,146		2,628,177
(4,832)	4,360	-	(191,532)
-		-	-
-		1,608,000	1,608,000
2,822	4,691	6,096	30,550
247,331	323,953	1,655,298	5,901,322

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Net Assets
Proprietary Funds
September 30, 2010
(Continued)

	Utility	Stormwater Drainage	Solid Waste
LIABILITIES			
Non-Current Liabilities:			
Revenue Bonds Payable, Less Current Portion	21,584,012	-	-
Deferred Charges - Defeased Bonds, Less Current Portion	(71,919)	-	-
Compensated Absences, Less Current Portion	251,819	12,554	49,263
Total Non-Current Liabilities	21,763,912	12,554	49,263
Total Liabilities	\$ 25,312,265	\$ 44,271	\$ 143,933
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	39,819,713	1,772,339	1,308,493
Restricted	1,879,846	-	-
Unrestricted	8,939,708	3,591,176	1,303,310
Total Net Assets	\$ 50,639,267	\$ 5,363,515	\$ 2,611,803

See accompanying notes to basic financial statements

Municipal Marina	Visitor Information Center	Heritage Tourism	Total Proprietary
691,971	23,217,896	-	45,493,879
(26,191)	204,175	-	106,065
58,022	59,559	54,027	485,244
723,802	23,481,630	54,027	46,085,188
\$ 971,133	\$ 23,805,583	\$ 1,709,325	\$ 51,986,510

874,474	(2,924,783)	613,997	41,464,233
-	-	248,698	2,128,544
217,303	1,808,430	(1,272,721)	14,587,206
\$ 1,091,777	\$ (1,116,353)	\$ (410,026)	\$ 58,179,983

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2010

	Utility	Stormwater Drainage	Solid Waste
OPERATING REVENUES			
User Charges	\$ 10,546,620	\$ -	\$ 3,352,968
Fees	799,197	747,339	-
Rental	-	-	-
Other	-	-	-
Total Operating Revenues	11,345,817	747,339	3,352,968
OPERATING EXPENSES			
Salaries, Wages and Employee Benefits	2,978,905	160,341	616,805
Utilities	714,048	281	7,572
Supplies and Materials	674,945	708	123,276
Contractual Services	503,373	60,696	1,178,284
Repairs and Maintenance	721,060	41,738	127,571
Cost of Goods Sold	-	-	-
Other	124,047	17,270	6,330
Administrative Overhead Charges	1,263,111	136,954	346,702
Depreciation and Amortization	2,249,704	48,534	208,612
Total Operating Expenses	9,229,193	466,522	2,615,152
Operating Income (Loss)	2,116,624	280,817	737,816
NON-OPERATING REVENUES (EXPENSES)			
Investment Income	34,018	7,748	92
Interest Expense and Fiscal Charges	(1,385,922)	-	-
Gain on Sale of Capital Assets	42,317	-	11,000
Other	77,753	-	(66,207)
Total Non-Operating Revenues (Expenses)	(1,231,834)	7,748	(55,115)
Income Before Contributions and Transfers	884,790	288,565	682,701
Capital Contributions	976,488	-	-
Transfers In	787,227	-	200,000
Transfers (Out)	(367,871)	(75,920)	(79,465)
Change in Net Assets	2,280,634	212,645	803,236
Net Assets - Beginning (as restated)	48,358,633	5,150,870	1,808,567
Net Assets - Ending	\$ 50,639,267	\$ 5,363,515	\$ 2,611,803

See accompanying notes to basic financial statements

Municipal Marina	Visitor Information Center	Heritage Tourism	Total Proprietary
\$ 2,145,872	\$ -	\$ 1,104,490	\$ 17,149,950
-	1,113,988	53,401	2,713,925
29,902	40,300	717,933	788,135
21,689	-	-	21,689
2,197,463	1,154,288	1,875,824	20,673,699
465,166	448,691	1,011,639	5,681,547
84,881	142,858	64,664	1,014,304
16,587	49,521	27,544	892,581
3,254	156,166	8,831	1,910,604
36,799	27,068	76,000	1,030,236
1,156,317	160,560	255,718	1,572,595
64,183	16,891	155,401	384,122
125,113	59,193	52,492	1,983,565
200,439	871,672	47,478	3,626,439
2,152,739	1,932,620	1,699,767	18,095,993
44,724	(778,332)	176,057	2,577,706
1,217	1,327	743	45,145
(46,484)	(1,132,788)	-	(2,565,194)
-	105	-	53,422
(8,769)	170,150	(12,352)	160,575
(54,036)	(961,206)	(11,609)	(2,306,052)
(9,312)	(1,739,538)	164,448	271,654
70,485	-	-	1,046,973
-	1,268,536	209,447	2,465,210
-	(135,701)	(403,782)	(1,062,739)
61,173	(606,703)	(29,887)	2,721,098
1,030,604	(509,650)	(380,139)	55,458,885
\$ 1,091,777	\$ (1,116,353)	\$ (410,026)	\$ 58,179,983

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2010

	Utility	Stormwater Drainage	Solid Waste
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash Flows from Operating Activities:			
Received from Customers	\$ 11,112,964	\$ 731,905	\$ 3,361,022
Payment to Suppliers for Goods and Services	(3,980,378)	(324,074)	(1,771,505)
Paid to Employees	(2,978,905)	(160,341)	(616,805)
Paid to Customers for Deposit Refunds	(4,841)	-	-
Other revenues (expenses)	77,753	-	(66,207)
Net Cash Flows from Operating Activities	4,226,593	247,490	906,505
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Outstanding Bond Issues	(2,145,000)	-	-
Interest Paid on Outstanding Bond Issues	(562,421)	-	-
Acquisition and Construction of Capital Assets	(3,300,980)	(334,715)	(252,235)
Proceeds form sale of assets	49,279	-	11,000
Capital Contributions and Grants	976,488	-	-
Net Cash Flows from Capital and Related Financing Activities	(4,982,634)	(334,715)	(241,235)
Cash Flows from Investing Activities:			
Investment Income	34,018	7,748	92
Net Cash Flows from Investing Activities	34,018	7,748	92
Cash Flows from Non-Capital Financing Activities:			
Receipts Under Interfund Loan Agreements	-	-	-
Payments Under Interfund Loan Agreements	4,827,994	(260,000)	(289,911)
Transfers from Other Funds	787,227	-	200,000
Transfers (to) Other Funds	(367,871)	(75,920)	(79,465)
Net Cash Flows from Non-Capital Financing Activities	5,247,350	(335,920)	(169,376)
Net Change in Cash and Cash Equivalents	4,525,327	(415,397)	495,986
Cash and Cash Equivalents at Beginning of Year	5,955,685	3,929,588	380,931
Cash and Cash Equivalents at End of Year	\$ 10,481,012	\$ 3,514,191	\$ 876,917

Non-Cash Transactions: Amortization of deferred charges and accredited interest charged to notes payable included in interest expense and not included above in capital and related financing activities totaled \$823,501 for the year.

(Continued)

See accompanying notes to basic financial statements

Municipal Marina	Visitor Information Center	Heritage Tourism	Total Proprietary
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\$ 2,197,463	\$ 1,158,345	\$ 1,663,361	\$ 20,225,060
(1,365,319)	(620,889)	(591,944)	(8,654,109)
(465,166)	(448,691)	(1,011,639)	(5,681,547)
-	-	-	(4,841)
(8,769)	170,150	(12,352)	160,575
358,209	258,915	47,426	6,045,138

(116,484)	(286,578)	-	(2,548,062)
(41,652)	(1,137,148)	-	(1,741,221)
(631,604)	-	(10,389)	(4,529,923)
-	105	-	60,384
70,485	-	-	1,046,973
(719,255)	(1,423,621)	(10,389)	(7,711,849)

1,217	1,327	743	45,145
1,217	1,327	743	45,145

150,000	(529,714)	-	(379,714)
-	-	16,000	4,294,083
-	1,268,536	209,447	2,465,210
-	(135,701)	(403,782)	(1,062,739)
150,000	603,121	(178,335)	5,316,840
(209,829)	(560,258)	(140,555)	3,695,274
477,948	634,975	555,531	11,934,658
\$ 268,119	\$ 74,717	\$ 414,976	\$ 15,629,932

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2010
(Continued)

	Utility	Stormwater Drainage	Solid Waste
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Net Operating Income	\$ 2,116,624	\$ 280,817	\$ 737,816
Adjustments to Reconcile Net Operating Income to Net Cash Flows from Operating Activities:			
Depreciation and Amortization	2,249,704	48,534	208,612
Provision for Uncollectible Accounts	34,452	4,851	15,421
Other revenues (expenses)	77,753	-	(66,207)
Changes in Operating Assets and Liabilities:			
Accounts Receivable	(232,853)	(15,434)	8,054
Inventories	(3,119)	-	-
Accounts Payable and Compensated Absences	(11,127)	(71,278)	2,809
Deposits Payable	(4,841)	-	-
Deferred Revenues	-	-	-
Total Adjustments	2,109,969	(33,327)	168,689
Net Cash Flows from Operating Activities	\$ 4,226,593	\$ 247,490	\$ 906,505

See accompanying notes to basic financial statements

Municipal Marina	Visitor Information Center	Heritage Tourism	Total Proprietary
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\$ 44,724 \$ (778,332) \$ 176,057 \$ 2,577,706

200,439	871,672	47,478	3,626,439
-	-	-	54,724
(8,770)	170,150	(12,352)	160,574
-	-	-	-
-	4,057	(139,783)	(375,959)
21,782	-	24,377	43,040
100,034	(8,632)	24,329	36,135
-	-	(1,000)	(5,841)
-	-	(71,680)	(71,680)
313,485	1,037,247	(128,631)	3,467,432
\$ 358,209	\$ 258,915	\$ 47,426	\$ 6,045,138

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2010

	Employee Retirement Funds
ASSETS	
Cash and Short-Term Investments	\$ 3,289,858
Receivables:	
Member Contributions	28,898
City Contributions	77,368
Interest and Dividends	208,704
Due from State	30,889
Total Receivables	345,859
Prepaid Pension Payment	35,899
Prepaid Expense	577
Investments, at Fair Value:	
U.S. Government Obligations Fund	4,593,266
U.S. Stock Fund	18,951,269
Mutual Fund - International Equity	1,753,388
Bond and Mortgage Fund	11,468,392
International Exchange Fund	1,114,258
Real Estate Fund	138,371
Total Investments	38,018,944
Total Assets	41,691,137
LIABILITIES	
Expenses Payable	112,549
Total Liabilities	112,549
NET ASSETS	
Held in Trust for Pension Benefits and Other Purposes	\$ 41,578,588

See accompanying notes to basic financial statements

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended September 30, 2010

	Employee Retirement Funds
ADDITIONS	
Contributions:	
Members	\$ 602,898
City	1,484,614
State Insurance Premium Tax from General Fund	357,601
Total Contributions	<u>2,445,113</u>
Investment Income:	
Net Decrease in Fair Value of Investments	2,750,661
Interest and Dividends on Investments	<u>1,206,115</u>
Total Investment Income	3,956,776
Less Investment Expenses	<u>229,386</u>
Net Income from Investing Activities	<u>3,727,390</u>
Total Additions	<u>6,172,503</u>
DEDUCTIONS	
Benefit Payments	2,428,895
Termination Payments	89,695
Administrative Expenses	<u>115,412</u>
Total Deductions	<u>2,634,002</u>
Net Change in Assets	<u>3,538,501</u>
Net Assets - Beginning	<u>38,040,087</u>
NET ASSETS - ENDING	<u><u>\$ 41,578,588</u></u>

See accompanying notes to basic financial statements

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CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of St. Augustine, Florida (the City), was established in 1925, by Special Legislative Act 11148 of the Florida Legislature. The City operates under a commission-manager form of government and provides the following services as authorized by its charter: General Government, Public Safety, Public Works, Public Utilities, Culture, Recreation, and Community Development.

The accounting and reporting policies of the City relating to the funds included in the Basic Financial Statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principals prescribed by the Government Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governments* and by the Financial Accounting Standards Board (when applicable). The City applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities (proprietary funds) provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB pronouncements issued after November 30, 1989, to its business-type (proprietary funds) activities.

A. Financial Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of St. Augustine, Florida, and its blended component units. The blended component units discussed here are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The City currently has separate and distinct defined benefit pension plans for the City's general employees, firefighters and police officers. These plans are legally separate from the City and are governed by board members who are both elected by their peers and appointed by the City Commission. For financial reporting purposes, these plans are reported as if they were part of the City's operations as the sole purpose of the plans are to provide retirement benefits for the City's employees. These plans have separately issued financial statements that can be obtained through the City Clerk's office.

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs are included in the program expense reported for individual functions and activities. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major proprietary funds are reported as separate columns in the fund financial statements.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Taxes, intergovernmental revenue, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Since the fund level statements for governmental activities are presented using a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following governmental fund level statements. The reconciliation briefly explains the adjustments necessary to convert the fund level statements into the government-wide governmental column presentations.

The City reports the following funds:

Major Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund and Special Revenue Fund have legally adopted annual budgets. The following are the City's major governmental funds:

a. General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. Resources are generated primarily from local property and utility service taxes, franchises, licenses, permits and fees, intergovernmental revenues and charges for services. Expenditures are incurred to provide public safety, general government, public works, parks and recreation services.

b. Special Revenue Fund

The Special Revenue Fund is used to account for specific revenues that are legally restricted to expenditures for particular purposes. The Special Revenue Fund used by the City is the Community Redevelopment Agency Fund. This fund was established by ordinance in 2000 to assist the City in redeveloping the Historic Area Community Redevelopment Area (HACRA), a blighted transportation and parking geographical area principally located in the historic downtown area.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

c. Capital Project Fund

The Capital Project Fund is used to account for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The principal sources of revenue are bond issue proceeds and transfers from the General Fund.

d. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest of the governmental funds.

e. Permanent Fund

This fund includes the Anderson and Woodman Trust Funds and accounts for assets held by the City as a trustee for individuals.

Major Proprietary Funds

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and payments relating to the government's business activities are accounted for through proprietary funds. Proprietary funds used by the City are:

a. Utility Fund

This fund accounts for the operation, maintenance, and construction of the City-owned water and sewer system.

b. Stormwater Drainage Fund

This fund accounts for the operation, maintenance and construction of the City-owned stormwater drainage system.

c. Solid Waste Fund

This fund accounts for the operation and maintenance of the City-owned solid waste pick-up and disposal service.

d. Municipal Marina Fund

This fund accounts for the operation and maintenance of the City Municipal Marina facilities.

e. Visitor Information Center

This fund account for the operations and maintenance of the City-owned Visitor Information Center and parking garage.

f. Heritage Tourism Fund

This fund accounts for the operation and maintenance of the Colonial Spanish Quarter.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the City as a trustee or agent. Fiduciary Funds used by the City are:

a. General Employees' Pension Plan

This fund accounts for the contributions of the general employees and the City, along with the benefits paid to the retired participants of the plan.

b. Police Officers' Retirement System

This fund accounts for the contributions of the police officer employees, the City and the State of Florida, along with the benefits paid to the retired participants of the plan.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

c. Firefighters' Pension Plan

This fund accounts for the contributions of the firefighter employees, the City and the State of Florida, along with the benefits paid to the retired participants of the plan.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are administration overhead charges between the general fund and the funds benefited. Elimination of these charges would distort the direct costs for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 proprietary funds are charges to customers for goods and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The budget is prepared on a GAAP basis and may be over-expended to the extent that actual revenues exceed the adopted budget.

D. Cash and Cash Equivalents

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested with the State Board of Administration (SBA) Pool and two fully collateralized investment accounts with qualified public depositories. All of these investments are considered cash equivalents due to their liquidity and similarity to cash.

E. Investments

Investments within the Pension Trust Funds are made through financial brokers and are held by trustees. These assets are stated at fair value as determined in an active market.

F. Receivables and Allowance for Uncollectible Accounts

All receivables are reported at gross value and, where appropriate, are reduced by the portion that is expected to be uncollectible. Estimated unbilled revenues from the Utility, Stormwater, and Solid Waste Funds are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the year. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are classified as "due to/due from other funds".

G. Inventories

Inventories held by the General Fund are valued at cost using the first-in/first-out (FIFO) method. Because the consumption method is used, the inventory items are recorded as expenditures at the time they are withdrawn from central stores. The inventory value has been recorded as an asset, offset by a reserve in an equal amount.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Inventories in the proprietary funds are valued at the lower of cost (using FIFO method) or market. Inventories of the proprietary funds are expensed as used.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The consumption method is used for these items.

I. Restricted Assets

These assets consist of cash restricted for debt service, construction, renewal and replacement, and customer deposits (See Note 2).

J. Capital Assets

Capital outlays are recorded as expenditures in the Governmental Fund Financial Statements, and as assets in the Government-wide Financial Statements to the extent the City's capitalization threshold of \$5,000 is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized. Infrastructure consists primarily of streets, curbs and sidewalks. Depreciation is recorded on general capital assets (except for land and construction in progress) on a government-wide basis using the straight-line method over the following estimated useful lives:

Buildings	30 years
Furniture and Other Equipment	3-20 years
Infrastructure	20-50 years

To the extent the City's capitalization threshold of \$5,000 is met, capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the fund basis and the government-wide basis using the following estimated useful lives:

Buildings	10-50 years
Infrastructure & Improvements	10-40 years
Equipment	2-10 years

All capital assets were valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. The City does not capitalize historical treasures or works of art. The City maintains many items and buildings of historical significance. The City does not require the proceeds from the sale of historical treasures or works of art be used to acquire other items for the collection.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations in the government-wide financial statements.

K. Deferred Charges

Deferred charges represent the remaining costs associated with issuing various bonds. These costs are being amortized using the straight-line method over the related life of the respective bond issues. Unamortized bond costs at September 30, 2010 are as follows:

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

	<u>Original Cost</u>	<u>Accumulated Amortization</u>	<u>Unamortized Costs</u>
Beginning of the year	\$ 1,065,446	\$ (251,235)	\$ 814,211
Current year additions	-	(55,554)	(55,554)
End of year	<u>\$ 1,065,446</u>	<u>\$ (306,789)</u>	<u>\$ 758,657</u>

L. Compensated Absences

Annual vacation leave is accumulated in the following manner:

General, Municipal & Police Employees: 80 hours per year with five years or less, 88 hours with six years, 96 hours with seven years, 104 hours with eight years, 112 hours with nine years, 120 hours with ten to fifteen years, 128 hours with sixteen years, 136 hours with seventeen years, 144 with eighteen years, 152 with nineteen years, maximum per employee is 160 hours with 20 or more years of service.

Fire Department Employees: 120 hours per year with five years or less, 156 hours with six years, 165 hours with seven years, 174 hours with eight years, 183 hours with nine years, 192 hours with ten to fifteen years, 216 hours with sixteen years, 228 hours with seventeen years, 241 with eighteen years, maximum per employee is 252 hours with 20 or more years of service.

Sick leave is available to be paid at termination, retirement or resignation as follows:

General and Municipal Employees: 80 hours per year, no maximum
Fire Department Employees: 112 hours per year, no maximum
Police Department Employees: 80 hours per year, no maximum

The City has accrued for sick and vacation leave earned but unused at year end. This accrual was based on unused sick and vacation hours available to employees as maintained by the City's payroll system and as multiplied by each eligible employees individual hourly pay rate. Liquidation of the accrued sick and vacation leave has historically come from the general fund.

M. Other Post-Employment Benefits (OPEB)

Pursuant to Section 112.0801, Florida Statutes, the City is mandated to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. The rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The City currently provides these benefits in accordance with the vesting and retirement requirements for its employees.

The City is financing the post employee benefits on a pay-as-you-go basis. As determined by an actuarial evaluation, the City records a net OPEB obligation in its government-wide financial statements related to the implicit and explicit subsidy. See Note 10 for further information.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

N. Long-Term Obligations

In the government-wide financial statements, governmental long-term debt and other governmental long-term obligations are reported as liabilities in the governmental activities column of the Statement of Net Assets.

Long-term debt and other long-term obligations of the proprietary funds are reported as liabilities in the business-type activities column of the Statement of Net Assets and the appropriate proprietary fund in the fund level statements.

O. Defeased Bond Costs

Defeased bond costs represent the bond discount or premium and gain or loss on refunding of various bond issues. These costs are being amortized over the life of the respective bond issues using the straight-line method, which is comparable to the effective interest method. Defeased bond costs at September 30, 2010 are as follows:

	<u>Original Cost</u>	<u>Accumulated Amortization</u>	<u>Unamortized Costs</u>
Beginning of the year	\$ 1,571,883	\$ (1,294,884)	\$ 276,999
Current year additions	-	(191,532)	(191,532)
End of year	<u>\$ 1,571,883</u>	<u>\$ (1,486,416)</u>	<u>\$ 85,467</u>

P. Fund Balance

Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure.

The following is a list of reserves used by the City and a description of each:

Reserved for Inventories - An account used to designate amounts set aside for supplies inventory.

Reserved for Police Education/Confiscation/Donations - An account used to designate amounts set aside for police education and confiscations.

Reserved for Tree Memorial Fund - An account used to designate amounts set aside for the City's tree planting projects.

Reserved for Prepaid Expenditures - An account used to designate amounts set aside for the expenditures not yet expended (i.e., copier supplies and postage).

Reserved for Trust Funds - An account used to designate amounts set aside for the Anderson and Woodman trust funds.

Reserved for Community Redevelopment Area - An account used to designate amounts set aside for the redevelopment of a specific geographical blighted transportation and parking area.

Q. Revenue Recognition – Property Taxes

Property tax revenue is recognized when it becomes available and measurable. Property taxes, under Florida law, levied on November 1 by the County Tax Appraiser and collected by the County Tax Collector become a lien on November 1.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The law allows a four percent discount if paid in November, a three percent discount if paid in December, a two percent discount if paid in January, and a one percent discount if paid in February. Taxes become delinquent on April 1 of each year. Delinquent real estate taxes are advertised during the month of May. Tax certificates are sold on May 30, at a public sale, against property on which the current taxes have not been paid. If not redeemed within two years, the property will be subject to an application for tax deed.

In accordance with National Council on Governmental Accounting (NCGA) Interpretation 3, property taxes that are measurable but not available are reported as deferred revenue. The deferred revenues are recognized in the fiscal year in which they become available. The City had no taxes subject to this deferral at year-end.

R. Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased. The General Fund provides administrative services and incurs overhead costs relating to the Proprietary Funds. The General Fund charges the Proprietary Funds an administrative overhead charge, which is included in direct expenses.

NOTE 2. DEPOSITS AND INVESTMENTS:

A. Cash and Cash Equivalents

The City maintains a cash and investment pool that is designed for use by all funds. For the purposes of cash flows, the City considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. In addition, investments are separately held and accounted for by several of the City's funds where contractual agreements and bond covenants provide for and require such arrangements.

At September 30, 2010, the carrying amount of cash on hand was \$542,346 and the related bank balance was \$779,643. Monies, which are placed on deposit with financial institutions in the form of demand deposit accounts, are defined as Public Deposits and as such are secured as provided for in Chapter 280, Florida Statutes. Financial institutions, which meet the requirements for this chapter, can be designated as qualified public depositories eligible to receive Public Deposits. This chapter also created the Public Deposit Security Trust Fund to facilitate the recovery of administrative penalties resulting from the default or insolvency of any qualified Public Depository and the subsequent payment of any losses to Public Depositors. When Public Deposits are made in accordance with this statute, no Public Depositor shall be liable for any loss thereof. Thus, all deposits at year-end are insured or collateralized with securities pursuant to Chapter 280, Florida Statutes.

State Statutes govern the City's investment policies. The basic allowable investment instruments include the Local Government Surplus Funds Trust Fund (State Board); Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts in qualified public depositories; direct obligations of the United States Treasury; Federal agencies and instrumentalities; other investments authorized by law or ordinance for a county or municipality.

The State Board consists of the Local Government Surplus Trust Fund (Florida PRIME) and the Fund B Surplus Funds Trust Fund (Fund B). The Florida PRIME is currently considered a SEC 2a7-like fund, thus the account balance should also be considered the fair value of the investment. Florida PRIME is rated by Standard & Poor's and currently has a rating of AAAM. The Florida PRIME balance of \$21,564,470 had a weighted average of 52 days to maturity as of September 30, 2010. The Fund B is accounted for as a fluctuating net asset value (NAV) pool. The Fund B is not rated by any nationally recognized statistical rating agency. The fair value of the City's Fund B investment was \$1,019,164 and had a weighted average life of 7.49 years as of September 30, 2010. A government money market account with a qualified public depository was established by the City in 2008. This account is fully collateralized and held a balance of \$624 as of September 30, 2010. A second

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 2. DEPOSITS AND INVESTMENTS: (Continued)

account with a qualified public depository was established by the City in 2009. This account is fully collateralized and held a balance of \$4,020,916 as of September 30, 2010.

B. Investments—General Pension Plan

Interest Rate Risk

The General Pension Plan Investment Policy limits interest rate risk by limiting the fixed-income portfolio duration to less than 135% of the market index duration, including investments in government issues, corporate bonds rated A quality or higher and/or the Government National Mortgage Association pooled obligations. There may be exceptional circumstances indicating the use of longer maturities, but these exceptions should be few.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	Between 1-5	Between 6-10	More Than 10
Real Estate Account	\$ 138,371	\$ 138,371	\$ -	\$ -	\$ -
Bond & Mortgage Account	7,395,459	971,444	2,668,905	1,225,299	2,529,811
Stock and Mutual Funds	11,753,435	11,753,435	-	-	-
	<u>\$ 19,287,265</u>	<u>\$ 12,863,250</u>	<u>\$ 2,668,905</u>	<u>\$ 1,225,299</u>	<u>\$ 2,529,811</u>

Credit Risk and Concentration of Credit Risk

Excessive concentration of assets will be avoided. Excessive Concentration is defined as having more than five percent on a cost basis of the equity portfolio in any single common stock or having more than five percent on a cost basis of the portfolio in fixed-income securities of one specific issue, with the exception of the securities of the U. S. Government and its agencies and high quality market funds, as stated in the plan's investment policy.

Foreign Currency

Investment in Foreign Securities is allowed under the investment plan; however, not more than twenty-five percent of the total fund market value may be invested in Foreign Securities.

C. Investments—Police Pension Plan

Interest Rate Risk

The St. Augustine Police Retirement System's investment policy limits fixed income securities normally to an average maturity of 12 years or less, including investments in government issues, corporate bonds rated A quality or higher and/or Government National Mortgage Association pooled obligations. There may be exceptional circumstances indicating the use of longer maturities, but these exceptions should be few. As of September 30, 2010, the St. Augustine Police Officer's Retirement System had the following investments and maturities:

Investment Type	S&P Rating	Fair Value	Investment Maturities (in Years)			
			Less Than 1	Between 1-5	Between 6-10	More Than 10
Money Market Funds		\$ 332,987	\$ 332,987	\$ -	\$ -	\$ -
U.S. Government Bonds	AAA	1,400,498	-	994,768	88,284	317,446
	A-AAA	4,579,401	623,298	2,058,877	1,406,183	491,043
Equity Securities		5,212,910	5,212,910	-	-	-
Total		<u>\$ 11,525,796</u>	<u>\$ 6,169,195</u>	<u>\$ 3,053,645</u>	<u>\$ 1,494,467</u>	<u>\$ 808,489</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 2. DEPOSITS AND INVESTMENTS: (Continued)

Credit Risk and Concentration of Credit Risk

Excessive concentration of assets will be avoided. Excessive Concentration is defined as having more than five percent on a cost basis of the total portfolio in any single common stock or having more than five percent on a cost basis of the portfolio in fixed-income securities of one specific issue, with the exception of the securities of the U. S. Government and its agencies and high quality market funds, as stated in the plan's investment policy.

Foreign Currency

Investments in foreign equity securities are not allowed under the investment plan unless they are American Depository Receipts listed on the New York Stock Exchange.

D. Investments—Firefighters' Pension Plan

Interest Rate Risk

The St. Augustine Firefighters' Pension Trust Fund limits all investments in corporate fixed income securities to those that hold a rating of investment grade or higher. There is no limit imposed on investments in fixed income securities issued directly by the U. S. Government. The Plan limits the effective duration of its investment portfolio through the adoption of the Merrill Lynch Government/Corporate Bond Index bench mark. It is expected that the average duration of the total fixed income portfolio will not exceed 150% of the duration of the Index. As of September 30, 2010, the St. Augustine Firefighters' Pension Trust Fund held the following fixed income investments:

Investment Type	% of Fund	Fair Value	S&P Rating	Effective Duration
US Government Agencies	14.4%	\$ 1,132,283	AAA	4.2-5.4
Corporate Bonds	19.8%	\$ 1,554,017	A-	4.3
International Bonds	0.7%	\$ 53,520	BBB+A	4.5
Temporary Investment Funds	3.9%	\$ 306,806	AAA	Daily
		<u>\$ 3,046,626</u>		

Credit Risk and Concentration of Credit Risk

Excessive concentration of assets will be avoided. Excessive concentration is defined as having more than ten percent of the total value of the portfolio being invested in the securities of any single corporate issuer, as stated in the plan's investment policy.

Foreign Currency Risk

Investment in Foreign Securities is allowed under the plan; however, no more than twenty-five percent of the plan's total assets may be invested in Foreign Securities.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 3. ACCOUNTS RECEIVABLE:

Receivables at September 30, 2010, consist of the following:

	Governmental Activities		Business-Type	
	General	Capital Projects	Activities	Total
Utility Taxes	\$ 96,536	\$ -	\$ -	\$ 96,536
Accounts	85,681	-	2,034,701	2,120,382
Intergovernmental	941,897	-	298,613	1,240,510
Gross Receivables	1,124,114	-	2,333,314	3,457,428
Less: Allowance for Uncollectibles	-	-	72,399	72,399
Total Receivables	<u>\$ 1,124,114</u>	<u>\$ -</u>	<u>\$ 2,260,915</u>	<u>\$ 3,385,029</u>

NOTE 4. CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2010:

Governmental Activities

	Balance 10/1/2009	Increases	Decreases	Balance 9/30/2010
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 5,394,945	\$ 252,216	\$ -	\$ 5,647,161
Construction in Progress	2,509,930	1,050,969	2,509,434	1,051,465
Capitalized Interest	123,946	-	7,291	116,655
Total Capital Assets				
Not Being Depreciated	<u>8,028,821</u>	<u>1,303,185</u>	<u>2,516,725</u>	<u>6,815,281</u>
Other Capital Assets:				
Buildings	15,508,961	2,542,802	12,773	18,038,990
Infrastructure	11,376,382	168,330	-	11,544,712
Furniture and Other Equipment	7,193,410	411,086	482,646	7,121,850
Total Other	<u>34,078,752</u>	<u>3,122,218</u>	<u>495,419</u>	<u>36,705,551</u>
Less Accumulated Depreciation For:				
Buildings	7,881,185	368,339	10,910	8,238,614
Infrastructure	5,472,637	329,772	-	5,802,409
Furniture and Other Equipment	5,475,696	599,625	376,921	5,698,400
Total Accumulated Depreciation	<u>18,829,518</u>	<u>1,297,736</u>	<u>387,831</u>	<u>19,739,423</u>
Other Capital Assets, Net	<u>15,249,234</u>	<u>1,824,482</u>	<u>107,588</u>	<u>16,966,128</u>
TOTALS	<u>\$ 23,278,055</u>	<u>\$ 3,127,667</u>	<u>\$ 2,624,313</u>	<u>\$ 23,781,409</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 1,094,528
Public Safety	49,026
Physical Environment	117,896
Transportation	36,286
Total	<u>\$ 1,297,736</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 4. CAPITAL ASSETS: (continued)

Construction in progress is composed of the following at September 30, 2010:

Waterworks Building Repairs	\$ 27,787
Archaeology Building Repair	9,199
Aviles Street Renovation	209,246
Salt Run Dredging	716,117
FDOT Traffic Engineering Safety Study	88,168
Utility Building Office Remodel	948
Total	<u><u>\$ 1,051,465</u></u>

Business-Type Activities

	Balance			Balance
	10/1/2009	Increases	Decreases	9/30/2010
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,130,003	\$ -	\$ -	\$ 1,130,003
Construction in Progress	24,707,992	3,166,692	22,663,537	5,211,147
Total Capital Assets				
Not Being Depreciated	25,837,995	3,166,692	22,663,537	6,341,150
Other Capital Assets:				
Buildings	41,879,431	14,722,057	87,021	56,514,467
Infrastructure	60,024,770	8,875,853	-	68,900,623
Furniture and Other Equipment	5,524,051	632,681	612,699	5,544,033
Total Other	107,428,252	24,230,591	699,720	130,959,123
Less Accumulated Depreciation For:				
Buildings	18,313,275	1,232,010	-	19,545,285
Infrastructure	22,395,691	1,927,134	-	24,322,825
Furniture and Other Equipment	3,870,995	557,594	582,715	3,845,874
Total Accumulated Depreciation	44,579,961	3,716,738	582,715	47,713,984
Other Capital Assets, Net	62,848,291	20,513,853	117,005	83,245,139
TOTALS	<u><u>\$ 88,686,286</u></u>	<u><u>\$ 23,680,545</u></u>	<u><u>\$ 22,780,542</u></u>	<u><u>\$ 89,586,289</u></u>

Depreciation was allocated to Business-Type Activities as follows:

Utility Fund	\$ 2,356,794
Stormwater Drainage Fund	74,374
Solid Waste Fund	218,575
Municipal Marina Fund	195,569
Visitor Information Center	823,342
Heritage Tourism Fund	48,084
Total	<u><u>\$ 3,716,738</u></u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 4. CAPITAL ASSETS: (Continued)

Construction in progress is composed of the following at September 30, 2010:

Wellfield Expansion	\$ 2,186,024
Wastewater Improvements	1,947,589
Mooring Field	367,238
Riberia Street Phase II	183,231
Riberia Street Design	133,339
Water Treatment Plant	117,288
LRPO Concentrate Disposal Permitting	65,887
Pump Station Rehabilitation	63,077
N. Matanzas Blvd & Andreas St. Watermain	57,268
Aviles Street Improvements	37,302
Infil and Inflow Elimination	26,000
Design Horizontal Directional Drill	16,248
Trolley Train Drop Off	10,391
Palmer Street Watermain Upgrade	139
Flagler Blvd Watermain	126
Total	<u><u>\$ 5,211,147</u></u>

NOTE 5. RISK MANAGEMENT, LITIGATION AND COMMITMENTS:

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. A small portion of the risk is covered by commercial insurance. The majority of this risk (Workers Compensation, Property and Liability) is covered through the Florida Municipal Insurance Trust (the "Trust"). The City pays an annual premium to the Trust for its coverage. The premiums are designed to fund the liability risk assumed by the Trust and are based on certain actual exposures and appropriate classifications of each member. The coverage provided for Workers Compensation is \$1,000,000 for each occurrence. Coverage provided for Property and Liability is \$100,000 for each person and \$200,000 for each occurrence. The City also has Specific Excess Coverage of \$1,000,000 through the Trust. There were no claims paid that exceeded coverage in the past three fiscal years. Employee medical benefits are covered by commercial insurance. The City Attorney estimates that the amount of these actual or potential claims against the City as of September 30, 2010, will not materially affect the financial condition of the City. Therefore, the financial statements contain no provision for estimated claims.

The City also had a Consent Order approved by the City and FDEP to replace the waste water treatment plant outfall to the Intracoastal Waterway. The project is completed in compliance with all terms of the Consent Order. The City has entered a Consent Order approved by the City and FDEP regarding a sewage discharge into a waterway in the year 2009 and has satisfactorily addressed all current requirements of the Consent Order. Several individuals asserting legal standing petitioned the FDEP for administrative review of the Consent Order. The City obtained a satisfactory outcome for the City in the administrative review.

At September 30, 2010, the City had outstanding commitments of approximately \$738,200 relating to construction contracts.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 6. LONG-TERM DEBT:

Governmental Funds

Public Service Tax and Guaranteed Entitlement Revenue Refunding & Improvement Bonds, Series 2001:

On February 14, 2001, the City issued Public Service Tax and Guaranteed Entitlement Revenue Refunding & Improvement Bonds totaling \$11,819,829 to refund the 1992 Series Revenue Bonds and to construct a fire station, a fleet operations building and other capital improvements for the City. Revenue is provided by an excise tax levied by the City on purchases of electricity, metered or bottle gas, local telephone service, and heating oil or kerosene. The revenue is subject to a first lien and is pledged to provide funds for the retirement of the bonds. Payment of maturing principal and interest (3.5 percent to 5.0 percent) is currently provided for in the Debt Service Fund.

Principal payments are due annually on October 1, and interest payments are due semi-annually on April 1 and October 1. The annual requirement to amortize long-term bonded debt outstanding as of September 30, 2010 is as follows:

Bond Year Ended October 1	Public Service Tax & Guaranteed Entitlement Revenue Refunding & Improvement Bonds Series 2001	
	Principal	Interest
2011	\$ 292,404	\$ 341,494
2012	305,695	329,213
2013	315,664	315,920
2014	328,955	301,715
2015	345,569	286,583
2016-2020	1,475,637	1,202,883
2021-2025	1,735,167	822,333
2026-2030	2,214,034	342,821
	<u>\$ 7,013,125</u>	<u>\$ 3,942,962</u>

Capital Improvement and Refunding Revenue Bonds, Series 2004:

On October 14, 2004, the City issued Capital Improvement and Refunding Revenue Bonds totaling \$22,155,000 to refund the 1995 Series Revenue Bonds and construct a parking garage and other capital improvements for the City. The Series 2004 Bonds and the interest thereon are secured by and payable solely from (1) Non-Ad Valorem Revenues budgeted and appropriated by the City in accordance with the Resolution and deposited into the Debt Service Fund, and (2) until applied in accordance with the provisions of the Resolution, all monies, including the investments thereof, in the funds and accounts established under the Resolution, with the exception of the Rebate Fund (collectively the "Pledged Funds"). Pursuant to the Resolution, the City covenants and agrees to appropriate in its annual budget, by amendment if necessary, for each Fiscal Year sufficient amounts of Non-Ad Valorem Revenues for the payment of principal of and interest on the Series 2004 Bonds and to make certain other payments required under the Resolution in each such Fiscal Year. Such covenant to budget and appropriate does not create any lien upon or pledge of such Non-Ad Valorem Revenues until such funds are deposited in the Debt Service Fund, nor does it preclude the City from pledging in the future or covenanting to budget and appropriate in the future its Non-Ad Valorem Revenues, nor does it require the City to levy and collect any particular Non-Ad Valorem Revenues, nor does it give the holders of the Series 2004 Bonds a prior claim on the Non-Ad Valorem Revenues as opposed to claims of general creditors of the City. The City does not covenant to maintain any services or programs not maintained or provided by the City including those which generate Non-Ad Valorem Revenues. The Resolution defines Non-Ad Valorem Revenues as all legally available non-ad valorem revenues of the City, which are legally available to make the payments required by the Resolution, but only after provision has been made by the City for payment of services and programs which are

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 6. LONG-TERM DEBT (Continued)

for essential public purposes affecting the health, welfare and safety of the inhabitants of the City or which are legally mandated by applicable law. This issuance results in a \$240,599 difference in cash flow requirements with a present value economic gain of \$183,406.

Payment of maturing principal and interest (2.0 percent to 5.0 percent) on these bonds is provided for in the Debt Service Fund. Principal payments are due annually on October 1, and interest payments are due semi-annually on April 1 and October 1. The annual requirement to amortize bonded debt outstanding as of September 30, 2010 is as follows:

Bond Year Ended October 1	Capital Improvements & Current Refunding Series 2004	
	Principal	Interest
2011	\$ 49,419	\$ 11,314
2012	49,418	9,782
2013	52,607	8,176
2014	54,201	6,072
2015	55,790	4,175
Thereafter	57,395	2,152
	<u>\$ 318,830</u>	<u>\$ 41,671</u>

Enterprise Funds

Water and Sewer Revenue Refunding Bonds, Series 2005:

On July 7, 2005, the City issued Water and Sewer Revenue Refunding Bonds, Series 2005, totaling \$21,435,000 for the purpose of providing funds, together with other legally available funds of the City, to (i) refund the City's \$4,245,000 outstanding Water and Sewer Revenue Refunding Bonds, Series 1996, \$11,260,000 outstanding Water and Sewer Revenue Refunding Bonds, Series 1995A, \$365,000 outstanding Water and Sewer Revenue Refunding Bonds, Series 1995B and \$4,240,000 outstanding Water and Sewer Revenue Refunding Bonds, Series 1999 (the "1999 Bonds" and together with the bonds other than the 2005 Bonds described in this sentence, collectively, the "Refunded Bonds"), (ii) finance and reimburse the cost of certain capital improvements to the System and to pay the cost of issuance of the 2005 Bonds. This issuance results in a \$2,562,543 difference in cash flow requirements with a present value economic gain of \$1,068,491.

Proceeds will be used to finance and reimburse the cost of certain capital improvements to the System including, upgrading the waste water treatment facility and water treatment plant expansion. Payment of maturing principal and interest (3.00 percent to 5.00 percent) on these bonds is provided for in the Debt Service Fund.

Principal payments are due annually on October 1, and interest payments are due semi-annually on April 1 and October 1. The annual requirement to amortize bonded debt outstanding as of September 30, 2010 is as follows:

Bond Year Ended October 1	Water & Sewer Fund Revenue Bonds, Series 2005	
	Principal	Interest
2011	\$ 2,215,000	\$ 495,938
2012	2,320,000	387,188
2013	545,000	273,188
2014	570,000	247,063
2015	590,000	227,113
2016-2020	2,645,000	702,550
Thereafter	2,065,000	82,600
	<u>\$ 10,950,000</u>	<u>\$ 2,415,640</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 6. LONG-TERM DEBT: (Continued)

Water and Sewer Revenue Bonds, Series 2003:

During the month of November 2003, the City issued capital appreciation Water and Sewer Revenue Bonds, Series 2003 totaling \$9,363,854, to finance and reimburse the cost of capital improvements to the City's water and sewer system, pay premiums for both municipal bond insurance and the Reserve Account Surety Bond, and pay the costs of issuance of the 2003 Bonds. Principal of premium, if any, and interest on the 2003 Bonds are payable solely from and secured by an irrevocable lien on and pledge of the Net Revenues derived from the operation of the City's water and sewer system on a parity with other water and sewer bond issues. The interest rate for Series 2003 varies from 4.15 to 5.17 percent. Restrictive covenants agreed to by the City are as follows:

1. The entire revenue of the System will be deposited upon receipt into a trust fund entitled the "Revenue Fund".
2. The disposition of revenue from the "Revenue Fund" shall be to pay the cost of operation and maintenance as a first priority, with all other expenditures prioritized in the following order:
 - a. Deposits to the Debt Service Fund
 - b. Deposits to the Renewal and Replacement Account
 - c. Any other lawful purpose
3. Funds are considered trust funds and are to be secured in the same manner as public deposits. (See Note 2).
4. The City will maintain the System in good condition, operate in an efficient and economical manner, maintain proper records, cause an independent audit within 120 days of fiscal year-end, not dispose of any necessary parts of the System, maintain adequate insurance, not furnish free service, require all structures to be connected to the System and employ consulting engineers to review the overall operations of the System on an ongoing basis.
5. The City will not issue additional obligations without first having an independent certified public accountant verify that coverage requirements of 125% are being met and that the City is not in default under the bond resolution.
6. The City can provide for the defeasance of the bonds by making necessary provisions for the payment of principal, interest and premium.

No principal or interest is due on the capital appreciation bonds until 2013, at which time principal and interest totaling \$17,640,000 will then be paid down over nine years as follows:

Bond Year Ended October 1	Water and Sewer Fund	
	Capital Appreciation Bonds, Series 2003	
	Principal	Interest
2011	\$ -	\$ -
2012	-	-
2013	1,351,161	673,839
2014	1,269,533	755,467
2015	1,193,697	831,303
2016-2020	5,268,014	5,596,986
Thereafter	281,449	418,551
	9,363,854	\$ 8,276,146
Accredited interest	3,485,158	
Balance September 30, 2010	\$ 12,849,012	

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 6. LONG-TERM DEBT: (Continued)

Public Service Tax and Guaranteed Entitlement Revenue Refunding & Improvement Bonds, Series 2001:

On February 14, 2001, the City issued Public Service Tax and Guaranteed Entitlement Revenue Refunding & Improvement Bonds totaling \$2,145,171 to refund the 1992 Series Revenue Bonds. Guaranteed Entitlement Revenue is provided by the State of Florida through the State Revenue Sharing Trust Fund. Revenue is provided by an excise tax levied by the City on purchases of electricity, metered or bottled gas, local telephone service, and heating oil or kerosene. The revenue is subject to a first lien and is pledged to provide funds for the retirement of the bonds. Payment of maturing principal and interest (3.5 percent to 5.0 percent) is currently provided for in the Municipal Marina Fund and the Visitors Information Center Fund.

Principal payments are due annually on October 1, and interest payments are due semi-annually on April 1 and October 1. The annual requirement to amortize bonded debt outstanding as of September 30, 2010 is as follows:

Bond Year Ended October 1	Municipal Marina Revenue Bonds Guaranteed Entitlement, Series 2001	
	Principal	Interest
2011	\$ 122,031	\$ 36,876
2012	127,578	31,751
2013	131,738	26,201
2014	137,285	20,273
2015	144,218	13,958
Thereafter	151,152	7,180
	<u>\$ 814,002</u>	<u>\$ 136,239</u>

Bond Year Ended October 1	Heritage Tourism Revenue Bonds Guaranteed Entitlement, Series 2001	
	Principal	Interest
2011	\$ 25,565	\$ 133,092
2012	26,727	132,019
2013	27,598	130,851
2014	28,760	129,610
2015	30,213	128,286
2016-2020	583,213	588,575
2021-2025	859,836	406,916
2026-2030	1,095,961	169,680
	<u>\$ 2,677,873</u>	<u>\$ 1,819,029</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 6. LONG-TERM DEBT: (Continued)

Capital Improvement and Refunding Revenue Bonds, Series 2004:

On October 14, 2004, the City Issued Capital Improvement and Refunding Revenue Bonds totaling \$22,155,000 to refund the 1995 Series Revenue Bonds and construct a parking garage and other capital improvements for the City. Payment of maturing principal and interest (2.00 percent to 5.00 percent) on these bonds is provided for in the Debt Service Fund. Principal payments are due annually on October 1, and interest payments are due semi-annually on April 1 and October 1. The annual requirement to amortize bonded debt outstanding as of September 30, 2010, is as follows:

Bond Year Ended October 1	Heritage Tourism Capital Improvement & Revenue Refunding Bonds, Series 2004	
	Principal	Interest
2011	\$ 265,581	\$ 992,207
2012	275,581	983,974
2013	287,393	975,018
2014	300,799	963,522
2015	309,210	952,994
2016-2020	2,772,605	4,521,574
2021-2025	3,760,000	3,771,375
2026-2030	4,805,000	2,731,625
2031-2034	8,055,000	1,031,500
	<u><u>\$ 20,831,169</u></u>	<u><u>\$ 16,923,789</u></u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 7. CHANGES IN LONG-TERM DEBT:

During the year ended September 30, 2010 the following changes occurred in the City's long-term obligations:

Primary Government
Governmental Activities

	Balance 10/1/2009	Increases	Decreases	Balance 9/30/2010	Current Portion
General Long-Term Debt & Obligations					
Public Service Tax & Guaranteed					
Entitlement Revenue Refunding &					
Improvement Bonds	\$ 7,658,893	\$ -	\$ 326,938	\$ 7,331,955	\$ 341,823
Accrued Compensated Absences	2,028,503	1,108,127	1,172,011	1,964,619	79,333
Total General Long-Term					
Obligations	9,687,396	1,108,127	1,498,949	9,296,574	421,156
Proprietary Fund Long-Term Obligations					
Accrued Compensated Absences	514,146	437,577	435,929	515,794	30,550
Revenue Bonds Payable From:					
Proprietary Funds	25,363,644	580,368	2,145,000	23,799,012	2,215,000
Public Service Tax & Guaranteed					
Entitlement Revenue	24,726,106	-	403,062	24,323,044	413,177
Total Proprietary Fund					
Long-Term Obligations	50,603,896	1,017,945	2,983,991	48,637,850	2,658,727
Total Long-Term Debt & Obligations	\$ 60,291,292	\$ 2,126,072	\$ 4,482,940	\$ 57,934,424	\$ 3,079,883

NOTE 8. INTERFUND RECEIVABLES, PAYMENTS, AND TRANSFERS:

A. At September 30, 2010, interfund payments and transfers are as follows:

Fund Type/Fund	Transfers-in	Transfers-out
GOVERNMENTAL FUNDS		
General Fund	\$ 856,571	\$ 3,540,876
Community Redevelopment Agency Fund	513,938	1,132,835
Debt Service Fund	695,967	-
Capital Projects Fund	1,210,217	5,397
Permanent Fund	-	56
PROPRIETARY FUNDS		
Utility Fund	787,227	367,871
Stormwater Fund	-	75,920
Solid Waste Fund	200,000	79,465
Municipal Marina Fund	-	-
Visitor Information Center	1,268,536	135,701
Heritage Tourism Fund	209,447	403,782
	\$ 5,741,903	\$ 5,741,903

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 8. INTERFUND RECEIVABLES, PAYMENTS, AND TRANSFERS: (Continued)

Transfers are used to move unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations, and to segregate money for anticipated capital projects.

<u>Fund Type/Fund</u>	<u>Administrative Overhead Charges</u>	<u>Administrative Overhead Expenses</u>
GOVERNMENTAL FUNDS		
General Fund	\$ 1,983,565	\$ -
PROPRIETARY FUNDS		
Utility Fund	-	1,263,111
Stormwater Fund	-	136,954
Solid Waste Fund	-	346,702
Municipal Marina Fund	-	125,113
Visitor Information Center	-	59,193
Heritage Tourism Fund	-	52,492
	<u>\$ 1,983,565</u>	<u>\$ 1,983,565</u>

Administrative overhead charges are primarily used to move funds from proprietary funds to the General Fund for an allocated amount of overhead. These charges are not eliminated in the financial statements as such elimination would not accurately report the activities of the funds benefited.

B. At September 30, 2010, interfund receivables are as follows:

<u>Fund Type/Fund</u>	<u>Due to</u>	<u>Due from</u>
GOVERNMENTAL FUNDS		
General Fund	\$ -	\$ 256
Permanent Fund	256	-
PROPRIETARY FUNDS		
Utility Fund	-	-
Stormwater Fund	-	-
Solid Waste Fund	-	208,000
Municipal Marina Fund	-	-
Visitor Information Center	-	1,400,000
Heritage Tourism Fund	1,608,000	-
	<u>\$ 1,608,256</u>	<u>\$ 1,608,256</u>

Interfund balances represent amounts loaned to or borrowed from other funds to assist in financing the operations of the borrowing fund.

NOTE 9. OPERATING LEASES:

The City leases various City and State owned buildings and properties under the terms of operating leases. The cost of the buildings and properties leased is not specifically identifiable as most of the leases are for only a portion of the building or property occupied. Future rental income expected from these leases is as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2011	\$ 1,250,596
2012	1,288,114
2013	1,326,757
2014	1,366,560
2015	1,407,557
Total future minimum rentals	<u>\$ 6,639,584</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 10. EMPLOYEE BENEFITS:

The City of St. Augustine has established three pension trust funds. Each plan is administered by a Board of Trustees in which City administration and members of the plans are represented. The General Fund would be used to liquidate any of the obligations for these pension funds or any other post-employment benefit. Disclosures relating to the individual pension trust funds and other post-employment benefits are as follows:

A. General Employees' Retirement System:

1. Plan Description:

The City of St. Augustine General Employees' Retirement System (System), a single-employer defined benefit pension plan, was authorized in its original form by City Ordinance 88-54, amending Chapter 20, Article IV of the Code of the City of St. Augustine, effective September 26, 1988. City Ordinance 88-54 was amended in 2002 by City Ordinance 2002-05, and in 2006 by City Ordinance 2006-06, which is the current ordinance in effect for the plan. The System is classified as a fiduciary trust fund of the City. The System is presented as a blended component unit of the City and stand-alone financial reports can be obtained through the City Clerk's office.

Any full-time City employee (those who work 40 or more hours per week), other than regular members of the Police and Fire Departments of the City, is eligible to become a member of this System. The City Manager may elect not to participate in the System. As of September 30, 2010, the System had 233 active participants, 116 retirees/beneficiaries and 9 vested terminated participants. The total payroll for eligible employees covered by this System was \$9,118,329.

As stipulated by City Ordinance 88-54, authority to establish and amend benefit provisions of the System rest with the City Commission, along with the authority to provide for cost of living adjustments. Benefits are calculated using the average of the highest five years of earnings within ten years of retirement or termination. For each year of credited service to a maximum of 35 years, monthly benefits shall be earned at the rate of two and a half percent of the member's average final salary. A supplemental annuity benefit is available to senior managers and directors pay grade 32 and above who retire after March 31, 2002, with ten or more years of credited service earned after March 31, 2002. The annuity amount is .5 percent of final average compensation times credited service up to 35 years for service in pay grades 32 through 35 and 1 percent of final average compensation times credited service up to 35 years for pay grades 36 and higher. Benefits are paid for the life of the participant with 60 percent continued to a surviving eligible spouse, unless optional forms of payments are elected. Eligibility for normal retirement is the earlier of age 65 and 5 years of service, age 60 and 10 years of service, or age 55 and 25 years of service. No benefits will be paid to a member upon termination if the termination occurs prior to the completion of ten years of service. The member, however, will receive his or her contribution to the plan, along with 3 percent interest.

If a member of the System dies a non-duty death or becomes disabled prior to five years of service, the member or beneficiary will receive a refund of the member's contribution to the fund. If a member dies in the line of duty or has 5 years of service, the eligible spouse will receive 60 percent of the projected benefits (with service credit extended to age 60) and eligible children will receive 10 percent of the projected benefits to a maximum of 20 percent.

Duty related disability with five or more years of service provides benefits under the group disability insurance contract. Upon termination of insurance, the pension benefit is computed as a normal retirement with additional service credit granted.

Members with ten or more years of service who have attained age and service conditions for normal retirement but are within five years of the earliest normal retirement date may elect to have their terminated

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 10. EMPLOYEE BENEFITS: (Continued)

benefits calculated as if the member had retired at an eligible normal retirement date up to five years earlier on or after February 13, 2006. Benefits that would have been payable are accumulated at interest to date of termination and paid or rolled over in a single sum, and payments are made directly to the member thereafter.

In the event the Plan terminates, the assets of the retirement system shall be apportioned and distributed in accordance with the established provisions of Section 20-135 of the City of St. Augustine Code, which provides for the distribution of assets in the following order:

- a. To provide for all expenses of the Plan including any cost of liquidation; then
- b. To provide for the payment of each participant and non-retired former participant an amount equal to his or her accumulated participant contributions; then
- c. To provide for the continuance of retirement allowances to retirees and beneficiaries; then
- d. To provide for the potential rights of participants and former participants entitled to a vested termination retirement allowance; then
- e. To revert back to the City if any excess exists after satisfying subsections a through d above.

The Plan is a governmental benefit plan and is tax exempt under the IRS Code.

2. Summary of Accounting Policies:

The following are the significant accounting policies followed by the System:

- a. Basis of Accounting - The financial statements of the System are prepared using the accrual basis of accounting in conformity with generally accepted accounting principles. Under this basis, revenue is recognized in the period earned, expenses are recognized in the period the obligation is incurred, and employee and employer contributions are recognized as revenue in the period in which the employee services are performed.
- b. Valuation of Investments – Investments are reported at fair value as provided by the System’s asset manager, Salem Trust Company. The summary of investments at September 30, 2010, is as follows:

	Cost Value	Market Value
US Treasury Obligations	N/A	\$ 2,060,485
Real Estate Fund	N/A	138,371
Corporate & Foreign Bonds	N/A	5,334,974
Common Equity Securities	N/A	9,823,617
Equity Mutual Funds	N/A	1,699,868
Cash & Short term Investments	N/A	2,621,500
Preferred Equity Securities	N/A	229,950
		<u><u>\$ 21,908,765</u></u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 10. EMPLOYEE BENEFITS: (Continued)

3. Funding Policy, Contributions, Status and Progress:

The City of St. Augustine General Employees' Retirement System is funded under the provisions of Chapter 20, Article IV, St. Augustine Code and Chapter 112, Florida Statutes. Funding arrangements include contributions by retirement system members, the City of St. Augustine, and investment income from retirement system assets. Administrative costs of the System are financed through investment earnings.

Effective November 8, 1988, contributions by retirement system members are based on four percent of compensation while the City of St. Augustine contributes one percent of compensation on behalf of the employees. Previously, retirement system members contributed five percent of compensation.

The System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. The current rate contributed as a percentage of covered payrolls is 12.26 percent.

The following is funded status information for the plan as of October 1, 2010, the most recent actuarial valuation date (in thousands):

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Covered Payroll	UAAL as a % of Covered Payroll [(2)-(1)/(5)]
9/30/2010	\$ 24,932	\$ 31,861	\$ 6,929	78.25%	\$ 9,118	75.99%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

4. Annual Pension Cost:

For 2010, the City's annual pension cost was \$1,250,914. The City's actual contribution was \$1,206,532. The annual required contribution for the current year was determined as part of the October 1, 2009, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions in the October 1, 2009, valuations included (a) 8.0% investment rate of return; (b) projected salary increases ranging from 4% to 8% per year; and (c) 3.5% rate of inflation. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined by adjusting the expected values of assets as of any valuation date by a portion of the cumulative differences of the market value of assets and the expected actuarial value of assets. Each difference is fully recognized over a period not to exceed five years. The unfunded actuarial liability is being amortized over 15 years as a level percentage of projected payroll on a closed basis.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Asset)
9/30/2008	\$909,542	114%	(558,116)
9/30/2009	\$1,157,224	103%	(593,598)
9/30/2010	\$1,250,914	96%	(549,216)

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 10. EMPLOYEE BENEFITS: (Continued)

<u>Fiscal Year Ended September 30, 2010</u>	<u>Annual</u>
Annual Required City Contribution (ARC)	\$ 1,215,253
Interest on NPO	(47,488)
Adjustment to ARC	(83,149)
Annual Pension Cost	1,250,914
Contributions Made	1,206,532
Decrease in NPO	44,382
NPO Beginning of Year	(593,598)
NPO End of Year	<u>\$ (549,216)</u>

5. Concentrations:

Salem Trust, Sawgrass Asset Management, Tradewinds, Europacific Growth, Vanguard Total International Stock, Principal U.S. Property and Integrity Management Fixed Income currently hold investments of the system which consist of a bond and mortgage account, U.S. stock account, international stock account and a real estate account. The value of assets managed by these companies and their relation to the net assets of the plan as of September 30, 2010 is as follows:

	<u>Market Value</u>	<u>Percent of Net Assets</u>
Domestic Equity Securities	\$ 8,819,242	40%
International Equity Securities	2,934,194	13%
Real Estate	138,371	1%
Fixed Income Securities	7,395,459	34%
Cash & Short term Investments	2,621,500	12%
	<u>\$ 21,908,765</u>	

B. Police Officers' Retirement System

1. Plan Description:

The St. Augustine Police Officers' Retirement System (System), a single-employer defined benefit plan, was created June 1, 1957, by the City of St. Augustine, Article X of the St. Augustine Code, under the provisions of general law pertaining to Municipal Police Officers' Retirement Trust Fund (Chapter 185, Florida Statutes). The System is presented as a blended component unit of the City and stand-alone financial reports can be obtained through the City Clerk's office.

Any police officer who is a regular member of the police department of the City of St. Augustine is a member of this retirement system. As of September 30, 2010, the System had 47 active participants, 21 retirees/beneficiaries, 3 disabled participants, 1 pending refund and 6 vested/terminated participants. The total payroll for eligible employees covered by this System was \$2,565,977.

As stipulated by City Ordinance 88-75, authority to establish and amend benefit provisions of the retirement system rests with the City Commission, along with the authority to provide cost of living adjustments. Benefits are calculated using the average of the highest five years of earnings within ten years of retirement or termination. For each year of creditable service, monthly benefits shall be earned at the rate of 2.5 percent to 3.0 percent of the member's average final salary. Benefits are paid for life with 120 monthly payments guaranteed. Eligibility for normal retirement is the earlier of age 55 and 10 years of service or 25 years of service regardless of age. No benefits will be paid to a member upon termination if termination occurs prior to the completion of 10 years of service.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 10. EMPLOYEE BENEFITS: (Continued)

If a retirement system member dies before becoming eligible for any retirement benefits, the beneficiary will receive a refund, not including interest, of the deceased's member contributions to the fund. If ten years of creditable service had been attained, then the accrued benefit of the member is due to the surviving spouse, payable in 120 monthly payments. Disability benefits are based on the accrued benefit and are due to the member as of the disability retirement date. Minimum benefit is 42 percent of the average monthly earnings if the disability occurred in the line of duty, otherwise, the minimum benefit would be 25 percent of the average monthly benefits.

In the event the plan terminates, or upon written notice to the Board of Trustees that contributions they are under are being permanently discontinued, the assets of the retirement system shall be apportioned and distributed in accordance with the established provisions of Section 185.37, Florida Statutes. The amount of benefits which at the time of termination has accrued to the member or beneficiary shall not be affected, except to the extent that the assets of the retirement system may be determined to be inadequate.

The plan is a governmental benefit plan and is tax exempt under the Internal Revenue Service Code.

2. Summary of Accounting Policies:

a. Basis of Accounting - The financial statements of the System are prepared using the accrual basis of accounting in conformity with generally accepted accounting principles. In addition, fair value is used in the financial statements in presenting investments. Under this basis, revenue, including net changes in fair value of investments, is recognized in the period earned, expenses are recognized in the period the obligation is incurred, and employee and employer contributions are recognized as revenue in the period in which the employee services are performed.

b. Valuation of Investments – Quoted market prices, not original costs, are used to value investments as provided by Salem Trust Company, investment custodians for the plan. Many factors are considered in determining the fair value of these investments. The results of these factors may cause the fair value of these investments to increase or decrease during the course of the year. On many occasions, the fair value may be higher or lower than the original purchase price of the investment.

	<u>Cost Value</u>	<u>Fair Value</u>
Corporate Bonds	N/A	\$ 4,579,401
Governmental Obligations	N/A	1,400,498
Stocks	N/A	5,212,910
		<u>\$ 11,192,809</u>

3. Funding Policy, Contributions, Status and Progress:

The St. Augustine Police Officers' Retirement System is funded under the provisions of Article X, Section 10.03, St. Augustine Code and Chapter 185.07, Florida Statutes. Funding arrangements include contributions by retirement system members, the City of St. Augustine, percentage of casualty insurance premiums collected on property located within the corporate limits of the City of St. Augustine, accretions to the fund by way of interest on bank deposits or otherwise, and any other source of income authorized by law to increase the retirement fund. At September 30, 2010, contributions by retirement system members are based on 5.5 percent of compensation while the City of St. Augustine contributes a minimum of 2.5 percent of compensation. Previously, retirement system members contributed four percent of fixed monthly compensation. The Board of Trustees for the Plan anticipates the above funding methods will result in all members' benefits being fully provided for by the time of their retirement. Effective October 1, 1993, the member contributions were changed from after tax compensation to pre-tax compensation.

Administrative costs are funded by City and member contributions.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 10. EMPLOYEE BENEFITS: (Continued)

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. The City made an actuarial contribution of 3.5 percent during the fiscal year ended September 30, 2010, in addition to the ordinance-required contribution of 1.5 percent.

The following is funded status information for the plan as of September 30, 2010, the most recent actuarial valuation date (in thousands):

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Covered Payroll	UAAL as a % of Covered Payroll [(2)-(1)/(5)]
9/30/2010	\$ 13,078	\$ 13,980	\$ 902	93.55%	\$ 2,566	35.15%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

4. Annual Pension Cost:

For 2010, the City's annual pension cost was \$394,821. The actual contribution was \$326,733. The annual required contribution for the current year was determined as part of the October 1, 2009, actuarial valuation using the Individual Entry Age Actuarial Cost Method. The actuarial assumptions in the October 1, 2009, valuations included (a) 8% investment rate of return; (b) projected salary increases ranging from 4.5% to 8% per year; and (c) 3.5% rate of inflation. The assumptions did include post-retirement benefits with a cost of living adjustment of up to 3%. The actuarial value of assets was determined by adjusting the expected value of assets as of any valuation date by a portion of the cumulative differences of the market value of assets and the expected actuarial value of assets starting from October 1, 1990. Each difference is fully recognized over a period not to exceed five years. The unfunded actuarial liability is being amortized over 15 years as a level percentage of projected payroll on a closed basis.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Asset)
9/30/2008	\$415,753	92%	(164,254)
9/30/2009	\$407,169	85%	(103,824)
9/30/2010	\$394,821	83%	(35,736)

Fiscal Year Ended September 30, 2010	Annual
Annual Required City Contribution (ARC)	\$ 390,534
Interest on NPO	(8,306)
Adjustment to ARC	(12,593)
Annual Pension Cost	394,821
Contributions Made	326,733
Decrease in NPO	68,088
NPO Beginning of Year	(103,824)
NPO End of Year	\$ (35,736)

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 10. EMPLOYEE BENEFITS: (Continued)

5. Concentrations:

As of September 30, 2010, the Plan had no investments that exceeded five percent of the Plan's net assets as of that date.

C. Firefighters' Retirement System:

1. Plan Description:

The City of St. Augustine Firefighters' Retirement System (System), a single-employer defined benefit pension plan, was authorized in its present form by City Ordinance 87-60, amending Chapter 20, Article V of the Code of the City of St. Augustine, effective December 4, 1987. The System is classified as a fiduciary trust fund of the City. The System is presented as a blended component unit of the City and stand-alone financial reports can be obtained through the City Clerk's office.

Any City full-time firefighter and retired firefighter is eligible to become a member of this System. As of September 30, 2010, the System had 30 active participants and 24 retirees/beneficiaries. The total payroll for employees covered by this System for the year ended September 30, 2010 was \$1,381,622.

As stipulated by City Ordinance 87-60, authority to establish and amend benefit provisions of the Fund rest with the City Commission, along with the authority to provide for cost of living adjustments. Benefits are calculated using the average of the highest five years of earnings within ten years of retirement or termination. For each year of credited service to a maximum of 35 years, monthly benefits shall be earned at the rate of 3.0 percent of the member's average final compensation. Benefits are paid for the life of the participant with ten years certain. Eligibility for normal retirement is the earlier of age 55 and 10 years of credited service or 25 years of credited service, regardless of age. No benefits will be paid to a participant if termination occurs prior to the completion of ten years of service. Such participants, however, will receive their contributions to the plan along with three percent interest.

If a member of the Fund dies a non-duty death prior to five years of service, the beneficiary will receive the member's contribution with three percent interest. If a member dies in the line of duty or has five years of credited service, the beneficiary will receive the value of accrued benefits based on the member's average final compensation (AFC) and credited service. Disability benefits, as determined by the Board of Trustees, are the member's accrued benefits, but not less than 42 percent of AFC for service incurred and 25 percent for non-service incurred disabilities. Benefits are paid in the form of a ten-year certain and life annuity.

In the event the plan terminates, the assets of the retirement system shall be apportioned and distributed in accordance with the established provisions of Section 20-210 of the Code of the City of St. Augustine. The amount of benefits, which at the time of termination has accrued to the member or beneficiary shall not be affected except to the extent that the assets of the retirement system may be determined to be inadequate.

The plan is a governmental benefit plan and is tax exempt under the IRS Code.

2. Summary of Accounting Policies:

The following are the significant accounting policies followed by the System:

- a. Basis of Accounting - The financial statements of the System are prepared using the accrual basis of accounting in conformity with generally accepted accounting principles. Under this basis, revenue is recognized in the period earned, expenses are recognized in the period the obligation is incurred, and employee and employer contributions are recognized as revenue in the period in which the employee services are performed.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 10. EMPLOYEE BENEFITS: (Continued)

- b. Valuation of Investments – Investments are reported at fair value as provided by the Fund's investment manager Fifth Third Bank. Fifth Third arrives at fair value through the use of broker and pricing services. The summary of investments at September 30, 2010, is as follows:

	<u>Cost Value</u>	<u>Fair Value</u>
Corporate and Government Bonds	\$ 2,481,816	\$ 2,686,300
International exchange traded fund	1,190,170	1,114,258
Common Stock & Short Term Investments	2,925,273	3,738,312
	<u>\$ 6,597,259</u>	<u>\$ 7,538,870</u>

3. Funding Policy, Contributions, Status and Progress:

The City of St. Augustine Firefighters' Retirement System plan was created in 1987 under City Ordinance 87-60 amending Section 20, Article V of the Code of the City of St. Augustine, Florida. The Plan was substantively amended in 1993, 1995, 2000, 2001 and 2005. In addition, the Plan is a local law plan subject to provisions of Chapter 175 of the State of Florida Statutes. Funding arrangements include contributions by retirement system members, the City of St. Augustine, 1.85 percent premium tax for property insurance and investment income from the retirement system assets. Administrative costs of the fund are financed through investment earnings. For the current fiscal year the state premium tax revenue was \$163,863 and the City expended the full amount to the Pension Fund.

Effective September 22, 2008, contributions by retirement system members are based on five percent of compensation while the City of St. Augustine contributes one percent of compensation on behalf of members. Previously, retirement system members contributed four percent.

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. The City was required to make an actuarial contribution of 10.6 percent during the Fiscal Year ended September 30, 2010, in addition to the ordinance-required contribution of 1.5 percent and ordinance-required one percent on the employee's behalf.

The following is funded status information for the plan as of October 1, 2010, the most recent actuarial valuation date (in thousands):

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Covered Payroll	UAAL as a % of Covered Payroll [(2)-(1)/(5)]
10/1/2010	\$ 8,390	\$ 8,207	\$ (183)	102.23%	\$ 1,234	-14.84%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

4. Annual Pension Cost:

For 2010, the City's annual pension cost was \$211,905. The City's actual contribution was \$202,533. The annual required contribution for the current year was determined as part of the October 1, 2010, actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions in the October 1, 2010 valuations included (a) 7.5% investment rate of return; (b) projected salary increases of 4.5 -6.5% per year; and (c) 3% rate of inflation.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 10. EMPLOYEE BENEFITS: (Continued)

The actuarial value of assets was determined by adjusting the expected value of assets as of any valuation date by a portion of the cumulative differences of the market value of assets and the expected actuarial value of assets starting from October 1, 1990. Each difference is fully recognized over a period not to exceed five years. The unfunded actuarial liability is being amortized over 15 years as a level percentage of projected payroll on a closed basis.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2008	44,996	236%	(336,036)
9/30/2009	138,960	110%	(380,252)
9/30/2010	211,905	96%	(370,880)

Fiscal Year Ended September 30, 2010	Annual
Annual Required City Contribution (ARC)	\$ 202,533
Interest on NPO	(30,420)
Adjustment to ARC	39,792
Annual Pension Cost	211,905
Contributions Made	(202,533)
Decrease in NPO	9,372
NPO Beginning of Year	(380,252)
NPO End of Year	<u>\$ (370,880)</u>

5. Concentrations:

As of September 30, 2010, the Plan had no investments that exceeded five percent of the Plan's net assets as of that date.

D. Other Post-Employment Benefits (OPEB):

Pursuant to Section 112.0801 of the Florida Statutes, the City is required to permit participation in the single-employer health insurance program (the "Plan") by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees.

Based on Governmental Accounting Standards Board (GASB) approval of Statement Nos. 43 and 45 which set forth the guidelines and a future implementation timetable for reporting and disclosure of Other Post-Employment Benefits (OPEB), the City had an actuary calculate future funding requirements using an appropriate actuarial cost method. The valuation was performed as of September 30, 2009 and covers subsidies for medical insurance benefits. The City has elected to implement the provisions of GASB Statement No. 45 prospectively. The City's annual OPEB cost for the Plan is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The projected unit credit cost method was used to determine all liabilities, with the liability for each active employee assumed to accrue over the working lifetime based on elapsed time from the date of hire until retirement.

1. Plan Description:

The City provides optional post-employment benefits to all eligible individuals including lifetime medical, prescription, dental, and certain life insurance coverage. Eligible individuals include all employees of the City of St. Augustine who retire from active service under one of the pension plans sponsored by the City.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 10. EMPLOYEE BENEFITS: (Continued)

Under certain conditions, eligible individuals also include spouses and dependent children. As of September 30, 2009, there were 292 future retirees, 14 retired and disabled participants receiving benefits, and 3 spouses receiving benefits for a total of 309 included in the valuation. The Plan does not issue a publicly available financial report.

2. Funding Policy:

The City Commission is authorized to establish benefit levels and approve the actuarial assumptions used in the determination of contributions levels. The City Commission establishes the contributions requirements of plan members and the City. These contributions are neither mandated nor guaranteed. The retiree contributes the premium cost each month. Spouses and other dependents are also eligible for coverage, although the retiree pays the premium cost. Retirees must pay a monthly premium as determined by the insurance carrier. The premium varies depending on whether the retiree elects single, single plus spouse, single plus dependents, or family coverage. Currently, the City's subsidy to OPEB benefits is unfunded. There are no separate Trust Funds or equivalent arrangements into which the City makes contributions to advance-fund the OPEB obligations, as it does for its retiree pension plans. The City's cost of the OPEB benefits, funded on a pay-as-you-go basis, was \$216,181 for the year ended September 30, 2010. The ultimate implicit and explicit subsidies which are provided over time are financed directly by general assets of the City, which are invested in short-term fixed income instruments according to its current investment policy. The City selected an interest discount rate of 4.50% per annum, which is the long range expected return on such short-term fixed income instruments, to calculate the present values and costs of the OPEB. This is consistent with GASB Statement No. 45 guidance. Significant Actuarial Assumptions and methods used to estimate the OPEB liability are as follows:

Valuation date	September 30, 2009
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level Dollar Payment
Amortization period	30-Year Period
Assumed rate of return on investments	4.50% per annum

Assumed healthcare cost trend rates:

<u>Fiscal Year Ending</u>	<u>Percent Increase</u>
2010	9.00%
2011	8.00%
2012	7.00%
2013	6.00%
2014 - Thereafter	5.00%

3. Actuarial Methods:

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and 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. Actuarial calculations reflect a long-term perspective and the methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 10. EMPLOYEE BENEFITS: (Continued)

4. Annual OPEB Cost and Net OPEB Obligation:

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 the actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City's annual OPEB cost for the fiscal year was \$216,181.

The City's annual OPEB cost and the net OPEB obligation for the fiscal year ended September 30, 2010 is as follows:

Annual Required City Contribution (ARC)	\$ 218,388
Interest on Plan Obligation	6,059
Adjustment to ARC	8,267
Annual Plan Retiree Cost	<u>216,180</u>
Contributions Made	<u>(111,198)</u>
Increase in Plan Obligation	104,982
Plan Obligation Beginning of Year	<u>134,654</u>
Plan Obligation End of Year	<u><u>\$ 239,636</u></u>

The City's percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended September 30, 2010 is as follows:

Fiscal Year Ending	Annual City Retiree Cost	City* Contributions	Percentage of Retiree Cost Contributed	Net Obligation (Asset)
9/30/2010	\$ 216,180	\$ 111,199	51%	\$ 239,636

*Limited to the difference between age-adjusted and composite premiums paid for retirees during the year.

The 2010 contribution represented 51% of the annual required contribution. The actuarial valuation for the Plan was done as of September 30, 2010. As of September 30, 2010, the most recent actuarial valuation date, the Plan was unfunded. The actuarial accrued liability for benefits was \$2,234,989, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,234,989. The covered payroll was \$13,391,220, and the ratio of the UAAL to the covered payroll was 16.69%.

The Schedule of Funding Progress, presented as Required Supplementary Information immediately following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 11. 457 TAX-DEFERRED COMPENSATION PLAN:

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. On August 20, 1996, Section 457 of the Code was amended with the passage of the Small Jobs Protection Act of 1996. The Code now requires employers to maintain the plan assets in a trust, custodial account or annuity for each individual member as of January 1, 1999. Since the inception of its plan on October 1, 1993, the City has deposited all funds in a custodial account with The Variable Annuity Life Insurance Company.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2010

NOTE 11. 457 TAX-DEFERRED COMPENSATION PLAN: (Continued)

In October 1997, the GASB issued Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. This statement allows the employer to not report the assets and liabilities in their financial statements if the employer has met the new criteria of the Internal Revenue Code, Section 457 and does not retain fiduciary accountability for the plan assets. In fiscal year 1998, the City amended its deferred compensation plan to reflect the changes in the Internal Revenue Code and, in the opinion of management, does not retain fiduciary accountability for plan assets. Accordingly, the City has implemented GASB No. 32 and is no longer including the assets and liabilities of the deferred compensation plan in its financial statements. There is no effect on the City's overall fund balance as the plan was an agency fund in which plan assets equal liabilities.

NOTE 12. SUBSEQUENT EVENT

The City is currently in the process of issuing \$16,215,000 of revenue bonds. The Bonds are being issued for the purpose of (i) financing the acquisition, construction and equipping a portion of the costs of various capital projects located within the City, including without limitation, water and sewer capital projects, stormwater capital projects, transportation capital projects, municipal marina improvements and other municipal capital projects on file with the City and (ii) paying certain costs of issuance incurred with respect thereto.

The presale occurred on Thursday, March 10, 2011 and the closing is scheduled for April 5, 2011.

The interest rate on this bond is 5.75% and the maturity date is October 1, 2041.

Management has evaluated subsequent events through March 18, 2011, the date the financial statements were available to be issued, and has determined that no subsequent events have occurred that would require adjustment to or disclosure in the financial statements other than discussed above.

NOTE 13. PRIOR PERIOD RESTATEMENT

The City restated its 2009 Total Net Assets of the Proprietary Funds to reflect two grant receivables that the City no longer plans to receive. This restatement resulted in a reduction of Fiscal Year 2009 Proprietary Fund Net Assets of \$489,550.

The City also restated the beginning fund balance of the Heritage Tourism Fund to reflect the separation of the Visitor Information Center Fund from the Heritage Tourism Fund. These Funds were reported together in Fiscal Year 2009 but are reported separately in Fiscal Year 2010.

**Required Supplementary
Information Other than
Management Discussion & Analysis
(MD&A)**

CITY OF ST. AUGUSTINE, FLORIDA

General, Police, and Fire Employees' Pension Plans Required Supplementary Information Schedule of Funding Progress (Dollar Amounts in Thousands)

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Covered Payroll	UAAL as a Percentage of Covered Payroll [(2)-(1)/(5)]
General Pension:						
9/30/2010	\$ 24,932	\$ 31,861	\$ 6,929	78.25%	\$ 9,118	75.99%
9/30/2009	23,817	29,574	5,757	80.53%	9,501	60.59%
9/30/2008	23,258	27,153	3,895	85.66%	9,357	41.63%
9/30/2007	22,172	25,909	3,737	85.58%	9,000	41.52%
9/30/2006	20,135	22,726	2,591	88.60%	8,004	32.37%
9/30/2005	18,481	19,674	1,193	93.94%	7,073	16.87%
9/30/2004	17,076	17,874	798	95.54%	7,069	11.29%
9/30/2003	15,835	15,374	(461)	103.00%	7,072	0.00%
9/30/2002	14,486	14,572	86	99.41%	6,700	1.28%
9/30/2001	12,750	13,759	1,009	92.67%	6,459	15.62%
Police Pension:						
9/30/2010	13,078	13,980	902	93.55%	2,566	35.15%
9/30/2009	12,759	13,428	669	95.01%	2,780	24.08%
9/30/2008	12,951	13,473	522	96.13%	2,495	20.92%
9/30/2007	12,424	12,544	120	99.04%	2,576	4.66%
9/30/2006	11,383	11,846	463	96.09%	2,287	20.23%
9/30/2005	10,566	11,052	486	95.60%	2,273	21.40%
9/30/2004	10,267	9,774	(493)	-105.04%	2,044	-24.12%
9/30/2003	10,013	11,295	1,281	88.65%	2,015	63.59%
9/30/2002	9,643	10,910	1,267	88.39%	1,921	65.97%
9/30/2001	9,245	10,555	1,310	87.59%	1,974	66.35%
Fire Pension:						
9/30/2010	8,390	8,207	(183)	102.23%	1,234	-14.83%
9/30/2009	8,301	8,123	(178)	102.19%	1,518	-11.73%
9/30/2008	8,222	8,031	(191)	102.38%	1,413	-13.52%
9/30/2007	8,089	9,377	1,288	86.27%	1,310	98.30%
9/30/2006	7,428	8,771	1,343	84.69%	930	144.46%
9/30/2005	6,904	8,311	1,408	83.06%	843	166.90%
9/30/2004	6,608	7,868	1,260	83.99%	925	136.22%
9/30/2003	6,458	7,747	1,289	83.36%	941	136.98%
9/30/2002	6,362	7,670	1,308	82.94%	903	144.95%
9/30/2001	6,333	7,651	1,318	82.78%	886	148.68%

CITY OF ST. AUGUSTINE, FLORIDA

General, Police, and Fire Employees' Pension Plans

Required Supplementary Information

Schedule of Employer Contributions and Other Contributing Entities

Year Ended September 30	Annual Required Contribution	* City Contribution	* State Premium Tax	Percentage Contributed
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General Pension:

2010	\$ 1,250,914	\$ 1,206,532	\$ -	96.45%
2009	1,157,224	1,192,706	-	103.07%
2008	909,542	1,039,614	-	114.30%
2007	631,069	828,381	-	131.27%
2006	597,699	679,414	-	113.67%
2005	448,795	457,095	-	101.85%
2004	365,948	388,902	-	106.27%
2003	469,150	509,417	-	108.58%
2002	302,607	350,022	-	115.67%
2001	427,286	452,671	-	105.94%

Police Pension:

2010	394,821	326,733	-	82.75%
2009	407,169	346,738	-	85.16%
2008	415,753	381,564	-	91.78%
2007	469,050	372,637	-	79.45%
2006	454,343	215,128	271,723	107.15%
2005	302,097	56,415	246,906	100.41%
2004	222,781	52,448	212,619	118.98%
2003	217,351	52,942	208,567	120.32%
2002	236,544	48,192	211,147	109.64%
2001	200,713	46,704	192,079	118.97%

Fire Pension:

2010	309,347	202,533	106,814	100.00%
2009	237,355	153,176	106,814	109.54%
2008	310,329	106,364	268,679	120.85%
2007	250,034	104,222	252,226	142.56%
2006	239,014	91,576	212,014	127.02%
2005	198,791	59,614	169,201	115.10%
2004	152,714	34,859	151,978	122.34%
2003	134,387	22,851	140,928	121.87%
2002	127,846	22,363	120,607	111.83%
2001	-	16,022	128,099	100.00%

* General and police contributions for the City and State are adjusted for interest credits to the end of the fiscal year, as per the plan's actuarial valuation, dated September 30, 2010. As a result, the amount indicated above will not be consistent with similar financial data exhibited in other areas of this report.

CITY OF ST. AUGUSTINE, FLORIDA

Note to the Schedule of Funding Progress and Schedule of Employer and Other Contributions For all Pension Plans

	General Employees' Pension Plan	Police Officers' Pension Plan	Firefighters' Pension Plan
Valuation Date	30-Sep-10	30-Sep-10	30-Sep-10
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Frozen Entry Age
Amortization Method	Level Percentage (closed) of Projected Payroll	Level Percentage (closed) of Projected Payroll	Level Percentage of pay, closed
Remaining Amortization Period	Weighted Average of 15 Years	Weighted Average of 15 Years	Weighted Average of 30 Years
Asset Valuation Method	5 Year Weighted Average of Difference Between Market & Expected Market	5 Year Weighted Average of Difference Between Market & Expected Market	4 Year Smoothing
Actuarial Assumptions:			
Investment Rate of Return	8% Annually	8% Annually	8% Annually
Projected Salary Increases	4% to 8% Annually	4.5% to 8% Annually	7% Annually
Cost of Living Adjustments	none	Up to 3% Annually	Up to 3% Annually

CITY OF ST. AUGUSTINE, FLORIDA

Other Post-Employment Benefits Required Supplementary Information Schedule of Funding Progress (Dollar Amounts in Thousands)

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Covered Payroll	UAAL as a Percentage of Covered Payroll [(2)-(1)/(5)]
9/30/2010	\$ -	\$ 2,235	\$ 2,235	0.00%	\$ 13,391	16.69%
9/30/2009	-	2,169	2,169	0.00%	12,876	16.85%

CITY OF ST. AUGUSTINE, FLORIDA

Other Post-Employment Benefits

Required Supplementary Information

Schedule of Employer Contributions and Other Contributing Entities

Year Ended September 30	Annual Required Contribution	* City Contribution	Percentage Contributed
2010	\$ 216,180	\$ 111,198	51.44%
2009	208,983	74,329	35.57%

*** Limited to the difference between age-adjusted and composite premiums paid for retirees during the year.**

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Combining Statements

CITY OF ST. AUGUSTINE, FLORIDA

**Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2010**

	General Employees' Pension Fund	Police Officers' Pension Fund	Firefighters' Pension Fund	Total Employee Retirement Funds
ASSETS				
Cash and Short-term Investments	\$ 2,621,500	\$ 332,987	\$ 335,371	\$ 3,289,858
Receivables:				
Member Contributions	18,140	6,802	3,956	28,898
City Contributions	55,711	6,184	15,473	77,368
Interest and Dividends	111,142	67,369	30,193	208,704
Due from State	-	-	30,889	30,889
Total Receivables	184,993	80,355	80,511	345,859
Prepaaid Pension Payment			35,899	35,899
Prepaid Expense	-	-	577	577
Investments, at Fair Value:				
U.S. Government Obligations Fund	2,060,485	1,400,498	1,132,283	4,593,266
U.S. Stock Fund	10,053,567	5,212,910	3,684,792	18,951,269
Mutual Funds - International Equity	1,699,868	-	53,520	1,753,388
Bond and Mortgage Fund	5,334,974	4,579,401	1,554,017	11,468,392
International Exchange Fund			1,114,258	1,114,258
Real Estate Fund	138,371	-	-	138,371
Total Investments	19,287,265	11,192,809	7,538,870	38,018,944
Total Assets	22,093,758	11,606,151	7,991,228	41,691,137
LIABILITIES				
Expenses Payable	31,450	19,229	61,870	112,549
Total Liabilities	31,450	19,229	61,870	112,549
NET ASSETS				
Held in Trust for Pension Benefits	\$ 22,062,308	\$ 11,586,922	\$ 7,929,358	\$ 41,578,588

CITY OF ST. AUGUSTINE, FLORIDA

**Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended September 30, 2010**

	General Employees' Pension Fund	Police Officers' Pension Fund	Firefighters' Pension Fund	Total Employee Retirement Funds
ADDITIONS				
Contributions				
Members	\$ 377,032	\$ 136,787	\$ 89,079	\$ 602,898
City	1,157,553	124,352	202,709	1,484,614
State Insurance Premium Tax, from General Fund	-	193,738	163,863	357,601
Other	-	-	-	-
Total Contributions	1,534,585	454,877	455,651	2,445,113
Investment Income				
Net Increase in Fair Value of Investments	1,680,391	643,420	426,850	2,750,661
Interest and Dividends on Investments	570,964	377,248	257,903	1,206,115
Total Investment Income	2,251,355	1,020,668	684,753	3,956,776
Less Investment Expenses	120,336	57,852	51,198	229,386
Net Investment Income	2,131,019	962,816	633,555	3,727,390
Total Additions	3,665,604	1,417,693	1,089,206	6,172,503
DEDUCTIONS				
Benefit Payments	1,347,639	542,177	539,079	2,428,895
Termination Payments	58,198	10,520	20,977	89,695
Administrative Expenses	44,770	40,172	30,470	115,412
Total Deductions	1,450,607	592,869	590,526	2,634,002
Net Change in Assets	2,214,997	824,824	498,680	3,538,501
Net Assets - Beginning	19,847,311	10,762,098	7,430,678	38,040,087
NET ASSETS - ENDING	\$ 22,062,308	\$ 11,586,922	\$ 7,929,358	\$ 41,578,588

**Schedule of Expenditures
of Federal Awards
and State Financial Assistance**

CITY OF ST. AUGUSTINE, FLORIDA
Schedule of Expenditures of Federal Awards and
State Financial Assistance
For the Year Ended September 30, 2010

Federal Agency or Federal Program	CFDA Number	Contract Number	Federal Expenditures
Department of Homeland Security (FEMA) Firefighters (SAFER)	97.044	EMW-2006-FF-04362	32,203
Department of Justice JAG Grant	16.803	2010-ARRC-STJO-1-W7-281	146,341
JAG Grant (Pass Through State of Florida)	16.738	2010-JAGC-STJO-3-4X-072	35,906
E. Byrne Grant (Pass Through State of Florida)	16.804	2007-F4980-FL-DJ	44,177
Total Expenditures of Federal Awards			\$ 258,626

State Agency	CFSA Number	Contract Number	State Expenditures
Department of State Dredging of Salt Run	N/A	SJ-SA-09-38	\$ 434,705
Florida Department of Environmental Protection Marina Pump Out Vessel & Trailer	15.616	CVA 09-557.LE701	70,485
Water Management District Wellfield Expansion	37.066	SJ-36913	633,170
FDOT Pedestrian Safety Study	20.205	LAP 403920-3-58-01	155,064
Port and Waterway District--Derelict Vessels	N/A	ICW-SA-08-01-04	17,586
Total Expenditures of State Financial Assistance			\$ 1,311,010

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STATISTICAL SECTION

Statistical Section

This section of the City of St. Augustine, Florida's comprehensive annual financial report presents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	110
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over	
Revenue Capacity	118
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes.	
Debt Capacity	123
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	131
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	133
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

CITY OF ST. AUGUSTINE, FLORIDA

NET ASSETS BY COMPONENT LAST TEN FISCAL YEARS "UNAUDITED"

	2000/01	2001/02	2002/03	2003/04
<u>Governmental Activities</u>				
Invested in Capital Assets, net of related debt	\$ 24,171,092	\$ 27,019,741	\$ 10,744,342	\$ 13,491,170
Restricted	1,124,044	1,517,136	5,365,938	4,725,306
Unrestricted	10,462,446	9,872,765	1,087,186	(671,043)
Total governmental activities net assets	\$ 35,757,582	\$ 38,409,642	\$ 17,197,466	\$ 17,545,433
<u>Business-type activities</u>				
Invested in Capital Assets, net of related debt	\$ 5,846,119	\$ 5,846,119	\$ 2,194,130	\$ 2,372,560
Restricted		-	2,262,668	10,138,334
Unrestricted	6,977,839	7,175,100	9,232,343	2,952,198
Total business-type activities net assets	\$ 12,823,958	\$ 13,021,219	\$ 13,689,141	\$ 15,463,092
<u>Primary Government</u>				
Invested in Capital Assets, net of related debt	\$ 30,017,211	\$ 32,865,860	\$ 12,938,472	\$ 15,863,730
Restricted	1,124,044	1,517,136	7,628,606	14,863,640
Unrestricted	17,440,285	17,047,865	10,319,529	2,281,155
Total primary government net assets	\$ 48,581,540	\$ 51,430,861	\$ 30,886,607	\$ 33,008,525

2004/05	2005/06	2006/07	2007/08	2008/09 *	2009/10
\$ 9,451,793	\$ 10,966,110	\$ 14,175,163	\$ 14,676,684	\$ 15,619,162	\$ 16,449,454
3,203,122	1,134,402	631,370	303,051	194,949	239,423
8,543,387	12,340,617	12,813,500	13,631,715	12,094,285	10,794,948
\$ 21,198,302	\$ 24,441,129	\$ 27,620,033	\$ 28,611,450	\$ 27,908,396	\$ 27,483,825
\$ 6,027,693	\$ 11,785,907	\$ 22,747,771	\$ 33,767,723	\$ 38,596,536	\$ 41,464,233
2,561,863	4,310,849	10,310,337	1,282,194	1,780,856	2,128,544
11,490,954	11,489,120	9,225,883	17,596,927	15,081,493	14,587,206
\$ 20,080,510	\$ 27,585,876	\$ 42,283,991	\$ 52,646,844	\$ 55,458,885	\$ 58,179,983
\$ 15,479,486	\$ 22,752,017	\$ 36,922,934	\$ 48,444,407	\$ 54,215,698	\$ 57,913,687
5,764,985	5,445,251	10,941,707	1,585,245	1,975,805	2,367,967
20,034,341	23,829,737	22,039,383	31,228,642	27,175,778	25,382,154
\$ 41,278,812	\$ 52,027,005	\$ 69,904,024	\$ 81,258,294	\$ 83,367,281	\$ 85,663,808

* As Restated

CITY OF ST. AUGUSTINE, FLORIDA

CHANGES IN NET ASSETS LAST FOUR FISCAL YEARS "UNAUDITED"

	2006/07	2007/08	2008/09 *	2009/10
EXPENSES				
Governmental Activities:				
General Government	\$ 7,665,655	\$ 8,378,922	\$ 10,029,770	\$ 9,477,947
Public Safety	7,823,572	7,948,163	8,279,880	8,192,511
Physical Environment	3,729,585	3,743,697	3,511,790	3,464,066
Transportation	1,254,902	1,249,125	1,328,943	1,148,640
Culture & Recreation	531,858	506,824	525,927	517,985
Interest and Fiscal Charges	387,132	396,709	390,469	369,659
Total Governmental Activities Expenses	\$ 21,392,704	\$ 22,223,440	\$ 24,066,779	\$ 23,170,808
Business-type Activities:				
Utility	\$ 10,731,084	\$ 9,958,306	\$ 10,684,931	\$ 10,620,601
Stormwater Drainage	394,987	390,491	539,034	466,522
Solid Waste	3,026,966	2,991,630	2,706,985	2,681,359
Municipal Marina	2,457,325	2,717,157	1,988,206	2,207,992
Visitor Information Center	-	-	-	3,068,303
Heritage Tourism	5,207,489	4,675,944	4,761,529	1,712,119
Total Business-type Activities Expenses	\$ 21,817,851	\$ 20,733,528	\$ 20,680,685	\$ 20,756,896
Total Primary Government Expenses	\$ 43,210,555	\$ 42,956,968	\$ 44,747,464	\$ 43,927,704
PROGRAM REVENUES				
Governmental Activities:				
Charges for Services				
General Government	\$ 3,571,247	\$ 3,778,531	\$ 4,085,583	\$ 4,159,321
Public Safety	1,832,397	1,407,388	1,068,530	1,001,276
Physical Environment	580,819	466,972	352,280	301,983
Transportation	191,805	154,200	115,821	117,612
Culture/Recreation	89,239	67,669	55,191	46,747
Operating Grants and Contributions	167,212	382,980	396,060	264,405
Capital Grants and Contributions	88,240	171,250	593,720	763,338
Total Governmental Activities Program Revenue	\$ 6,520,959	\$ 6,428,990	\$ 6,667,185	\$ 6,654,682
Business-type activities (a):				
Charges for Services				
Utility	\$ 18,107,334	\$ 11,704,165	\$ 11,511,293	\$ 11,471,373
Stormwater Drainage	736,368	734,328	735,131	747,339
Solid Waste	3,172,619	3,151,729	3,274,854	3,363,968
Municipal Marina	2,624,581	2,719,574	2,006,504	2,197,463
Visitor Information Center	-	-	-	1,327,438
Heritage Tourism	2,662,456	2,871,376	3,029,780	1,875,824
Operating Grants and Contributions				
Capital Grants and Contributions	6,705,343	8,187,145	1,448,401	1,046,973
Total Business-type Activities Program Revenue	\$ 34,008,701	\$ 29,368,317	\$ 22,005,963	\$ 22,030,378
Total Primary Government Revenues	\$ 40,529,660	\$ 35,797,307	\$ 28,673,148	\$ 28,685,060

(continued)

NOTES:

(a) Business-type expenses do not include Debt Service, Capital Outlay, or Transfers.

* As Restated.

CITY OF ST. AUGUSTINE, FLORIDA

CHANGES IN NET ASSETS LAST FOUR FISCAL YEARS "UNAUDITED"

	2006/07	2007/08	2008/09 *	2009/10
Net (Expense)/Revenue				
Governmental Activities	\$ (14,871,745)	\$ (15,794,450)	\$ (17,399,594)	\$ (16,516,126)
Business-type Activities	12,190,850	8,634,789	1,325,278	1,273,482
Total primary government net expense	<u>\$ (2,680,895)</u>	<u>\$ (7,159,661)</u>	<u>\$ (16,074,316)</u>	<u>\$ (15,242,644)</u>
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Property Taxes	\$ 11,079,328	\$ 11,055,233	11,399,886	10,690,906
Utility Taxes	787,037	707,722	695,554	961,872
Communication Service Taxes	960,056	894,002	954,119	1,046,752
Franchise Fees	1,582,899	1,231,158	1,464,650	1,415,038
State Revenue Sharing, Unrestricted	566,485	557,521	548,313	547,520
Local Option Gas Taxes	671,481	611,697	504,738	535,223
Local Option Sales Taxes	1,114,883	1,043,333	928,656	878,398
Insurance Premium Taxes	554,581	529,747	396,205	357,602
Other Taxes	91,768	88,454	142,520	99,409
Miscellaneous	585,250	740,018	888,487	919,858
Investment Income	965,558	427,186	124,422	41,448
Interfund Transfer of Assets (net)	168,116	-	-	-
Transfers	(1,076,793)	(1,100,204)	(1,351,010)	(1,402,471)
Total Governmental Activities	<u>\$ 18,050,649</u>	<u>\$ 16,785,867</u>	<u>\$ 16,696,540</u>	<u>\$ 16,091,555</u>
Business-type activities (a):				
Unrestricted Investment Earnings	\$ 1,598,588	\$ 627,860	\$ 135,753	\$ 45,145
Interfund Transfer of Assets (net)	(168,116)	-	-	-
Transfers	908,677	1,100,204	1,351,010	1,402,471
Total Business-type Activities	<u>\$ 2,507,265</u>	<u>\$ 1,728,064</u>	<u>\$ 1,486,763</u>	<u>\$ 1,447,616</u>
Total Primary Government	<u>\$ 20,557,914</u>	<u>\$ 18,513,931</u>	<u>\$ 18,183,303</u>	<u>\$ 17,539,171</u>
Change in Net Assets				
Governmental Activities	\$ 3,178,904	\$ 991,417	\$ (703,054)	\$ (424,571)
Business-type Activities	14,698,115	10,362,853	2,812,041	2,721,098
Total Primary Government	<u>\$ 17,877,019</u>	<u>\$ 11,354,270</u>	<u>\$ 2,108,987</u>	<u>\$ 2,296,527</u>

NOTES:

(a) Business-type expenses do not include Debt Service, Capital Outlay, or Transfers.

* As Restated.

CITY OF ST. AUGUSTINE, FLORIDA

FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS

September 30, 2010

"UNAUDITED"

	2001	2002	2003	2004	2005
General Fund					
Reserved	\$ 923,027	\$ 1,101,805	\$ 1,340,368	\$ 1,790,289	\$ 1,848,645
Unreserved	3,540,170	4,401,586	4,942,892	3,488,124	7,835,329
Total General Fund	4,463,197	5,503,391	6,283,260	5,278,413	9,683,974
All Other Governmental Funds					
Reserved	201,017	415,331	479,522	796,069	3,058,435
Unreserved reported in:					
Capital Projects Fund	6,922,276	5,471,179	5,050,193	4,400,300	15,245,090
Special Revenue Fund					
Total All Other Governmental Funds:	7,123,293	5,886,510	5,529,715	5,196,369	18,303,525
Total Governmental Funds	\$ 11,586,490	\$ 11,389,901	\$ 11,812,975	\$ 10,474,782	\$ 27,987,499

2006	2007	2008	2009	2010
\$ 884,631	\$ 796,284	\$ 1,208,861	\$ 1,060,567	\$ 902,849
11,513,122	11,902,148	12,970,610	11,399,627	10,704,273
12,397,753	12,698,432	14,179,471	12,460,194	11,607,122
2,010,274	1,713,559	608,899	905,501	620,744
2,350,969	282,163	117,620	9,022	54,928
4,361,243	1,995,722	726,519	914,523	675,672
\$ 16,758,996	\$ 14,694,154	\$ 14,905,990	\$ 13,374,717	\$ 12,282,794

CITY OF ST. AUGUSTINE, FLORIDA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS "UNAUDITED"

	2000/01	2001/02	2002/03	2003/04
REVENUES				
Ad Valorem Taxes	\$ 3,989,576	\$ 4,645,101	\$ 5,120,073	\$ 6,025,894
Sales and Use Taxes	928,045	958,092	943,604	1,032,566
Utility Excise Taxes	1,524,213	1,896,688	1,856,050	1,760,159
Licenses, Permits & Fees	1,914,940	1,819,874	1,893,049	1,178,438
Intergovernmental	1,632,769	1,683,833	1,670,364	1,841,242
Fines & Forfeitures	308,103	353,659	418,844	437,704
Interest Earnings	498,560	280,971	391,343	143,938
Administrative Service Charges	2,998,595	3,250,695	3,423,685	3,359,772
Sale of Surplus Assets	129,445	157,245	-	-
Other	872,375	754,286	1,348,335	2,011,386
Total Revenues	14,796,621	15,800,444	17,065,347	17,791,099
EXPENDITURES				
Current:				
General Government	3,593,359	4,853,831	5,529,232	5,336,832
Public Safety	5,370,523	5,456,861	5,783,307	5,980,184
Physical Environment	2,684,639	2,408,870	2,411,853	2,502,833
Transportation	812,422	808,537	686,899	797,999
Culture & Recreation	217,110	301,988	360,195	401,789
Capital Outlay	1,857,314	-	1,443,463	3,511,261
Debt Service:				
Principal Retirement	208,125	239,624	247,863	259,426
Interest and Fiscal Charges	498,930	620,959	596,351	578,366
Issuance Cost				
Total Expenditures	15,242,422	14,690,670	17,059,163	19,368,690
Excess (deficiency) of revenues over (under) expenditures	(445,801)	1,109,774	6,184	(1,577,591)
Other Financing Sources (Uses)				
Transfers In	5,963,062	1,740,888	2,202,016	4,127,939
Transfers (Out)	(5,909,258)	(1,596,154)	(1,840,686)	(3,888,541)
Long-term Debt Issued	11,785,121	-	-	-
Retirement to Escrow Agent	(4,131,875)	-	-	-
Premium on Long-Term Debt Issued	-	-	-	-
Total Other Financing Sources (Uses)	7,707,050	144,734	361,330	239,398
Net Change in Fund Balances	\$ 7,261,249	\$ 1,254,508	\$ 367,514	\$ (1,338,193)
Debt Service as a percentage of noncapital expenditures	5.58%	6.22%	5.72%	5.58%

2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
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\$ 6,689,649	\$ 8,534,508	\$ 10,581,764	\$ 10,589,451	\$ 10,966,589	\$ 10,361,986
1,096,132	1,221,253	1,226,062	1,141,444	900,942	892,825
1,842,707	1,815,289	1,747,093	1,601,724	1,649,673	2,008,624
1,433,542	1,886,205	1,790,500	1,983,703	2,199,545	2,567,238
2,063,359	2,134,319	2,310,841	2,195,144	2,091,824	1,892,676
415,994	408,105	376,423	371,934	294,423	280,874
905,298	1,263,737	965,558	427,186	124,421	41,447
3,546,557	3,611,332	3,368,212	2,675,852	2,306,131	1,983,565
3,586,529	166,909	-	-	-	-
2,922,765	2,395,265	3,113,832	3,328,623	4,181,187	4,119,474
24,502,532	23,436,922	25,480,285	24,315,061	24,714,735	24,148,709

5,654,721	6,564,789	7,395,472	7,769,930	8,882,214	8,020,835
6,312,235	6,900,438	7,705,333	7,823,977	8,157,878	8,143,485
2,715,641	3,097,289	3,466,862	3,489,882	3,354,800	3,346,170
1,115,556	1,069,139	1,144,871	1,152,404	1,102,977	1,112,354
460,018	459,648	532,658	505,720	525,588	517,985
9,335,467	14,809,417	5,496,747	1,560,586	2,167,291	2,000,736
277,230	285,605	287,627	303,812	313,781	326,938
1,569,121	1,526,314	438,764	396,710	390,469	369,659
356,512	-	-	-	-	-
27,796,501	34,712,639	26,468,334	23,003,021	24,894,998	23,838,162

(3,293,969)	(11,275,717)	(988,049)	1,312,040	(180,263)	310,547
6,103,130	6,307,014	5,191,500	2,701,482	4,640,885	3,276,693
(6,020,414)	(6,259,800)	(6,268,293)	(3,801,686)	(5,991,895)	(4,679,164)
20,999,525	-	-	-	-	-
(578,198)	-	-	-	-	-
302,643	-	-	-	-	-
20,806,686	47,214	(1,076,793)	(1,100,204)	(1,351,010)	(1,402,471)
\$ 17,512,717	\$ (11,228,503)	\$ (2,064,842)	\$ 211,836	\$ (1,531,273)	\$ (1,091,924)

11.36%	10.02%	3.59%	3.38%	3.20%	3.30%
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CITY OF ST. AUGUSTINE, FLORIDA

TOTAL ASSESSED VALUATIONS AND TOTAL EXEMPTIONS LAST TEN FISCAL YEARS

September 30, 2010

"UNAUDITED"

	2001	2002	2003	2004	2005
Real Property	\$ 520,688,082	\$ 628,742,076	\$ 728,606,206	\$ 861,761,206	\$ 964,366,560
Personal Property	62,402,778	68,205,751	63,426,737	73,963,887	73,456,340
Railroad & Telegraph	2,263,924	2,282,126	2,371,769	2,539,213	2,631,148
Total Assessed Valuations	585,354,784	699,229,953	794,404,712	938,264,306	1,040,454,048
Homestead Exempt Property (a)	68,326,530	68,138,029	69,563,109	69,803,529	70,662,166
Other Exemptions	276,398,298	305,989,307	355,719,806	419,524,055	498,558,761
Total Exempt Property	344,724,828	374,127,336	425,282,915	489,327,584	569,220,927
Total Just Valuations	\$ 930,079,612	\$ 1,073,357,289	\$ 1,219,687,627	\$ 1,427,591,890	\$ 1,609,674,975
Direct Rate	7.000	6.800	6.600	6.600	6.600

NOTES:

- (a) Real property is assessed at 100 percent of fair market value. Tangible Personal Property: Equipment is assessed at current depreciated value. Centrally Assessed Property: (1) State of Florida makes annual assessments of all operating property of railroad and railroad terminal companies in the State. Such assessment is apportioned to each county, based upon actual situs, and, in the case of property not having situs in a particular county, is apportioned based upon track miles. (2) All private car and freight line and equipment companies operating rolling stock in Florida other than in (1) above shall return for taxation the average number of their cars which are habitually present within Florida and shall state the fair market value thereof. Property is assessed as of January 1st. Tax bills are mailed November 1st. Four percent discount, if paid in November, three percent if paid in December, two percent if paid in January, one percent discount if paid in February, full amount due in March, delinquent April 1st.

Source: St. Johns County Property Appraiser, St. Johns County Tax Collector, Department of Revenue, State of Florida

- (b) Figures are from the PRELIMINARY tax rolls. These could change once the final tax rolls are received.

Source: St. Johns County Property Appraiser, St. Johns County Tax Collector, Department of Revenue, State of Florida

2006	2007	2008	2009	2010 (b)
\$ 1,246,909,727	\$ 1,550,199,349	\$ 1,564,575,408	\$ 1,550,350,973	\$ 1,303,221,123
79,796,610	84,639,356	79,538,769	84,760,234	74,772,148
2,694,393	2,355,234	2,724,258	2,350,861	2,404,981
1,329,400,730	1,637,193,939	1,646,838,435	1,637,462,068	1,380,398,252
72,884,446	74,445,529	74,445,529	75,575,856	154,841,251
682,259,040	873,985,077	873,985,077	936,639,130	664,265,961
755,143,486	948,430,606	948,430,606	1,012,214,986	819,107,212
\$ 2,084,544,216	\$ 2,585,624,545	\$ 2,595,269,041	\$ 2,649,677,054	\$ 2,199,505,464
6.600	6.600	6.600	6.313	6.823

CITY OF ST. AUGUSTINE, FLORIDA

PROPERTY TAX RATES AND TAX LEVIES DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN FISCAL YEARS

September 30, 2010

"UNAUDITED"

Fiscal Year Ended	Direct	Overlapping				Total
	City of St. Augustine	St. Johns County	School District	St. Johns River Water Management District	Other	
2001	7.000	6.061	9.107	0.472	0.795	23.435
2002	6.800	6.065	8.607	0.462	0.761	22.695
2003	6.600	6.033	8.802	0.462	0.659	22.556
2004	6.600	5.850	8.285	0.462	0.557	21.754
2005	6.600	5.850	8.226	0.462	0.457	21.595
2006	6.600	5.848	7.849	0.462	0.441	21.200
2007	6.313	5.004	7.721	0.416	0.395	19.848
2008	6.823	5.037	7.642	0.416	0.382	20.300
2009	7.500	5.547	7.801	0.416	0.381	21.645
2010	7.500	5.547	8.069	0.416	0.228	21.760

NOTES:

Millage rates are per \$1,000 of assessed valuation.

Source: St. Johns County Tax Collector

CITY OF ST. AUGUSTINE, FLORIDA

PRINCIPAL TAXPAYERS

September 30, 2010

"UNAUDITED"

Taxpayer	2009/2010			2000/2001		
	Taxable Assessed Value	Rank	Percent of Total Assessment	Taxable Assessed Value	Rank	Percent of Total Assessment
Patris Real Estate LLC	\$ 15,561,034	1	1.42%			
The Flagler Resort, LTD	\$ 13,730,793	2	1.25%	\$ 1,205,340	-	0.21%
Sea Wall Motor Lodge, INC	\$ 7,338,640	3	0.67%			
Target Corporation	\$ 7,185,074	4	0.66%	3,672,820	8	0.63%
The Allegro Senior Housing, LLC	\$ 5,911,101	5	0.54%	6,735,270	5	1.15%
Patel, Kantibhai M.	\$ 5,250,582	6	0.48%			
Home Depot USA, Inc.	\$ 4,981,246	7	0.45%	8,421,870	4	1.44%
Orthopedic Associates Partners	\$ 4,227,949	8	0.39%			
Avista Properties IX, Inc.						
Gates of St. Johns, LLC	\$ 3,593,747	9	0.33%			
Vista Hotel III Inc	\$ 3,455,324	10	0.32%			
WP-VDP St. Augustine, LLC				21,418,200	1	3.65%
Ponce De Leon Resort & Convention				19,583,270	2	3.34%
Harbour Isle at St. Augustine				12,339,180	3	2.10%
St. Johns Investors, LTD Part.				4,608,020	6	0.79%
Carmel-Olympic Associates ETAL				3,892,320	7	0.66%
University of St. Augustine Health Services				3,466,420	9	0.59%
T.W.C. Ninety-Six, LTD				3,343,300	10	0.57%
Other Taxpayers	<u>1,024,758,707</u>		<u>93.50%</u>	<u>497,899,114</u>		<u>84.88%</u>
	<u>\$ 1,095,994,197</u>		<u>100.00%</u>	<u>\$ 586,585,124</u>		<u>100.00%</u>

Source: St. Johns County Property Appraiser's Office

CITY OF ST. AUGUSTINE, FLORIDA

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

September 30, 2010

"UNAUDITED"

Fiscal Year Ended	Total Tax Levy	Current Tax Collection	Percent (a) of Levy Collected	Assessed Taxable Value	Estimated Actual Value (Thousands)	Estimated % of Fair Market Value
2001	4,097,483	3,989,576	97.37%	585,379,784	585,380	100%
2002	4,754,492	4,645,101	97.70%	699,229,953	699,230	100%
2003	5,252,238	5,103,867	97.18%	794,404,712	794,405	100%
2004	6,192,544	6,013,301	97.11%	938,264,306	938,264	100%
2005	6,866,997	6,654,994	96.91%	1,040,454,048	1,040,454	100%
2006	8,774,045	8,517,325	97.07%	1,329,400,730	1,329,401	100%
2007	10,805,480	10,548,105	97.62%	1,637,193,939	1,637,194	100%
2008	10,396,491	10,487,209	100.87%	1,646,838,435	1,646,838	100%
2009	11,172,404	10,743,591	96.16%	1,637,462,068	1,637,462	100%
2010	10,352,987	9,939,071	96.00%	1,380,398,252	1,380,398	100%

NOTES:

- (a) Florida Statutes provide for a discount of up to four percent for early payment of Ad Valorem Taxes.

CITY OF ST. AUGUSTINE, FLORIDA

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA

LAST TEN FISCAL YEARS

September 30, 2010

"UNAUDITED"

Fiscal Year	Population (a)	Assessed Value (In Thousands) (b)	Gross Bonded Debt	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2001	12,847	585,355	-	-	-	-	-
2002	13,031	699,230	-	-	-	-	-
2003	13,245	794,405	-	-	-	-	-
2004	13,411	938,264	-	-	-	-	-
2005	13,505	1,040,454	-	-	-	-	-
2006	13,702	1,329,401	-	-	-	-	-
2007	13,912	1,637,194	-	-	-	-	-
2008	13,874	1,646,838	-	-	-	-	-
2009	13,663	1,637,462	-	-	-	-	-
2010	13,719	1,380,398	-	-	-	-	-

NOTES:

(a) City of St. Augustine, Planning & Building Department

(b) Previous year's preliminary tax role is adjusted to final role in current year.

CITY OF ST. AUGUSTINE, FLORIDA

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
LAST TEN FISCAL YEARS**

September 30, 2010

"UNAUDITED"

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2001	208,126	446,494	654,620	12,678,053	5.16
2002	239,624	585,739	825,363	13,830,087	5.97
2003	247,863	596,351	844,214	15,247,561	5.54
2004	259,426	578,366	837,792	15,523,495	5.40
2005	277,230	1,569,121	1,846,351	16,597,885	11.12
2006	285,605	1,526,056	1,811,661	18,846,625	9.61
2007	297,167	438,764	735,931	21,058,008	3.49
2008	303,813	389,015	692,828	20,932,846	3.31
2009	313,781	390,469	704,250	21,349,627	3.30
2010	326,938	369,659	696,597	21,979,202	3.17

CITY OF ST. AUGUSTINE, FLORIDA

UTILITY REVENUE BOND COVERAGE LAST TEN FISCAL YEARS

September 30, 2010

"UNAUDITED"

Fiscal Year Ended	Gross Revenue (a)	Operating Expenses (b)	Net Revenue (c)	Debt Service Requirements	Debt Service Coverage
2001	9,922,536	5,914,349	4,008,187	2,770,326	1.45
2002	9,494,924	6,006,185	3,488,739	2,772,040	1.26
2003	10,136,328	6,363,700	3,772,628	2,775,212	1.36
2004	11,319,398	6,467,225	4,852,173	3,145,464 (d)	1.54
2005	12,778,639	6,565,120	6,213,519	1,609,044 (d) (e)	3.86
2006	14,299,897	7,467,811	6,832,086	3,188,793 (d)	2.14
2007	19,720,962	7,804,057	11,916,905	3,209,541 (d)	3.71
2008	12,515,380	7,233,245	5,282,135	3,234,726 (d)	1.63
2009	12,148,028	7,104,682	5,043,346	3,254,261 (d)	1.55
2010	11,876,944	6,979,489	4,897,455	3,288,337 (d)	1.49

NOTES:

- (a) Gross Revenue = Operating Revenue + Net Transfers In (Out) + Interest Revenue + Miscellaneous Revenue
- (b) Operating Expenses = Total Operating Expenses - Depreciation and Amortization
- (c) Net Revenue = Gross Revenue - Operating Expenses - Extraordinary Revenues + Extraordinary Expenses
- (d) Includes interest on zero-coupon bonds
- (e) Series 2005 Water and Sewer Bond issue refunded four previous outstanding bond issues lowering current year's annual required debt service payment.

CITY OF ST. AUGUSTINE, FLORIDA

NET DEBT STATEMENT Computation of Direct and Overlapping Debt September 30, 2010 "UNAUDITED"

Direct Debt/ Overlapping Debt	Certificate of Participation	General Obligation Debt	Non-Self Supporting Revenue Bonds	Self Supporting Revenue Bonds
City of St. Augustine				
Water and Sewer, Revenue Refunding Bonds, 2005	\$ -	\$ -	\$ -	\$ 10,950,000
Water and Sewer, Revenue Bonds, 2003	-	-	-	12,849,012
Public Service Tax and Guaranteed Entitlement Revenue Refunding and Improvements Bonds, 2001	-	-	10,505,000	-
Capital Improvement & Reserve Refunding Bonds, Series 2004	-	-	21,149,999	-
Total Direct Debt	\$ -	\$ -	\$ 31,654,999	\$ 23,799,012
St. Johns County				
Water and Sewer Revenue Bonds, 1991A	\$ -	\$ -	\$ -	\$ 24,135,553
Water and Sewer Revenue Refunding Bonds 1998	-	-	-	1,365,000
Water and Sewer, Revenue Refunding Bonds, Series 1996	-	-	-	1,315,000
Water and Sewer, Revenue Refunding Bonds, Series 1999A	-	-	-	2,335,000
Water and Sewer, Revenue Series 2004	-	-	-	31,615,483
Water and Sewer, Revenue Series 2006	-	-	-	41,770,000
Ponte Vedra Water and Sewer, Revenue Bonds, Series 2006	-	-	-	29,050,000
Ponte Vedra Water and Sewer, Revenue Bonds, Series 2007	-	-	-	30,620,000
(continued)				

CITY OF ST. AUGUSTINE, FLORIDA

NET DEBT STATEMENT

Computation of Direct and Overlapping Debt

September 30, 2010

"UNAUDITED"

(continued)

Direct Debt/ Overlapping Debt	Certificate of Participation	General Obligation Debt	Non-Self Supporting Revenue Bonds	Self Supporting Revenue Bonds
City of Gulf Breeze, Florida Local Gov't Loan Program, Series 2004	-	-	-	13,280,000
Solid Waste Disposal Revenue Long-Term Note	-	-	-	1,675,000
Capital Improvement Revenue Bonds, Series 2005	-	-	19,530,000	-
Sales Tax Revenue Bonds, Series 2002	-	-	935,000	-
Sales Tax Revenue Bonds, Series 2004	-	-	40,370,000	-
Sales Tax Revenue Bonds, Series 2006	-	-	44,270,000	-
Sales Tax Revenue Bonds, Series 2009	-	-	22,360,000	-
Sales Tax Revenue Bonds, Series 2009A	-	-	10,815,000	-
Community Redevelopment Agency Revenue & Refunding Note, 2006	-	-	5,275,000	-
Transportation Improvement Revenue Bonds, 2006	-	-	27,930,000	-
Transportation Improvement Revenue Bonds, 2003	-	-	27,770,000	-
\$45,000,000 Commercial Paper Progr.	-	-	2,053,000	-
State Revolving Loan Fund Agreement	-	-	4,298,597	732,190
Board of Public Instruction				
Certificate of Participation	129,210,000	-	-	-
General Obligation Bonds, Series, 2003	-	8,160,000	-	-
Total Overlapping Debt	\$ 129,210,000	\$ 8,160,000	\$ 205,606,597	\$ 177,893,226
Total Direct and Overlapping Debt	\$ 129,210,000	\$ 8,160,000	\$ 237,261,596	\$ 201,692,238

(continued)

CITY OF ST. AUGUSTINE, FLORIDA

NET DEBT STATEMENT
Computation of Direct and Overlapping Debt
September 30, 2010
"UNAUDITED"
(continued)

DEBT RATIOS

Direct and Overlapping General Obligation Debt	\$ 8,160,000
Per Capita	\$ 595
As a Percentage of Taxable Assessed Valuation	0.67%
As a Percentage of Total Just Valuation	0.46%
Direct and Overlapping General Obligation and Non-Self Supporting Revenue Debt and Long-Term Notes Payable	\$ 245,421,596
Per Capita	\$ 17,889
As a Percentage of Taxable Assessed Valuation	20.23%
As a Percentage of Total Just Valuation	13.77%

CITY OF ST. AUGUSTINE, FLORIDA

COMPUTATION OF LEGAL DEBT MARGIN

September 30, 2010

"UNAUDITED"

**The Constitution of the State of Florida, Florida Statutes 200.131, and
the City of St. Augustine Charter set no legal debt margin.**

CITY OF ST. AUGUSTINE, FLORIDA

SUMMARY OF PLEDGED FUNDS Public Service Tax/Guaranteed Entitlement Bonds September 30, 2010 "UNAUDITED"

Revenue Source	FY 2005/06	FY 2006/07	FY 2007/08	FY 2008/09	FY 2009/10
Public Service Tax					
Electric	\$ 596,575	\$ 711,370	\$ 636,610	\$ 643,040	\$ 894,452
Communication	1,135,339	960,056	894,002	954,119	1,046,752
Gas	83,375	75,667	71,111	52,513	67,420
Fuel Oil	-	-	-	-	-
Total	\$ 1,815,289	\$ 1,747,093	\$ 1,601,723	\$ 1,649,672	\$ 2,008,624
Florida Revenue Sharing					
Revenue Sharing	\$ 562,170	\$ 566,485	\$ 557,521	\$ 548,313	\$ 547,520
Guaranteed Entitlements					
Local Option Gas Tax	\$ 648,709	\$ 671,481	\$ 611,697	\$ 504,738	\$ 535,223
Total	\$ 648,709	\$ 671,481	\$ 611,697	\$ 504,738	\$ 535,223
Total Pledged Funds	\$ 3,026,168	\$ 2,985,059	\$ 2,770,942	\$ 2,702,723	\$ 3,091,367

CITY OF ST. AUGUSTINE, FLORIDA

DEMOGRAPHIC STATISTICS

September 30, 2010

"UNAUDITED"

Year	Population		Per Capita Personal Income	Total Personal Income (in thousands)	Unemploy- ment Rate
	City of St. Augustine	St. Johns County			
2001	12,847	123,135 (est.)	\$ 37,501	\$ 4,812,380	3.2%
2002	13,031	123,135 (est.)	\$ 37,316	\$ 4,940,965	3.8%
2003	13,245	128,396 (est.)	\$ 37,637	\$ 5,170,026	3.8%
2004	13,363	141,900 (est.)	\$ 41,834	\$ 5,483,768	3.7%
2005	13,505	149,006 (est.)	\$ 44,451	\$ 6,466,633	2.9%
2006	13,702	155,014 (est.)	\$ 48,392	\$ 7,262,095	2.7%
2007	13,912	167,453 (est.)	\$ 50,179	\$ 8,276,144	2.7%
2008	13,874	176,570 (est.)	\$ 49,327	\$ 8,869,772	5.5%
2009	13,663	183,244 (est.)	\$ 48,283	\$ 8,999,561	8.2%
2010	13,719	185,464 (est.)	\$ 49,327	Not Available	9.9%

Year	Population Projection	
	City of St. Augustine	St. Johns County

2011 13,900 214,100

2016 14,100 226,100

Avg Household Size: Not Available 2.44

**Source: City of St. Augustine, Planning & Building Department,
St. Johns County Chamber of Commerce
Office of Economic and Demographic Research**

CITY OF ST. AUGUSTINE, FLORIDA

MAJOR EMPLOYERS IN THE ST. AUGUSTINE AREA

September 30, 2010

"UNAUDITED"

Establishment	Product	Approximate Employment	
		2009/2010	2000/2001
St. Johns County School Board	Educational	3,449	2,401
Flagler Hospital	Health Care	1,689	1,000
US Army National Guard	Florida National Guard HQ	1,300	528
St. Johns County	County Government	1,206	861
Northrop Grumman	Aircraft Overhaul & Modification	900	1,040
Florida School for the Deaf and Blind	Educational Institution	650	703
Tree of Life	Health Food Distribution	636	350
Flagler College	Four-Year Liberal Arts College	525	275
Ring Power	Heavy Equipment Sales	445	-
City of St. Augustine	Municipal Government	354	335
Carlisle Interconnect Technologies (Tensolite Company)	Manufacturer	300	215
Hydro Aluminum	Aluminum Fabrication	270	500
Casa Monica Hotel	Resort	164	n/a
Prosperity Bank	Banking	114	-
First Coast Technical Institute	Vocational School	103	-
St. Augustine Record	Daily Newspaper	88	117
Leonard's Studio	Photo Finishing	85	100

CITY OF ST. AUGUSTINE, FLORIDA

SUMMARY OF TEN LARGEST WATER CUSTOMERS

September 30, 2010

"UNAUDITED"

Customer	Usage for Fiscal Year Ended September 30, 2010 (in gallons)
Flagler Hospital	40,961,800
City of St. Augustine	25,006,400
St. Johns County	22,127,500
Flagler College	16,397,400
Florida School for the Deaf & Blind	14,805,400
St. Johns County School Board	12,754,300
Grumman of St. Augustine	11,727,200
St. Johns Welfare Federation	9,240,800
Flagler Resort LTD	7,097,600
Northport Health Services	4,096,400

Source: City of St. Augustine Customer Service Department

CITY OF ST. AUGUSTINE, FLORIDA

**HISTORICAL UTILITY CUSTOMERS AND SALES OF THE SYSTEM
LAST TEN FISCAL YEARS**

September 30, 2010

"UNAUDITED"

Fiscal Year Ended	Water Customers			Sewer Customers		
	Inside City	Outside City	Total	Inside City	Outside City	Total
2001	6,244	2,266	8,510	5,904	894	6,798
2002	6,243	2,264	8,507	5,824	907	6,731
2003	6,259	2,535	8,794	5,871	1,113	6,984
2004	6,307	2,710	9,017	5,901	1,336	7,237
2005	6,528	3,169	9,697	6,151	1,336	7,487
2006	6,642	3,594	10,236	6,283	1,586	7,869
2007	6,741	3,858	10,599	6,651	1,859	8,510
2008	7,000	4,058	11,058	6,674	1,998	8,672
2009	7,047	4,183	11,230	6,697	2,134	8,831
2010	6,988	4,419	11,407	6,704	2,210	8,914

Source: City of St. Augustine Customer Service Department

Water Sales (Thousands of Gallons)		
Inside City	Outside City	Total
811,297	316,509	1,127,806
758,439	295,888	1,054,327
823,610	222,448	1,046,058
662,489	292,573	955,062
577,828	263,281	841,109
529,264	273,470	802,734
572,648	385,139	957,787
596,147	386,930	983,077
513,033	378,125	891,158
521,691	344,701	866,392

CITY OF ST. AUGUSTINE, FLORIDA

WATER AND WASTEWATER TREATMENT PLANTS SUMMARY OF HISTORICAL DAILY FLOWS

September 30, 2010

"UNAUDITED"

Fiscal Year Ended	Water Treatment Plant (a)		Wastewater Treatment Plant	
	Annual Average Daily Flow (Millions of Gallons Per Day)	Maximum Monthly Average Daily Flow (Millions of Gallons Per Day)	Annual Average Daily Flow (Millions of Gallons Per Day)	Maximum Monthly Average Daily Flow (Millions of Gallons Per Day)
2001	3.202	3.538	4.570	7.690
2002	3.023	3.813	4.519	6.639
2003	3.264	3.767	4.713	6.580
2004	3.923	4.468	4.679	7.367
2005	2.529	3.333	3.788	5.237
2006	3.000	3.400	3.026	4.100
2007	3.560	4.085	3.624	6.016
2008	3.651	4.601	2.995	10.885
2009	3.388	4.119	3.697	9.639
2010	3.356	3.769	3.033	9.030

Source: City of St. Augustine Engineering Department

CITY OF ST. AUGUSTINE, FLORIDA

WATER AND SEWER UTILITIES HISTORICAL RATE STRUCTURES

September 30, 2010

"UNAUDITED"

Effective October 1,	Service Area	Minimum Charge Flow Rate Gal./Month	Water		Sewer	
			Minimum Charge	Additional Charge Per 1,000 Gal.	Minimum Charge	Additional Charge Per 1,000 Gal.
2001	Inside City	3,000	13.54	3.72	18.83	4.75
	Outside City	3,000	16.93	4.65	23.54	5.94
2002	Inside City	3,000	13.54	3.72	18.83	4.75
	Outside City	3,000	16.93	4.65	23.54	5.94
2003	Inside City	3,000	13.54	3.72	18.83	4.75
	Outside City	3,000	16.93	4.65	23.54	5.94
2004	Inside City	3,000	13.93	3.83	19.24	4.85
	Outside City	3,000	17.41	4.79	24.05	6.06
2005	Inside City	3,000	13.93	3.83	19.24	4.85
	Outside City	3,000	17.41	4.79	24.05	6.06
2006	Inside City	3,000	14.17	3.90	19.58	4.93
	Outside City	3,000	17.71	4.87	24.47	6.17
2007	Inside City	3,000	14.45	3.98	19.97	5.03
	Outside City	3,000	18.06	4.98	24.96	6.29
2008	Inside City	3,000	14.83	4.08	20.49	5.16
	Outside City	3,000	18.53	5.11	25.61	6.45
2009	Inside City	3,000	15.42	4.24	21.32	5.37
	Outside City	3,000	19.26	5.31	26.64	6.71
2010	Inside City	3,000	16.19	4.47	22.35	5.66
	Outside City	3,000	20.20	5.59	27.92	7.07

CITY OF ST. AUGUSTINE, FLORIDA

BUILDING PERMIT ACTIVITY

LAST TEN FISCAL YEARS

(Value in Thousands)

September 30, 2010

"UNAUDITED"

Fiscal Year	Single Family Units	Multi-Family Units	New Residential Valuation	New Non-Residential Valuations	Residential & Non-Residential Additions/Alterations	Public Valuation	Total Valuation
2001	46	130	4,515	6,824	NA	-	11,339
2002	29	30	4,469	1,210	NA	-	5,679
2003	35	17	62,034	39,874	3,081	-	104,989
2004	46	116	7,360	9,304	NA	624	17,288
2005	173	-	38,193	5,821	3,670	509	48,193
2006	30	44	7,220	17,340	NA	3,082	27,642
2007	66	8	12,263	13,953	4,854	498	31,568
2008	176	19	8,267	11,536	741	844	21,388
2009	7	1	4,179	4,224	6,812	2,851	18,066
2010	13	0	2,417	3,547	526	921	7,411

Source: City of St. Augustine Planning & Building Department

CITY OF ST. AUGUSTINE, FLORIDA

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS

(In Thousands of Dollars)

LAST TEN FISCAL YEARS

September 30, 2010

"UNAUDITED"

Fiscal Year	Commercial Construction (a)		Residential Construction (a)		Bank Deposits (b)
	Number of Units	Value	Number of Units	Value	
2001	9	6,824	46	4,515	1,263,829
2002	3	1,210	59	4,469	1,367,288
2003	5	39,875	42	62,034	1,515,643
2004	6	10,800	46	7,360	1,649,973
2005	29	21,600	77	14,400	1,941,518
2006	24	34,622	74	7,220	2,457,165
2007	262	15,184	571	16,414	2,315,423
2008	349	12,469	505	8,919	1,898,151
2009	309	10,023	559	8,043	2,786,112
2010	8	3,547	13	2,417	2,850,983

NOTES:

(a) Planning and Building Division

(b) Deposits for St. Johns County

Source: www.FDIC.gov

CITY OF ST. AUGUSTINE, FLORIDA

MISCELLANEOUS STATISTICAL DATA

September 30, 2010

"UNAUDITED"

Date of Incorporation	May 30, 1925
Form of Government	Commission - Manager
Area:	
Square Miles	13.89 Miles
Paved Streets	66.61
Unpaved Streets	10.5
Altitude	13 Feet Above Sea Level
Education:	
Elementary	3
Secondary	1
Post-Secondary	2
Fire Protection:	
Number of Fire Stations	2
Number of Firefighters	32
Police Protection:	
Number of Police Stations	1
Number of Police Officers	51
Utility Customers:	
Water	11,407
Sewer	8,914
Solid Waste	7,286
Tourism Facts (St. Johns County):	
Visitors (Per Year)	6,260,000
Airports	1
Attractions/Points of Interest	50 +
Camp Sites	1,241
Condominium Units (Rentals)	4,000
Hotel/Motel Units	5,600
Marinas	7
Parks and Playgrounds	29
Public Golf Courses	5
Public Tennis Courts	28
Restaurants	200 +
Sightseeing Services	6
State Parks	5

(continued)

CITY OF ST. AUGUSTINE, FLORIDA

MISCELLANEOUS STATISTICAL DATA

September 30, 2010

"UNAUDITED"

(continued)

Climate:

Average Temperature and Precipitation in St. Johns County			
Quarter	Average Daily Max. Temperature	Average Daily Min. Temperature	Total Rainfall
January - March	69.8	49.2	6.00
April - June	83.6	64.8	14.30
July - September	88.5	72.1	19.90
October - December	74.3	56.4	17.00

**source: St. Johns County Chamber of Commerce,
Southeast Regional Climate Center**

CITY OF ST. AUGUSTINE, FLORIDA

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION LAST FIVE FISCAL YEARS

September 30, 2010

"UNAUDITED"

FUNCTION	Full-time Equivalent Employees as of September 30,				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental Activities:					
General Government	74	82	83	82	85
Public Safety	98	102	100	102.5	101.5
Physical Environment	30.5	31	29	26	29
Transportation	13	13	13	13	13
Culture/Recreation	3	3	3	3	3
Business-Type Activities					
Utilities	65	66.5	62.5	57.5	56.5
Stormwater	1	1	1	1	3
Solid Waste	12	12	12	12	12
Municipal Marina	10.5	10.5	10.5	10.5	11
Visitor Information Center	11.5	11.5	14.5	14.5	16
Heritage Tourism	20.5	20.5	20.5	20.5	20.5

Source: City of St. Augustine Human Resources Department

CITY OF ST. AUGUSTINE, FLORIDA

Operating Indicators by Function LAST FIVE FISCAL YEARS

September 30, 2010

"UNAUDITED"

FUNCTION	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Police					
Physical Arrests	1,205	1,094	1,485	1,712	1,622
Traffic Violations	4,976	2,733	3,016	3,862	5,849
Calls for Service	38,469	37,030	35,660	40,175	44,550
Parking Violations (includes those issued by Parking Enforcement)	14,792	19,724	17,528	13,685	10,321
Fire					
Number of calls answered	3,049	3,193	3,081	3,140	3,162
Inspections	421	465	408	470	427
Hydrants Flow Tested	58	430	67	546	439
Highways and Streets					
New Street Pavings (miles)	-	1	-	-	-
Sanitation					
Refuse Collected (tons/day)	40.3	49.5	54.0	58.5	59.2
Recyclables Collected (tons/day)	1.1	1.2	1.3	1.5	1.8
Culture and Recreation					
Field Permits Issued	11	12	11	14	19
Plaza Permits Issued	49	49	60	56	43
Other Event Permits Issued	15	15	32	36	45
Water					
New Connections	554	484	482	178	111
Average Daily Consumption (thousands of gallons)	3,000	3,560	3,651	3,388	3,356
Wastewater					
Average Daily Usage (thousands of gallons)	3,026	3,624	2,995	3,697	3,033

Source: Various City Departments

CITY OF ST. AUGUSTINE, FLORIDA

Capital Asset Statistics by Function

LAST FIVE FISCAL YEARS

September 30, 2010

"UNAUDITED"

FUNCTION	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Police					
Stations	1	1	1	1	1
Fire					
Stations	2	2	2	2	2
Vehicles	8	8	8	8	8
Boats	0	0	1	1	1
Highways and Streets					
New Streets (Miles)	-	1	-	-	-
Sanitation					
Collection Trucks	4	4	4	6	7
Water					
New Feet of Water Mains Added	26,037	17,208	67,355	15,739	6,073
Fire hydrants	999	1,009	1,009	1,034	1,051
Maximum Monthly Average Daily Flow (thousands of gallons)	3,400	4,085	4,601	4,119	3,769
Wastewater					
New Feet of Sanitary Sewer Added	27,165	10,468	70,275	35,702	-
New Feet of Storm Sewers Added	-	-	-	-	-
Maximum Monthly Average Daily Flow (thousands of gallons)	4,100	6,016	10,885	9,639	9,030

Source: Various City Departments

Compliance Section

This Section Contains the Following:

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*

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major State Project and on Internal Control Over Compliance in Accordance with Chapter 10.550 Rules of the Auditor General

Schedule of Findings and Questioned Costs

Management Letter

**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 Members
of the City Commission
Mr. John Regan, City Manager
City of St. Augustine, Florida
St. Augustine, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Augustine, Florida as of and for the year ended September 30, 2010, which collectively comprise the City of St. Augustine, Florida's basic financial statements and have issued our report thereon dated March 18, 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 of St. Augustine, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of St. Augustine, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of St. Augustine, Florida's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of St. Augustine, Florida's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally

**Honorable Mayor and Members
of the City Commission
Mr. John Regan, City Manager
City of St. Augustine, Florida
St. Augustine, Florida
Page Two**

accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of St. Augustine, Florida's financial statements that is more than inconsequential will not be prevented or detected by the City of St. Augustine, Florida's internal control.

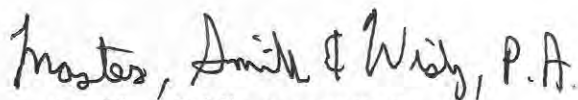
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of St. Augustine's internal control.

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

Compliance

As part of obtaining reasonable assurance about whether the City of St. Augustine, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

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


Certified Public Accountants

March 18, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROJECT
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH CHAPTER 10.550 RULES OF THE
AUDITOR GENERAL**

Honorable Mayor And Members
of the City Commission
Mr. John Regan, City Manager
City of St. Augustine, Florida
St. Augustine, Florida

Compliance:

We have audited the compliance of St. Augustine, Florida with the types of compliance requirements described in the Department of Financial Services' State Projects Compliance Supplement, that are applicable to each of its major state projects for year ended September 30, 2010. The City of St. Augustine, Florida's major 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 state projects is the responsibility of the City of St. Augustine, Florida's management. Our responsibility is to express an opinion on the City of St. Augustine, 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 and Chapter 10.550, Rules of the Auditor General. Those standards, 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 state project occurred. An audit includes examining, on a test basis, evidence about the City of St. Augustine, 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 St. Augustine, Florida's compliance with those requirements.

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

Internal Control over Compliance:

The management of the City of St. Augustine, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state projects. In planning and performing our audit, we considered the City of St. Augustine, Florida's internal control over compliance with requirements that could have a direct and

**Honorable Mayor And Members
of the City Commission
Mr. John Regan, City Manager
City of St. Augustine, Florida
St. Augustine, Florida
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material effect on a major state project to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of St. Augustine, Florida's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a compliance requirement of a state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of St. Augustine, Florida's ability to administer a state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state project that is more than inconsequential will not be prevented or detected by the City of St. Augustine, Florida's internal control.

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

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

This report is intended solely for the information and use of management, City Council, and state awarding agencies and pass through entities and is not intended to be used by anyone other than these specific parties.

Masters, Smith & Wasy, P.A.

Certified Public Accountants

March 18, 2011

CITY OF ST. AUGUSTINE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2010

Financial Statements

Type of Auditors' Report	Unqualified
Internal Control Over Financial Reporting:	
Material weakness identified?	No
Reportable conditions identified not considered to be material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Programs and State Projects:

Internal Control Over Major Programs:	
Material weaknesses identified?	No
Reportable condition identified not considered to be material weakness?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133	No

Identification of major programs:

Federal Program

CFDA No.

None N/A

State Project

CSFA No.

Water Management District Wellfield Expansion 37.066

	<u>Federal</u>	<u>State</u>
Dollar threshold used to distinguish Type A and Type B programs	N/A	\$ 300,000

Auditee qualified as low-risk auditee pursuant to OMB Circular A-133	No
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(continued)

CITY OF ST. AUGUSTINE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2010
(continued)

Financial Statement Findings:

No matters required to be reported.

Major Federal Programs and State Projects Findings and Questioned Costs:

No matters required to be reported.

Other Issues

A corrective Action Plan is not required because there were no findings required to be reported under the Federal Single Audit Act.

MANAGEMENT LETTER

Honorable Mayor and Members
of the City Commission
Mr. John Regan, City Manager
City of St. Augustine, Florida
St. Augustine, Florida

We have audited the financial statements of the City of St. Augustine, Florida (the City) as of and for the year ended September 30, 2010, and have issued our report thereon dated March 18, 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. We have issued our report on internal control over financial reporting and compliance and other matters, report on compliance with requirements applicable to each major state project and on internal control over compliance, and schedule of findings and questioned costs. Disclosures in those reports, which are dated March 17, 2010, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1, Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. There were no such findings or recommendations disclosed in the preceding annual report.
- Section 10.554(1)(i)2, Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined the City complied with Section 218.415, Florida Statutes.

**Honorable Mayor and Members
of the City Commission
Mr. John Regan, City Manager
City of St. Augustine, Florida
St. Augustine, Florida
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- Section 10.554(1)(i)3, Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4, Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or likely to have occurred, that have an effect on the determination of financial statement amounts 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 inconsequential to the determination of financial statement amounts, considering both the quantitative and qualitative factors: (1) violation of laws, regulation. contracts or grant agreements, or abuse that have occurred, or were likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of , the auditors. In connection with our audit, we did not have any 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 to be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined 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 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.

**Honorable Mayor and Members
of the City Commission
Mr. John Regan, City Manager
City of St. Augustine, Florida
St. Augustine, Florida
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- 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.

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

Moates, Smith & Wisely, P.A.
Certified Public Accountants

March 18, 2011

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