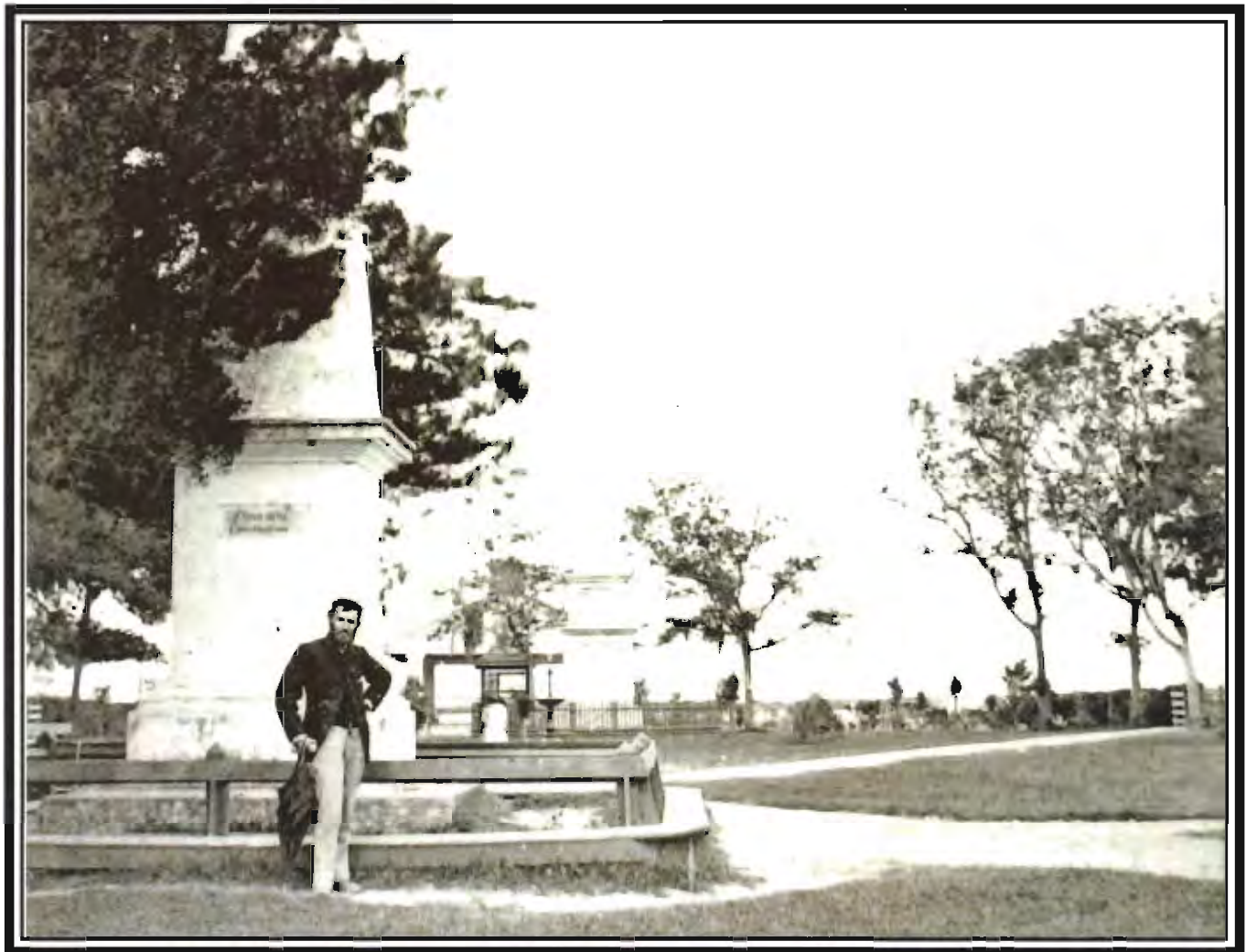


COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2011



St. Augustine's Spanish Constitution Monument (foreground) was built in 1813; celebrating Spain's adoption of its constitution in 1812. Similar monuments were ordered built throughout the Spanish Empire. Later, King Ferdinand VII, after rescinding the constitution, ordered all the monuments destroyed. A fixture in St. Augustine's *Plaza de la Constitución*, this monument is one of the few remaining original monuments in the world. *Photo (circa 1880) courtesy of the St. Augustine Historical Society.*

CITY OF ST. AUGUSTINE, FLORIDA



The Spanish Constitution Monument as seen today.

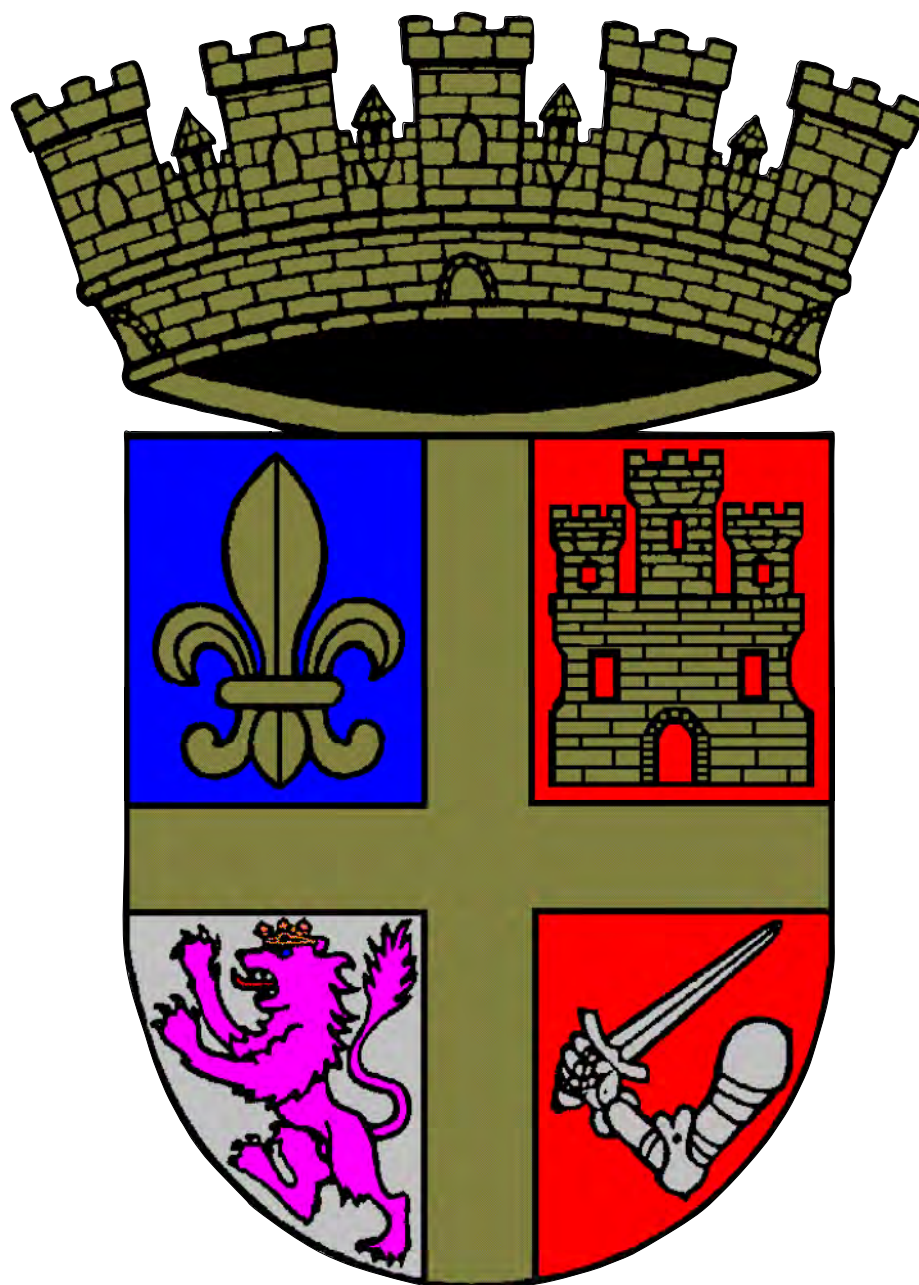
City of St. Augustine, Florida

Comprehensive Annual Financial Report Fiscal Year Ended September 30, 2011

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, 2011

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INTRODUCTORY SECTION

This Section Contains the Following:

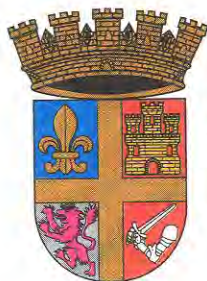
Letter of Transmittal

Certificate of Achievement

Principal City Officials

Organizational Chart

Letter of Transmittal



City of St. Augustine



St. Augustine, Florida

Finance, Budget & Management

March 29, 2012

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, 2011, 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 for 20 years (1763-1783). This period included the American Revolution and 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 27th 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.

City of St. Augustine, Florida
Letter of Transmittal

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 446 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 the economy, falling real estate values and stagnant new construction. Officials expect ad valorem tax revenues to decrease an additional 6.5% before stabilizing. It is anticipated that the City and surrounding area 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.

Capital Improvement Bond Series 2011

Riberia Street Improvements

During 2011, construction was substantially completed on Phase 1 Riberia Street. The project was completed on schedule and within budget. Bids were opened and a contract award issued with a March 2012 start date anticipated for the second phase of this

project. The City received \$750,000 of funding from a Community Development Block Grant.

Utility Improvements

With proceeds from the 2011 Bond Issue, the City is concentrating on infrastructure repair and replacement; in particular the sewer collection and water distribution systems. The City installed close to two miles of water main replacements in 2011. Sewer system collection repairs/replacements to replace two major lift stations, located on Anastasia Island, are planned. Boosting the Inflow and Infiltration (I&I) program by increasing the number of miles of sewers to be slip-lined and manholes to be coated, reducing costs associated with treatment plant flows, is also planned. Resources will also 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 FY2012/2013. The benefit of this project will allow moving the concentrate disposal from the Wastewater Treatment Plant and into a surface water body, thus 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 24 smaller slips to the Marina's inventory. This project will start in January of 2012 with the dredging of the Marina. The City currently has all permits on hand to begin this project. The City has received \$200,000 from the Florida Inland Navigational District (FIND) to be used with the dredging portion of this project. The breakwater is scheduled to commence immediately after July 4, 2012, and should take 3-4 months to complete.

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 reaches its life cycle.

City of St. Augustine, Florida
Letter of Transmittal

In 2011, the aeration equipment upgrades were completed at the Wastewater Treatment Plant which included: \$1.715 million in upgrades of aeration equipment, a new station for grease and stormwater discharge, and a prevention system for activated sludge discharge. These improvements better position plant operations to meet pending new regulations for nutrient removal. 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.

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; 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 2011, a new force main under the San Sebastian River was installed replacing an aging line that was vulnerable to breaks. This work is still underway and expected to be completed in 2012. Lift station maintenance to include improved motor controls and communications is a high priority. Construction contracts have been awarded to replace two major lift stations on Anastasia Island with work expected to be completed in 2012.

Stormwater Infrastructure Improvements

Three new baffle boxes were installed to collect sediment from stormwater before it discharges into surface water bodies. This project is near completion. During 2011, the City awarded a contract to a consulting firm to update the Stormwater Master Plan. Additionally, the consultant will be reviewing the utility rates and fee structure, and make recommendations on the City's stormwater utility ordinance.

Riberia Street Bank Stabilization

Construction of the Riberia Street Landfill cap and shoreline stabilization was completed in 2011. The City is currently reviewing development opportunities for this property.

Salt Run Dredging

The City has completed part two of an inter-local agreement with the St. Augustine Port, Waterway & Beach District (SAPWBD) and the Florida Inland Navigation District (FIND) to begin a three year phased dredging project in Salt Run. Phase 2, just completed and totaling \$400,000, removed more than ten thousand cubic yards of material from the Conch House Marina to the Lighthouse Boat Ramp. The City has entered into another inter-local agreement with the SAPWBD, with the City applying for a \$210,000 FIND grant to begin Phase 3 of this project, which will begin in the winter of 2013.

San Sebastian Dredging

The City, partnering with the SAPWBD, has received all of the permits needed to dredge the San Sebastian River, and is currently waiting on a funding source to proceed further with this project. For Phase 1, the SAPWBD has agreed to contribute \$210,000 while the City is applying to FIND for an additional \$210,000 in grant money. The entire dredging project should take 3-4 years to complete, removing a total of 38,000 cubic yards of dredge material.

Sea Wall Project

The City's Avenida Menendez Seawall, located south of the Bridge of Lions, extends approximately 1,200 feet south of the City Marina to the National Guard Headquarters adjacent to St. Francis Street. The seawall is over 170 years old and has been damaged numerous times during nor'easters and hurricane events. It is constructed of coquina and its ability to protect the City's bayfront from storms, flooding and high-tide events is compromised both by its design and degradation over the years. Tropical Storm Faye's (2008) additional damage opened the door for qualification for the Federal Emergency Management Agency's (FEMA) Flood Mitigation Assistance Grant program. This program allowed the agency to award a grant for the project to the Florida Department of Emergency Management (FDEM), who in turn made the funding available to the City in 2011. The City has been awarded \$4.743 million (75% matching grant) in federal funding to construct a new seawall located 12-feet water-ward of the existing wall, encapsulate and protect the historic structure and construct a new 12-foot sidewalk promenade. The project is scheduled to start in 2012 and be completed by March 2013.

A1A Safety Improvement

In fiscal year 2011, Phase 1 of the A1A Safety Improvements Project was completed with the construction of a new sidewalk on the south side of Orange Street, new brick crosswalks along Orange Street, construction of a trolley/train stop at the north end of St. George Street and wayfinding signage directing visitors, parked at the visitor parking facility, to the Castillo de San Marcos. In fiscal year 2012, Phase 2 will be completed with new brick crosswalks along South Castillo Drive, a new sidewalk/eight foot multi-purpose path on the east side of Castillo Drive, resurfacing Fort Alley for pedestrian traffic, new mast arms and ADA compliant signals at Cuna Street, Fort Alley and West Castillo Drive, and all new historic street lighting along South Castillo Drive. In all, approximately \$1.2 million will be spent on enhanced pedestrian improvements on A1A (South Castillo Drive) and Orange Street around the visitor parking facility.

Historic District Parking Facility (HDPF) LED Lighting

The HDPF LED project consists of the replacement of 505 high pressure sodium light fixtures with energy efficient LED fixtures. The total cost of the project is \$310,000 of which \$250,000 is a State Energy Grant provided through Federal American Recovery and Reinvestment Act (ARRA) funding. Currently, the second and third floor, and roof fixtures have been replaced.

The first floor fixtures will be replaced by the end of April 2012. Initial energy and cost savings have shown a 50% reduction in energy usage and costs.

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 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, and parking at the San Sebastian Harbour development.

Construction of the 1,200 vehicle Historic Downtown Parking Facility and the adjacent restored and enlarged Visitor Information Center are now in their sixth year of operation. On October 1, 2011, the City will change the revenue model of the Historic Downtown Parking Facility from an hourly “pay on exit” model to a flat rate “pay on entry” model, with a discounted rate for those using the City’s *ParkNow Card* (see information on this card below). 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, which 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 educating the public and promoting the City’s *ParkNow Card*, a method of purchasing bulk parking at a discounted rate via smart card.

Colonial Spanish Quarter

On October 1, 2011, the Colonial Spanish Quarter changed its business model and began opening on a part time basis only in order to support school groups and students throughout the state of Florida. Joining with the University of Florida (UF), the City of St Augustine issued an Invitation to Negotiate (ITN) in January 2012 searching for an appropriate business partner to operate the Colonial Spanish Quarter on a full time basis. The INT proposals are due to the City on March 23rd, 2012. A committee of 7, 4 individuals from UF and 3 from the City of St Augustine, will evaluate each proposal and negotiate with the companies they feel would be the best fit to operate the Colonial Spanish Quarter. Once a partner is selected, it is the goal of the

City and UF to turn the Colonial Spanish Quarter over to a designated operator by July 1st 2012 with the goal of opening the doors of the Colonial Spanish Quarter by October 1st 2012.

Visitor Information Center (VIC) Renovations

In order to create new revenue streams for the City of St Augustine, the VIC will undergo some modest renovations to support three different but important operations. First and foremost, the VIC will continue to be the City's premier location to provide information to all of our visiting tourists. Properly receiving guests and providing them with invaluable information regarding the City and surrounding areas is a top priority. Secondly, modifications and renovations were recently made to the VIC that now allows it to be rented out for banquets and events up to 300 people. A fire sprinkler system, updated catering kitchen, and renovated information area were a few of the changes made to make renting out the VIC a reality. Finally, by early 2013, the final modifications will be made which will allow the City to host exhibits at the VIC.

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. The commemoration is planned as a four-year celebration, beginning in 2012, with the Bicentennial Anniversary of the Spanish Constitution, continuing in 2013 with the 500th Anniversary of the landing of Juan Ponce de Leon, the discoverer of Florida and, by all official accounts, mainland America, continuing into 2014 with the 50th Anniversary of the Civil Rights Act and ending in 2015 with the 450th anniversary of the founding of St. Augustine by Don Pedro Menendez de Aviles in 1565 as the oldest, continuously occupied European settlement in the continental United States.

In 2011, the City of St. Augustine ended its contract with First America Foundation to produce these events. Subsequently, the City has created a division consisting of three employees who have been working on the development, communications and branding of these events at the local level.

The Federal Commission on the Commemoration of St. Augustine's 450th Anniversary has continued to work on the development of the celebration. The members of this commission held their first meeting in 2011 and have scheduled subsequent meetings to continue their work.

Economic Development

Historic Downtown

The historic downtown of the City has continued to experience positive development activity despite the recent economic recession. Few commercial buildings are vacant for any length of time and there is a continuous move on the part of entrepreneurs to seek development activities.

San Sebastian Project

The San Sebastian project has been inactive since construction of its marina when the property went into foreclosure. Currently, the project is active with multiple parties showing interest.

Lift Up Lincolnville Initiative

The Lift Up Lincolnville effort continues to be successful. This is an effort to invest in the Lincolnville area and encourage property owners in the area to also invest in their property.

State Road 312 Corridor

The State Road 312 corridor was one of the first areas of the City to experience economic recovery with an increase in development activity. Projects located in the State Road 312 corridor are generally larger projects that experienced the foreclosure process and are now actively being pursued.

Islander Townhomes

Once a condominium project experiencing financial difficulties, Islander Townhomes was decommissioned as a condominium project and platted as a single family townhome development. The project will be fully developed within a year, adding 72 residential homes to the City's tax base.

Plantation Island Drive South (PIDS)

This commercial corridor is actively being pursued for development. A commercial building, completed and never occupied, is being sought for development in conjunction with an adjacent lot. Other parcels along PIDS have experienced the foreclosure process and are currently under review for issuance of development permits.

U.S. 1/Lewis Speedway

Projects in the U.S. 1/Lewis Speedway area have experienced foreclosures but are now actively being constructed.

Madeira

A 750 unit residential development, with companion commercial development along U.S. 1, has experienced no activity in recent times. However, the

residential portion is now actively under construction and will be a benefit to the infrastructure investment.

Old Sebastian Point

This 80 unit residential development on Lewis Speedway was one of the first residential developments to surface from the foreclosure market and begin to be permitted and developed. Currently, approximately 15 homes have been constructed with others being prepared for permitting. Given the growth experienced in the project over the past year, it is not unreasonable to expect that the development could be fully permitted and developed within the next three years, adding an additional 80 residential units to the tax base.

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 current estimated decrease in total taxable value for the City is 6.5% for the 2011/2012 fiscal year with an anticipated leveling off of current values for the 2012/2013 fiscal year. The City is beginning to see an increase in renovation and new construction which may offset some of the decreases in taxable values

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.

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.

City of St. Augustine, Florida
Letter of Transmittal

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, processes 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.

In 2011, the City received a 50/50 cost share award from the St. Johns River Water Management District for water conservation. The project includes updating the City's antiquated utility billing system and integrating the billing/metering data with the Utility's Geographic Information System. Once the water demand is geographically based, the City will be better positioned for evaluating usage, finding losses, and exploring rate structures that encourage conservation.

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 FY2009/10, the City and St. Johns County entered into an Inter-local Agreement to address concerns made by the CRA to provide sewer expansion into the CRA. To fulfill the City's role in the Inter-local Agreement, in 2010 the City completed the West Augustine Master Sewer Plan. The Master Plan identified \$15 million of improvements that would provide sewer to all areas of the CRA. Another provision of the Inter-local Agreement is to find financing mechanisms that will fund the sewer expansion, and address and solve the connection fee policy issue. 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), State Revolving Loan Fund (SRF) and USDA Rural Small Community Grants. In 2011, the City applied for and received pre-construction funding from the Florida Department of Environmental Protection State Revolving Loan Fund for \$1.86 million. The City and County, through this pre-construction process will continue to work toward resolving a connection policy.

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.

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, 2011, for the City are as follows:

Outstanding Bond Issue	Balance
Water and Sewer Revenue, 2005	\$ 8,735,000
Water and Sewer Revenue, 2003	13,456,968
Public Service Tax and Guaranteed Entitlement, 2001	10,065,000
Public Service Tax and Guaranteed Entitlement, 2004	20,834,999
Public Service Tax and Guaranteed Entitlement, 2011	16,215,000
Total Outstanding Bond Issues	<u><u>\$ 69,306,967</u></u>

The table below shows the City's debt service coverage for the Utility Fund for the year ended September 30, 2011.

Fiscal Year Ended	Gross Revenue	Operating Expenses	Net Revenue	Debt Service Requirements	Debt Service Coverage
2011	12,301,380	6,795,703	5,505,677	3,318,894	1.66

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, 2010. This is the 19th 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

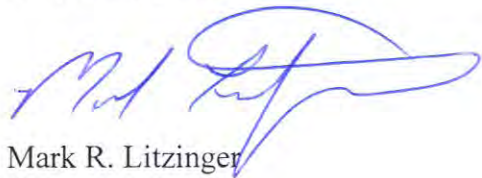
Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

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,



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, 2010

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



Linda C. Sandison

President

Jeffrey R. Enser

Executive Director

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Principal City Officials

City of St. Augustine
Comprehensive Annual Financial Report
For the Year Ended September 30th, 2011

Principal City Officials

City Commission

Mayor-Commissioner.....	Joseph Boles
Vice Mayor-Commissioner.....	Leanna Freeman
Commissioner.....	Errol Jones
Commissioner.....	William Leary
Commissioner.....	Nancy Sikes-Kline

City Staff

City Manager.....	John Regan
City Attorney.....	Ronald Brown
City Clerk.....	Alison Ratkovic
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

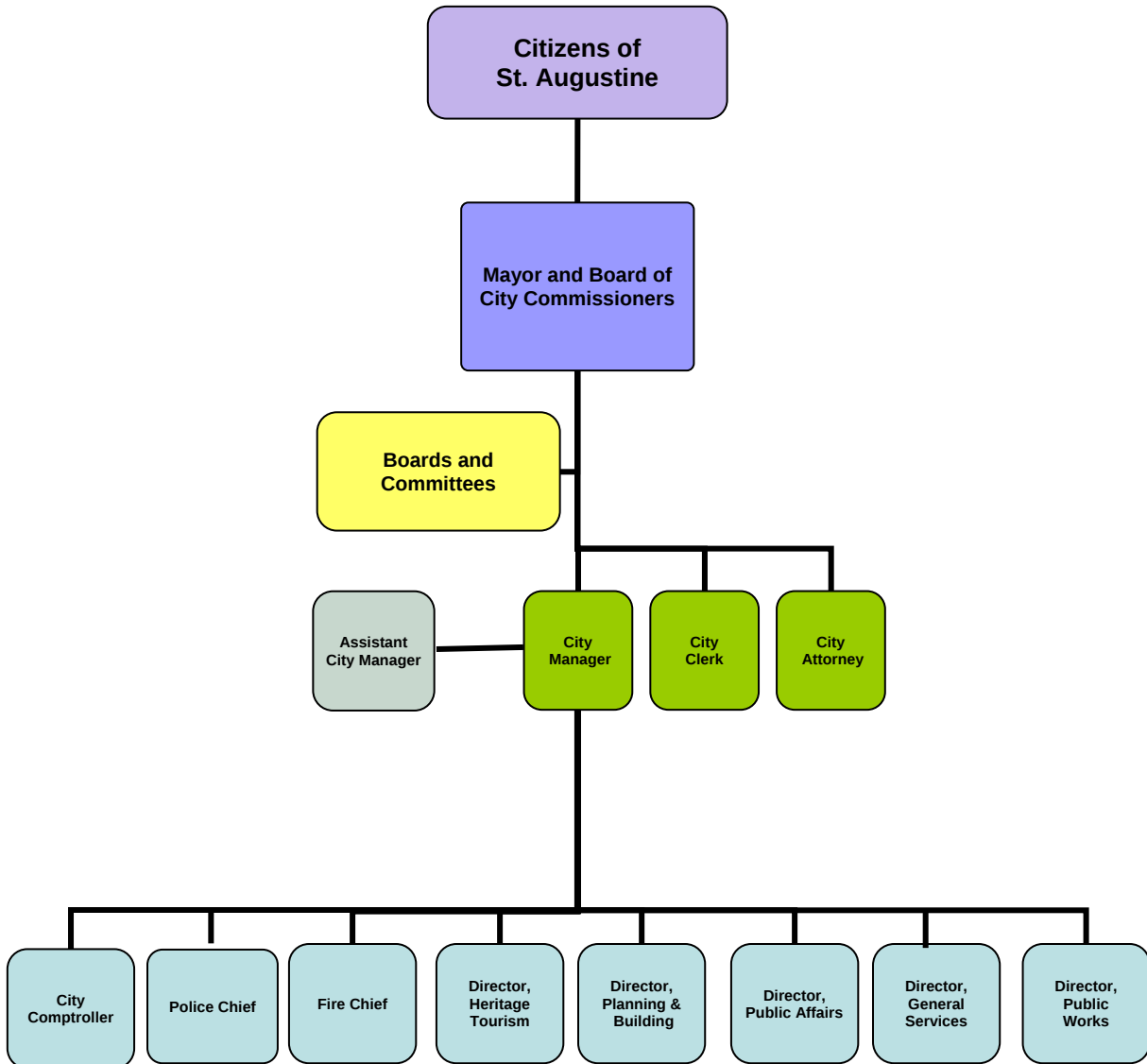
City Boards & Committees

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, 2011
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



CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS CONSULTANTS

John L. Smith, CPA, Emeritus
Steven D. Rawlins, CPA
Gary M. Huggett, CPA
Jeffrey F. Scales, CPA
Jeffrey M. Jacobs, CPA
Frank Hunter, CPA

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, 2011, 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 \$7,849,903 (19%) and \$(79,455) (-16%), 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, 2011, 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.

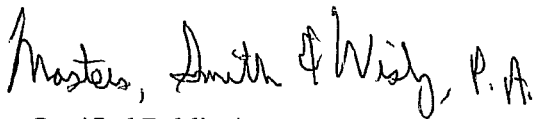
**Honorable Mayor and Members
of the City Commission
Mr. John Regan, City Manager
City of St. Augustine, Florida
St. Augustine, Florida
Page Two**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2012, 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.


Certified Public Accountants

March 29, 2012

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.

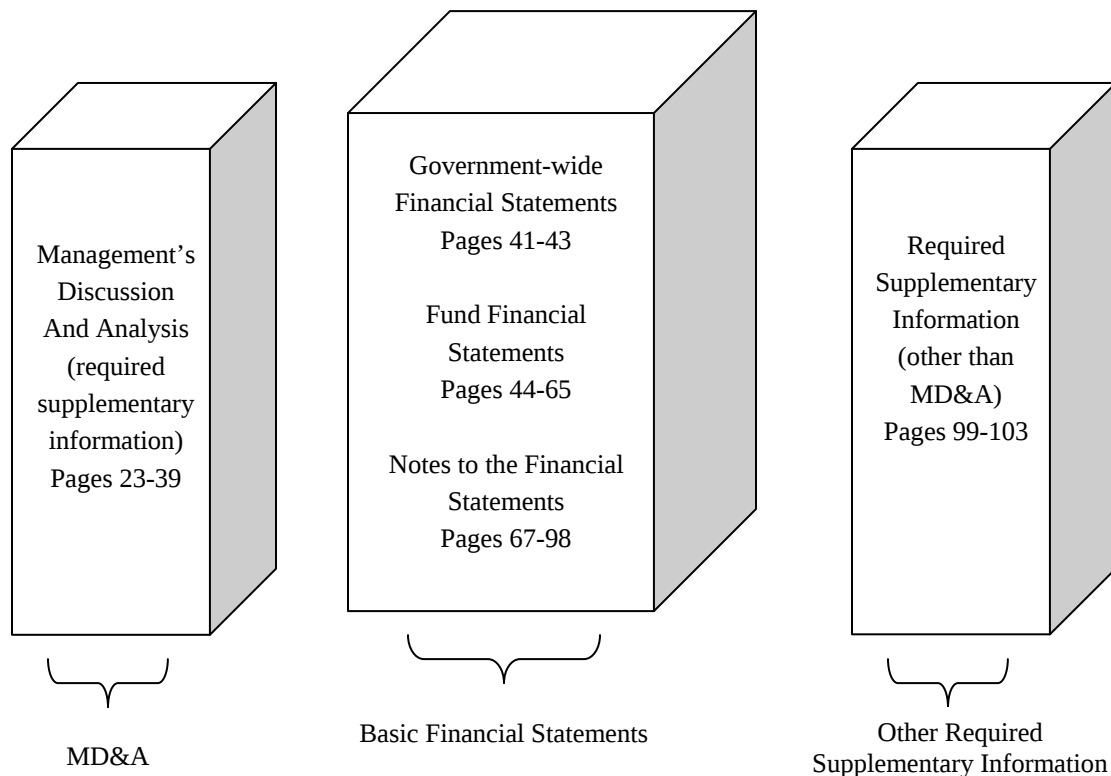
Financial Highlights

- The City's assets at the close of the most recent fiscal year exceeded its liabilities (reported as net assets) by \$86,673,236. Of this amount, \$19,854,469 (unrestricted net assets) can be used to meet the government's ongoing obligations to citizens and creditors. The City's net assets increased by \$1,009,428 (or 1.18%) from the previous year.
- Governmental net assets decreased by \$1,420,870 (or 5.17%) for the current fiscal year and governmental unrestricted net assets were equal to \$10,796,127.
- Business-type net assets increased by \$2,430,298 (or 4.18%). Business-type unrestricted net assets were equal to \$9,058,342.
- The governmental fund activities revenue increased by \$211,073 (or 3.17%). The current year's activities produced a decrease in net assets of \$1,420,870 compared to the previous year's decrease of \$424,571.
- The business-type activities operating revenue increased by \$1,449 (or 0.01%). The current year's activities produced an increase in net assets of \$2,430,298 compared to the previous year's increase of \$2,721,098.
- The City's total debt increased by a net \$13,852,957 during the fiscal year due to the issuance of a new revenue bond.

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, 2011**

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 \$86,673,236 as of September 30, 2011. A portion of the City's net assets of \$63,211,396 (or 72.9%), 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.

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2011

Restricted net assets of the City in the amount of \$3,607,371 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 \$19,854,469 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, 2011, with comparative data for 2010

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 28,589,959	\$ 14,446,128	\$ 18,604,824	\$ 18,972,204	\$ 47,194,783	\$ 33,418,332
Capital Assets	24,552,591	23,781,410	90,694,540	89,586,289	115,247,131	113,367,699
Total Assets	53,142,550	38,227,538	109,299,364	108,558,493	162,441,914	146,786,031
Current and Other Liabilities	3,874,462	3,411,758	2,587,248	2,256,454	6,461,710	5,668,212
Long-term Debt Outstanding	23,205,133	7,331,955	46,101,835	48,122,056	69,306,968	55,454,011
Total Liabilities	27,079,595	10,743,713	48,689,083	50,378,510	75,768,678	61,122,223
Net Assets:						
Invested in Capital Assets, Net of Related Debt	14,525,576	16,449,454	48,685,820	41,464,233	63,211,396	57,913,687
Restricted	741,252	239,423	2,866,119	2,128,544	3,607,371	2,367,967
Unrestricted	10,796,127	10,794,948	9,058,342	14,587,206	19,854,469	25,382,154
Total Net Assets	\$ 26,062,955	\$ 27,483,825	\$ 60,610,281	\$ 58,179,983	\$ 86,673,236	\$ 85,663,808

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2011

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, 2011, with comparative data for 2010
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues:						
Charges for Services	\$ 6,028	\$ 5,627	\$ 21,617	\$ 20,983	\$ 27,645	\$ 26,610
Operating Grants and Contributions	72	264	-	-	72	264
Capital Grants and Contributions	765	763	415	1,047 *	1,180	1,810
General Revenues:						
Taxes	13,188	14,570	-	-	13,188	14,570
Fees	1,534	1,415	-	-	1,534	1,415
Revenue Sharing	548	548	-	-	548	548
Investment Income	26	41	42	45	68	86
Miscellaneous	1,473	920	-	-	1,473	920
Total Revenues	23,634	24,148	22,074	22,075	45,708	46,223
Program Expenses Including						
Indirect Expenses						
General Administration	9,515	9,478	-	-	9,515	9,478
Public Safety	8,218	8,193	-	-	8,218	8,193
Physical Environment	3,835	3,464	-	-	3,835	3,464
Transportation	214	1,148	-	-	214	1,148
Culture/Recreation	521	518	-	-	521	518
Interest/Fiscal Charges on Long-term Debt	816	370	-	-	816	370
Utilities	-	-	10,725	10,621	10,725	10,621
Stormwater	-	-	356	467	356	467
Solid Waste	-	-	2,849	2,681	2,849	2,681
Municipal Marina	-	-	2,587	2,208	2,587	2,208
Visitor Information Center	-	-	3,221	3,068	3,221	3,068
Heritage Tourism	-	-	1,842	1,712	1,842	1,712
Total Expenses	23,119	23,171	21,580	20,757	44,699	43,928
Increase in Net Assets Before Transfers	515	977	494	1,318	1,009	2,295
Transfers	(1,936)	(1,402)	1,936	1,402	-	-
Increase in Net Assets	(1,421)	(425)	2,430	2,720	1,009	2,295
Net Assets - Beginning	27,484	27,908	58,180	55,459	85,664	83,367
Net Assets - Ending	\$ 26,063	\$ 27,483	\$ 60,610	\$ 58,179	\$ 86,673	\$ 85,662

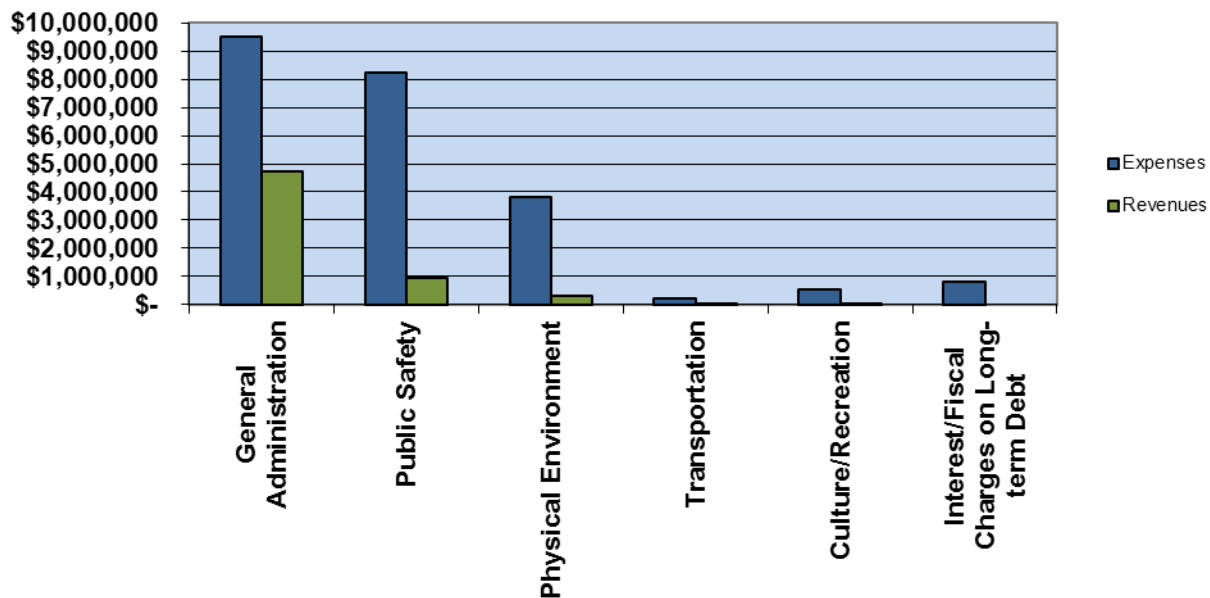
Governmental Activities

Governmental activities decreased the City's net assets by \$1,420,870. The key element of this decrease was the \$1,936,106 transfer made from Governmental Funds to Proprietary Funds. This transfer consists of funds transferred to the Utility Fund to fund capital projects, funds transferred to the Heritage Tourism Fund to fund operations and funds transferred to the Visitor Information Center Fund to fund debt service.

Governmental activities increased the City's fund balance by \$14,315,467. The key element of this increase was the issuance of long-term debt of \$16,215,000 in the current fiscal year.

Program revenues are revenues that can be assigned or are attributable to a specific program. These revenues account for \$6,865,755 (or 29.05%) of total governmental activities revenue. The chart below shows governmental activities by program with their respective expenses and revenues.

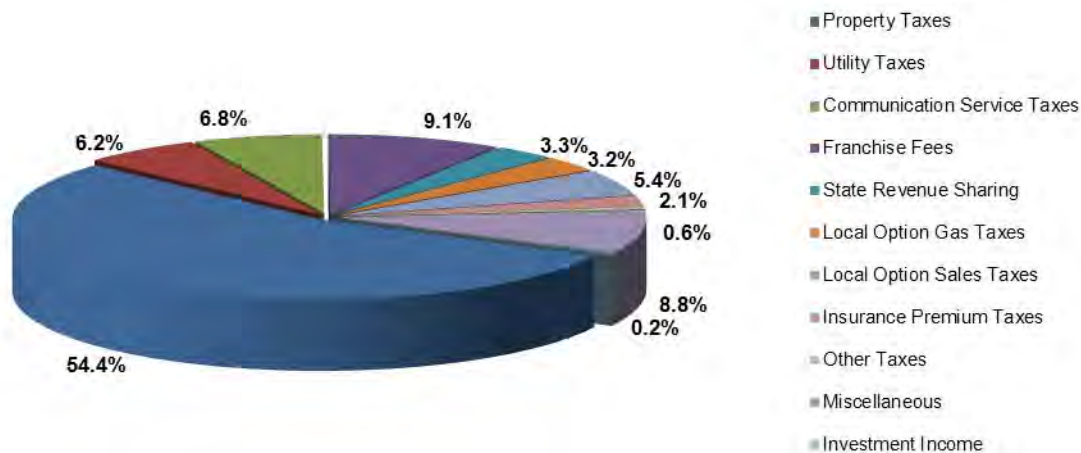
Program Expenses and Revenues - Governmental Activities



City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2011

General revenues are revenues that fail to meet the criteria of program specific revenues. General revenues account for \$16,769,389 (or 70.95%) of total governmental activities revenue. The chart below shows total general revenues by category.

General Revenues - Governmental Activities



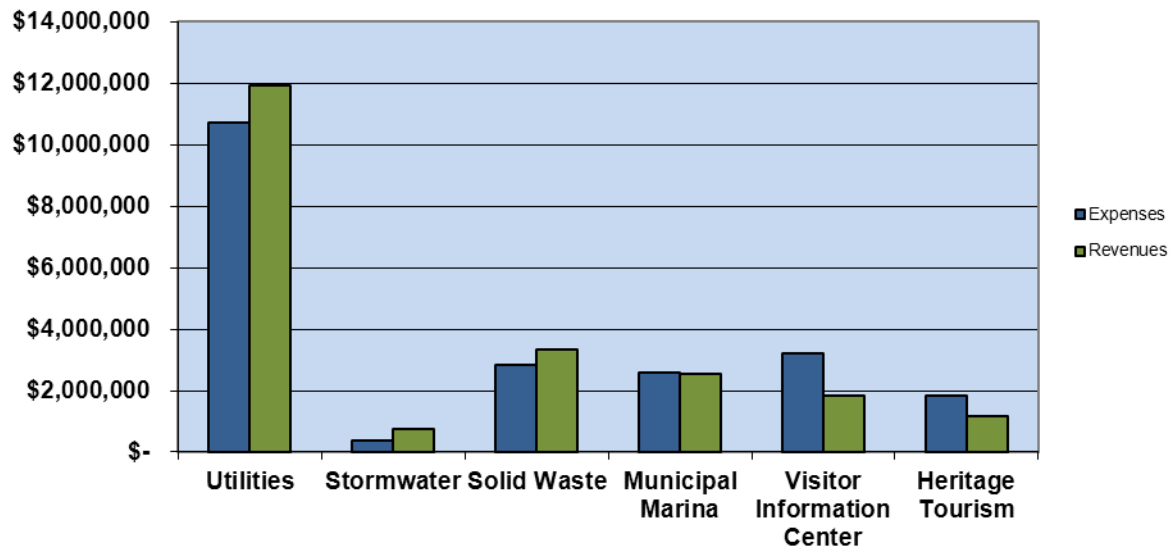
Business-type Activities

Business-type activities increased the City's net assets by \$2,430,298. Key elements of this increase are as follows:

- The business-type activities that are primarily driven by growth and development added \$2,952,658 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 \$522,360. This is primarily attributed to an operating loss in the Visitor Information Center Fund and interest expense for the Visitor Information Fund.

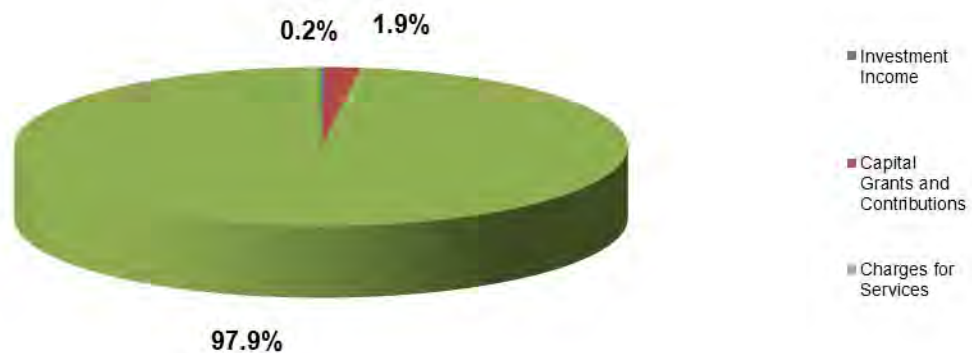
Program revenues are revenues that can be assigned or are attributable to a specific program. These revenues account for \$22,031,827 (or 91.76%) of total business-type activities revenue. The chart below shows business-type activities by program with their respective expenses and revenues.

Program Expenses and Revenues - Business-type Activities



Total revenues for business-type activities amounted to \$22,074,643. Below is a chart depicting business-type activities by source.

Revenues by Source - Business-type Activities



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 \$26,710,428, an increase of \$14,427,634 from the previous fiscal year. This is primarily due to the issuance of new debt in the current fiscal year. The majority of this total amount, \$23,824,934 (or 89.20%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remaining \$2,885,494 (or 10.80%) 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 unassigned fund balance of the General Fund was \$23,770,779 while the total fund balance was \$25,922,589. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to the total fund expenditures.

The fund balance of the City's General Fund increased by \$14,315,467 over the previous fiscal year. Key factors for this are as follows:

- New debt of \$16,215,000 was issued in the current fiscal year. This debt will be used for projects that will be complete in the upcoming fiscal year.
- General fund revenues exceeded general fund expenditures by \$2,531,723. This was primarily due to spending reductions in the General Government categories.

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 \$49,227. The fund balance decreased by \$507,968 below the previous fiscal year. This decrease is due mainly to the continued 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 \$54,155. The fund balance decreased by \$773 compared to the previous fiscal year.

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 \$63,625. The fund balance increased by \$76 over

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2011

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, 2011
(in thousands)

	Utility	Storm Water Drainage	Solid Waste	Municipal Marina	Visitor Information Center	Heritage Tourism	Total Proprietary
Net Assets - Beginning	\$ 50,639	\$ 5,363	\$ 2,612	\$ 1,092	\$ (1,116)	\$ (410)	\$ 58,180
Change in Net Assets	1,746	765	442	(32)	(460)	(31)	2,430
Net Assets - Ending	\$ 52,385	\$ 6,128	\$ 3,054	\$ 1,060	\$ (1,576)	\$ (441)	\$ 60,610

Net Assets As of September 30, 2011

	Utility	Storm Water Drainage	Solid Waste	Municipal Marina	Visitor Information Center	Heritage Tourism	Total Proprietary
Invested in Capital Assets,							
Net of Related Debt	\$ 45,972	\$ 3,389	\$ 1,254	\$ 976	\$ (3,492)	\$ 587	\$ 48,686
Restricted	2,572	-	-	-	-	294	2,866
Unrestricted	3,841	2,739	1,800	84	1,916	(1,322)	9,058
Total Net Assets	\$ 52,385	\$ 6,128	\$ 3,054	\$ 1,060	\$ (1,576)	\$ (441)	\$ 60,610

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2011

Cumulatively, the proprietary funds had a \$2,430,298 increase in net assets. Key factors pertaining to this increase are as follows:

- The Utility Fund had a \$1,745,424 increase in net assets from the previous year. The fund had an operating income of \$2,278,450 due mainly to a continued reduction in operating expenses.
- Of the increase in proprietary funds, \$765,139 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 \$442,094. This amount can be attributed to the continued reduction in operating expenditures.
- The Municipal Marina Fund had a slight decrease in net assets of \$32,029.
- The Visitor Information Center Fund had a decrease in fund balance of \$459,604. This is primarily attributed to depreciation expense for the VIC Garage.
- The Heritage Tourism Fund experienced a slight decrease in net assets of \$30,727.

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, 2011

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, 2011, amounts to \$115,247,131 (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 1.66%.

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 5,958,730	\$ 5,647,161	\$ 1,145,803	\$ 1,130,003	\$ 7,104,533	\$ 6,777,164
Buildings	9,497,370	9,917,031	35,546,768	36,969,182	45,044,138	46,886,213
Infrastructure	5,897,138	5,742,303	44,089,824	44,577,798	49,986,962	50,320,101
Machinery	1,095,742	1,423,448	1,752,936	1,698,159	2,848,678	3,121,607
Total	22,448,980	22,729,943	82,535,331	84,375,142	104,984,311	107,105,085
Work in Progress	2,103,611	1,051,465	8,159,209	5,211,147	10,262,820	6,262,612
Total	<u>\$ 24,552,591</u>	<u>\$ 23,781,408</u>	<u>\$ 90,694,540</u>	<u>\$ 89,586,289</u>	<u>\$ 115,247,131</u>	<u>\$ 113,367,697</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	\$ 23,781,409	\$ 89,586,289	\$ 113,367,698
Additions	1,117,719	2,559,041	3,676,760
Retirement	(302,279)	(812,062)	(1,114,341)
CWIP	1,052,146	2,948,062	4,000,208
Other	-	-	-
Depreciation	<u>(1,096,404)</u>	<u>(3,586,790)</u>	<u>(4,683,194)</u>
Ending Balance	<u>\$ 24,552,591</u>	<u>\$ 90,694,540</u>	<u>\$ 115,247,131</u>

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2011

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

Waterworks Building Repairs	\$ 27,787
Fire Station Repairs	12,627
Riberia Street Waste Disposal Closure	642,192
Valencia Street Survey	6,320
Salt Run Dredging	1,011,476
FDOT Traffic Engineering Safety Study	399,909
Sidewalk Improvements	3,300
Covino Ave Watermain Replacement	45,123
Design Horizontal Directional Drill	33,938
Flagler Blvd Watermain	278,888
Florida Avenue Watermain	10,048
Hibiscus Street Sewer Repairs	8,004
King Street Utility Adjustment	528
Lincolnville Watermain Improvements	56,910
LRPO Concentrate Disposal Permitting	75,927
Palmer/Masters Drive Watermain Replacement	40,429
Ravenswood Watermain Replacement	65,087
Riberia Street Design	1,756,705
Riberia Street Phase II	216,869
Riberia Street Utility Phase	551,807
Sewer Rehab Project, I&I	15,989
Stormwater/Baffle Box Project	14,018
Utilities Improvements	189,762
Volusia Street Watermain	10,000
Wastewater Improvements	2,415,815
Water Treatment Plant	179,988
Wellfield Expansion	2,193,374
Total	<u><u>\$ 10,262,820</u></u>

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

Mooring Field	\$ 527,543
King Street Utility Adjustment	434,000
102 Bridge Street Property	307,016
Vac-Con Wash Truck	297,307
Aviles Street Improvements	248,867
Refuse Truck	196,186
Pump Station Improvements	126,981
Madeore Street Watermain Upgrades	110,496
Archeology Building Remodel	104,649
	<u><u>\$ 2,353,045</u></u>

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2011

Long-Term Debt

At the end of fiscal year 2011, the City had total debt outstanding of \$69,306,967. 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.

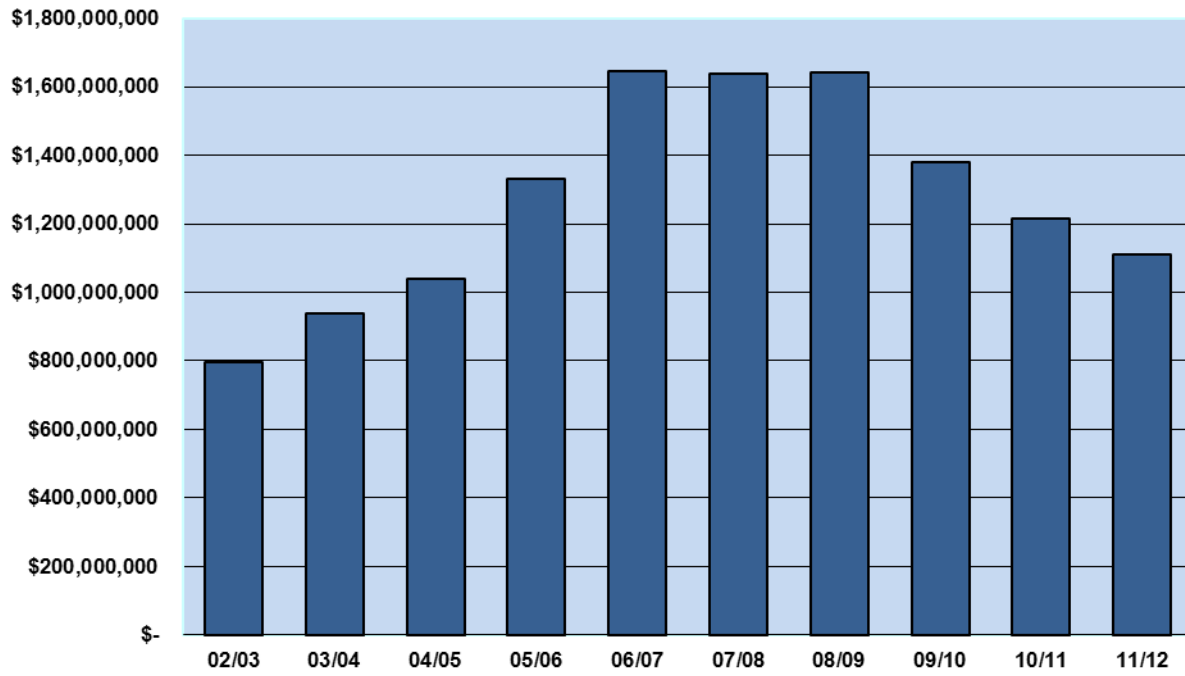
Outstanding Debt at Year-end		
	2011	2010
Governmental:		
Revenue Bonds	\$ 23,205,133	\$ 7,331,955
Business Type:		
Water & Sewer Revenue Bonds	22,191,968	23,799,012
Municipal Marina Revenue Bonds	691,971	814,002
Heritage Tourism Revenue Bonds	23,217,896	23,509,042
Total	\$ 69,306,968	\$ 55,454,011

Economic Factors

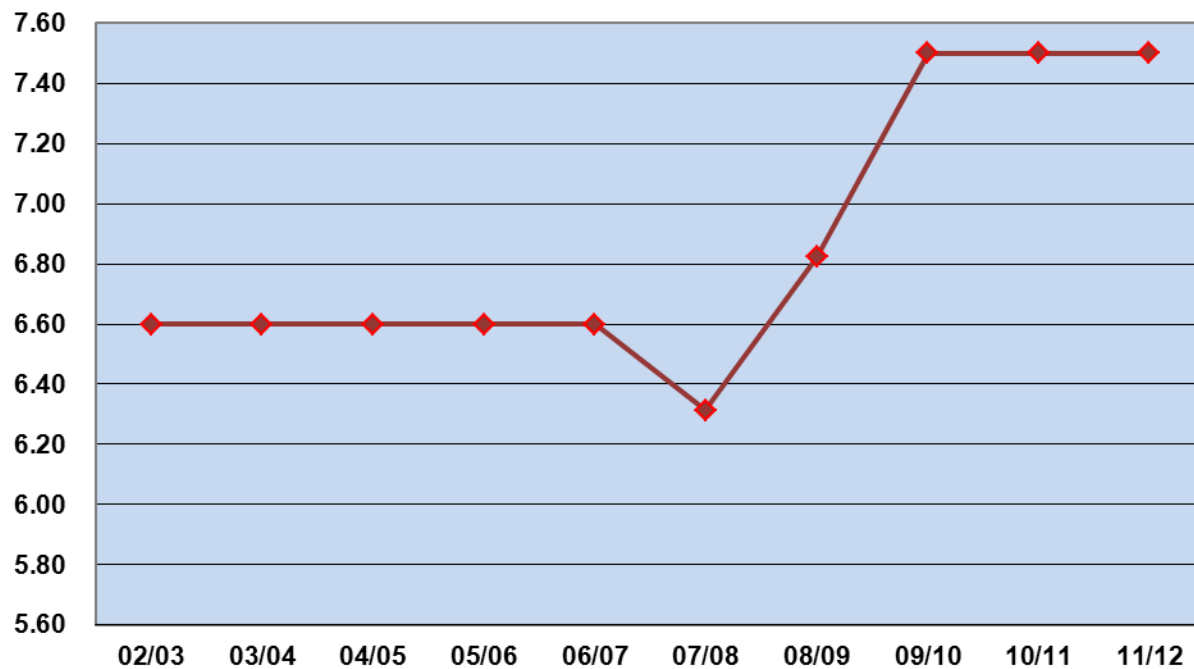
The City primarily relies on property and a limited array of permitted or other taxes and fees for governmental activities. There are a number of state-shared revenues and recurring and non-recurring grants from both the state and federal governments. Property values within the City have continued to fall over the last four years with the current economic state. Although the City has been 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, 2011

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, 2011

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, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 10,395,306	\$ 26,577,790	\$ 36,973,096
Receivables (Net)	614,410	2,242,845	2,857,255
Due from Other Governments	9,610	-	9,610
Internal Balances	14,210,000	(14,210,000)	-
Inventories	624,683	421,215	1,045,898
Prepaid Items	1,054,731	-	1,054,731
Investments, At Fair Value	7,500	-	7,500
Net Pension Assets	654,468	-	654,468
Restricted Assets:			
Cash and Cash Equivalents	788,043	2,866,119	3,654,162
Capital Assets:			
Non-Depreciable	8,062,341	9,305,013	17,367,354
Depreciable (Net)	16,490,250	81,389,527	97,879,777
Unamortized Bond Cost	231,208	-	231,208
Deferred Charges	-	706,855	706,855
Total Assets	53,142,550	109,299,364	162,441,914
LIABILITIES			
Accounts Payable and Accrued Expenses	892,672	1,476,194	2,368,866
Deposits	-	321,168	321,168
Unearned Revenue	101,183	61,440	162,623
Non-Current Liabilities:			
Due Within One Year:			
Net Insurance Obligation	329,167	-	329,167
Compensated Absences	80,011	36,905	116,916
Bonds Payable	355,113	2,749,886	3,104,999
Deferred Charges - Defeased Bond Cost	18,815	(191,532)	(172,717)
Due in More Than One Year			
Compensated Absences	1,916,392	585,477	2,501,869
Bonds Payable	22,850,020	43,351,949	66,201,969
Deferred Charges - Defeased Bond Cost	536,222	297,596	833,818
Total Liabilities	27,079,595	48,689,083	75,768,678
NET ASSETS			
Invested in Capital Assets (Net of Related Debt)	14,525,576	48,685,820	63,211,396
Restricted for:			
Expendable			
Capital Projects	54,155	-	54,155
Renewal and Replacement	-	2,572,305	2,572,305
Other	66,265	293,814	360,079
Non-Expendable			
Permanent Fund	620,832	-	620,832
Unrestricted	10,796,127	9,058,342	19,854,469
Total Net Assets	\$ 26,062,955	\$ 60,610,281	\$ 86,673,236

See accompanying notes to basic financial statements

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Activities
For Year Ended September 30, 2011

FUNCTION/PROGRAM ACTIVITIES	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General Government	\$ 9,516,005	\$ 4,708,023	\$ -	\$ 765,163
Public Safety	8,218,190	939,952	72,042	-
Physical Environment	3,835,617	319,411	-	-
Transportation	213,858	17,809	-	-
Culture/Recreation	520,628	43,355	-	-
Interest/Fiscal Charges on Long-term Debt	815,610	-	-	-
Total Governmental Activities	23,119,908	6,028,550	72,042	765,163
Business-type Activities:				
Utilities	10,725,515	11,936,064	-	48,468
Stormwater	355,674	746,691	-	366,481
Solid Waste	2,849,077	3,355,261	-	-
Municipal Marina	2,586,876	2,553,875	-	-
Visitor Information Center	3,221,409	1,849,777	-	-
Heritage Tourism	1,841,901	1,175,210	-	-
Total Business-type Activities	21,580,452	21,616,878	-	414,949
Total Primary Government	\$ 44,700,360	\$ 27,645,428	\$ 72,042	\$ 1,180,112

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

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
\$ (4,042,819)	\$ -	\$ (4,042,819)
(7,206,196)	-	(7,206,196)
(3,516,206)	-	(3,516,206)
(196,049)	-	(196,049)
(477,273)	-	(477,273)
(815,610)	-	(815,610)
(16,254,153)	-	(16,254,153)
-	1,259,017	1,259,017
-	757,498	757,498
-	506,184	506,184
-	(33,001)	(33,001)
-	(1,371,632)	(1,371,632)
-	(666,691)	(666,691)
-	451,375	451,375
(16,254,153)	451,375	(15,802,778)
9,125,072	-	9,125,072
1,042,588	-	1,042,588
1,133,430	-	1,133,430
1,534,080	-	1,534,080
547,815	-	547,815
534,021	-	534,021
898,289	-	898,289
360,357	-	360,357
93,994	-	93,994
1,473,257	-	1,473,257
26,486	42,816	69,302
(1,936,106)	1,936,106	-
14,833,283	1,978,922	16,812,205
(1,420,870)	2,430,298	1,009,428
27,483,825	58,179,983	85,663,808
\$ 26,062,955	\$ 60,610,281	\$ 86,673,236

CITY OF ST. AUGUSTINE, FLORIDA

Balance Sheet

Governmental Funds

September 30, 2011

	General	Debt Service	Special Revenue
ASSETS			
Cash and Cash Equivalents	\$ 9,142,987	\$ -	\$ -
Receivables (Net of Allowance for Uncollectibles)	614,410	-	-
Due from Other Funds	15,400,256	-	-
Due from Other Governments	9,610	-	-
Inventories, At Cost	624,683	-	-
Prepaid Expenditures	1,054,731	-	-
Investments, At Fair Value	7,500	-	-
Restricted Assets:			
Cash and Cash Equivalents	-	620,832	49,227
Total Assets	\$ 26,854,177	\$ 620,832	\$ 49,227
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 801,825	\$ -	\$ -
Unearned Revenue	101,183	-	-
Accrued Expenditures	28,580	-	-
Due to Other Funds	-	-	-
Total Liabilities	931,588	-	-
Fund Balances:			
Nonspendable:			
Inventories	624,683	-	-
Prepaid Expenditures	1,054,731	-	-
Restricted for:			
Police Education/Confiscation/Donations	66,265	-	-
Tree Memorial Fund	6,131	-	-
Galimore Center	400,000	-	-
Debt Service	-	620,832	-
Community Redevelopment Area	-	-	49,227
Trust Funds	-	-	-
Unassigned:	23,770,779	-	-
Total Fund Balances	25,922,589	620,832	49,227
Total Liabilities and Fund Balances	\$ 26,854,177	\$ 620,832	\$ 49,227

See accompanying notes to basic financial statements

Capital Projects		Permanent		Total Governmental	
\$ 1,252,267	\$	52	\$	10,395,306	
-		-		614,410	
-		-		15,400,256	
-		-		9,610	
-		-		624,683	
-		-		1,054,731	
-		-		7,500	
54,155		63,829		788,043	
\$ 1,306,422	\$	63,881	\$	28,894,539	
\$ 62,267	\$	-	\$	864,092	
-		-		101,183	
-		-		28,580	
1,190,000		256		1,190,256	
1,252,267		256		2,184,111	
-		-		624,683	
-		-		1,054,731	
-		-		66,265	
-		-		6,131	
-		-		400,000	
-		-		620,832	
-		-		49,227	
-		63,625		63,625	
54,155		-		23,824,934	
54,155		63,625		26,710,428	
\$ 1,306,422	\$	63,881	\$	28,894,539	

CITY OF ST. AUGUSTINE, FLORIDA
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets
September 30, 2011

Total Governmental Fund Balances	\$ 26,710,428
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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	45,388,418	
Less accumulated depreciation	<u>(20,835,827)</u>	
	24,552,591	
		24,552,591

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	(23,528,962)	
Compensated absences	<u>(1,996,403)</u>	
		(25,525,365)

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

Net pension assets	654,468	
Net insurance obligations	<u>(329,167)</u>	
		325,301

Net Assets of Governmental Activities	<u>\$ 26,062,955</u>
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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, 2011

	General	Debt Service	Special Revenue
REVENUES			
Ad Valorem Taxes	\$ 8,880,436	\$ -	\$ -
Sales, Use and Gas Taxes	894,378	-	-
Utility and Communications Service Taxes	2,176,019	-	-
Grants	837,205	-	-
Intergovernmental	1,578,874	-	244,636
Franchise Fees	1,534,080	-	-
Licenses, Permits and Other Fees	2,746,002	-	-
Fines and Forfeitures	293,660	-	-
Administrative Overhead Charges	1,798,737	-	-
Investment Income	24,326	685	1,162
Miscellaneous	2,624,632	-	-
Total Revenues	23,388,349	685	245,798
EXPENDITURES			
Current Operating:			
General Government	6,643,736	-	175
Public Safety	8,199,851	-	-
Physical Environment	3,833,649	-	-
Transportation	213,003	-	-
Culture/Recreation	520,305	-	-
Capital Outlay	1,446,082	-	-
Debt Service:			
Principal Retirement	-	341,823	-
Interest and Other	-	815,610	-
Total Expenditures	20,856,626	1,157,433	175
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	2,531,723	(1,156,748)	245,623
OTHER FINANCING SOURCES (USES)			
Transfers In	683,194	1,777,580	374,444
Transfers (Out)	(4,428,623)	-	(1,128,035)
Long-Term Debt Issued	16,215,000	-	-
Discount on Long-Term Debt Issued	(685,827)	-	-
Total Other Financing Sources (Uses)	11,783,744	1,777,580	(753,591)
Net Change in Fund Balances	14,315,467	620,832	(507,968)
Fund Balances - Beginning	11,607,122	-	557,195
FUND BALANCES - ENDING	\$ 25,922,589	\$ 620,832	\$ 49,227

See accompanying notes to basic financial statements

Capital Projects	Permanent	Total Governmental
\$ -	\$ -	\$ 8,880,436
-	-	894,378
-	-	2,176,019
-	-	837,205
-	-	1,823,510
-	-	1,534,080
-	-	2,746,002
-	-	293,660
-	-	1,798,737
181	132	26,486
-	-	2,624,632
181	132	23,635,145
63,566	-	6,707,477
-	-	8,199,851
-	-	3,833,649
-	-	213,003
-	-	520,305
722,778	-	2,168,860
-	-	341,823
-	-	815,610
786,344	-	22,800,578
(786,163)	132	834,567
785,390	-	3,620,608
-	(56)	(5,556,714)
-	-	16,215,000
-	-	(685,827)
785,390	(56)	13,593,067
(773)	76	14,427,634
54,928	63,549	12,282,794
\$ 54,155	\$ 63,625	\$ 26,710,428

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, 2011

Net Change in Fund Balances - Total Governmental Funds	\$	14,427,634
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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	2,168,860	
Less: current year depreciation and amortization	<u>(1,103,695)</u>	1,065,165

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	866	
Cost of capital assets sold or retired net	<u>(294,849)</u>	(293,983)

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.

Issuance of new debt	(16,215,000)	
Discount on long term debt	(536,222)	
Deferred Charges--defeased bond costs	(18,815)	
Unamortized Bond Costs	231,208	
Principal payments and retirement of debt	<u>341,823</u>	(16,197,006)

Government funds do not report negative net pension obligations or net insurance obligations as assets/liabilities of the general fund.

Net pension asset	(301,364)	
Net insurance obligation	<u>(89,531)</u>	(390,895)

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>(31,786)</u>	(31,786)
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Change in Net Assets of Governmental Activities	\$	<u>(1,420,871)</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, 2011

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 11,779,884	\$ 11,779,884	\$ 11,950,833	\$ 170,949
Intergovernmental	2,118,004	2,118,004	2,416,079	298,075
Licenses, Permits and Fees	4,035,723	4,100,723	4,280,082	179,359
Fines and Forfeitures	257,600	257,600	293,660	36,060
Administrative Service Charges	1,798,737	1,798,737	1,798,737	-
Investment Income	26,600	26,600	24,326	(2,274)
Miscellaneous	1,665,385	1,665,385	2,624,632	959,247
Total Revenues	21,681,933	21,746,933	23,388,349	1,641,416
EXPENDITURES				
Current Operating:				
General Government	6,685,427	6,682,427	6,643,736	38,691
Public Safety	8,165,933	8,165,933	8,199,851	(33,918)
Physical Environment	3,898,396	3,902,396	3,833,649	68,747
Transportation	214,500	229,500	213,003	16,497
Culture/Recreation	526,162	526,162	520,305	5,857
Capital Outlay	888,797	937,797	1,446,082	(508,285)
Total Expenditures	20,379,215	20,444,215	20,856,626	(412,411)
Excess of Revenues Over Expenditures	1,302,718	1,302,718	2,531,723	1,229,005
OTHER FINANCING SOURCES (USES)				
Transfers In	1,284,711	1,284,711	683,194	601,517
Transfers (Out)	(2,587,429)	(4,083,160)	(4,428,623)	(345,463)
Long-Term Debt Issued	-	16,215,000	16,215,000	-
Discount on Long-Term Debt Issued	-	(685,827)	(685,827)	-
Total Other Financing Sources (Uses)	(1,302,718)	12,730,724	11,783,744	256,054
Net Change in Fund Balances	-	14,033,442	14,315,467	1,485,059
Fund Balances - Beginning	11,607,122	11,607,122	11,607,122	-
FUND BALANCES - ENDING	\$ 11,607,122	\$ 25,640,564	\$ 25,922,589	\$ 1,485,059

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, 2011

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 239,421	\$ 239,421	\$ 244,636	\$ 5,215
Investment Income	4,500	4,500	1,162	(3,338)
Total Revenues	243,921	243,921	245,798	1,877
EXPENDITURES				
Current Operating:				
General Government	-	-	175	(175)
Capital Outlay	-	-	-	-
Total Expenditures	-	-	175	(175)
Excess of Revenues Over Expenditures	243,921	243,921	245,623	1,702
OTHER FINANCING SOURCES (USES)				
Transfers In	1,009,476	1,009,476	374,444	(635,032)
Transfers (Out)	(1,253,397)	(1,253,397)	(1,128,035)	125,362
Total Other Financing Sources (Uses)	(243,921)	(243,921)	(753,591)	(509,670)
Net Change in Fund Balances	-	-	(507,968)	(507,968)
Fund Balances - Beginning	557,195	557,195	557,195	-
FUND BALANCES - ENDING	\$ 557,195	\$ 557,195	\$ 49,227	\$ 507,968

See accompanying notes to basic financial statements

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CITY OF ST. AUGUSTINE, FLORIDA

Statement of Net Assets

Proprietary Funds

September 30, 2011

	Utility	Stormwater Drainage	Solid Waste
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 15,823,690	\$ 5,980,432	\$ 1,418,764
Accounts Receivable (Net)	1,401,165	477,758	355,127
Due from Other Funds	-	-	208,000
Deferred Charges, Current Portion	37,302	-	-
Inventories, at Cost	150,300	-	-
Total Current Assets	17,412,457	6,458,190	1,981,891
Non-Current Assets:			
Restricted Assets			
Cash and Cash Equivalents	2,572,305	-	-
Total Restricted Assets	2,572,305	-	-
Other Assets:			
Deferred Charges, Less Current Portion	322,430	-	-
Property, Plant and Equipment:			
Land and Improvements	1,145,803	-	-
Buildings and Structures	28,474,918	-	333,163
Infrastructure	66,139,806	1,751,651	51,154
Machinery and Equipment	2,775,376	224,352	2,486,993
Construction in Progress	6,171,615	1,987,595	-
Accumulated Depreciation	(40,636,581)	(574,297)	(1,617,460)
Net Property, Plant and Equipment:	64,070,937	3,389,301	1,253,850
Total Non-Current Assets	66,965,672	3,389,301	1,253,850
Total Assets	\$ 84,378,129	\$ 9,847,491	\$ 3,235,741
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 1,219,098	\$ 12,719	\$ 106,190
Customer Deposits	320,146	-	-
Revenue Bonds Payable, Current Portion	2,320,000	-	-
Deferred Charges - Defeased Bonds, Current Portion	(191,060)	-	-
Unearned Revenues - Other	-	-	-
Due to Other Funds	8,021,125	3,688,875	-
Compensated Absences, Current Portion	14,095	996	5,694
Total Current Liabilities	11,703,404	3,702,590	111,884
(Continued)			

See accompanying notes to basic financial statements

Municipal Marina	Visitor Information Center	Heritage Tourism	Total Proprietary
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\$ 2,582,950	\$ 481,265	\$ 290,689	\$ 26,577,790
-	5,809	2,986	2,242,845
-	1,400,000	-	1,608,000
4,870	13,381	3,750	59,303
104,652	85,473	80,790	421,215
2,692,472	1,985,928	378,215	30,909,153

-		293,814	2,866,119
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-	-	293,814	2,866,119
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21,510	303,612	-	647,552
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-		-	1,145,803
2,921,408	23,604,725	1,093,232	56,427,446
1,657,501	935,502	30,502	70,566,116
132,892	72,195	4,933	5,696,741
-	-	-	8,159,210
(3,043,965)	(4,886,453)	(542,020)	(51,300,776)
1,667,836	19,725,969	586,647	90,694,540
1,689,346	20,029,581	880,461	94,208,211
\$ 4,381,818	\$ 22,015,509	\$ 1,258,676	\$ 125,117,364

\$ 88,278	\$ 39,775	\$ 10,134	\$ 1,476,194
-	-	1,022	321,168
127,578	302,308		2,749,886
(4,832)	4,360	-	(191,532)
-	61,440	-	61,440
2,500,000		1,608,000	15,818,000
3,191	4,914	8,015	36,905
2,714,215	412,797	1,627,171	20,272,061

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Net Assets
Proprietary Funds
September 30, 2011
(Continued)

	Utility	Stormwater Drainage	Solid Waste
LIABILITIES			
Non-Current Liabilities:			
Revenue Bonds Payable, Less Current Portion	19,871,968	-	-
Deferred Charges - Defeased Bonds, Less Current Portion	119,141	-	-
Compensated Absences, Less Current Portion	298,924	16,247	69,960
Total Non-Current Liabilities	20,290,033	16,247	69,960
Total Liabilities	\$ 31,993,437	\$ 3,718,837	\$ 181,844
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	45,972,084	3,389,301	1,253,850
Restricted			
Renewal and Replacement	2,572,305	-	-
Other	-	-	-
Unrestricted	3,840,303	2,739,353	1,800,047
Total Net Assets	\$ 52,384,692	\$ 6,128,654	\$ 3,053,897

See accompanying notes to basic financial statements

Municipal Marina	Visitor Information Center	Heritage Tourism	Total Proprietary
564,393	22,915,588	-	43,351,949
(21,359)	199,814	-	297,596
64,821	63,267	72,258	585,477
607,855	23,178,669	72,258	44,235,022
\$ 3,322,070	\$ 23,591,466	\$ 1,699,429	\$ 64,507,083

975,865	(3,491,927)	586,647	48,685,820
-	-	-	2,572,305
-	-	293,814	293,814
83,883	1,915,970	(1,321,214)	9,058,342
\$ 1,059,748	\$ (1,575,957)	\$ (440,753)	\$ 60,610,281

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
September 30, 2011

	Utility	Stormwater Drainage	Solid Waste
OPERATING REVENUES			
User Charges	\$ 11,033,303	\$ -	\$ 3,355,261
Fees	673,608	746,691	-
Rental	-	-	-
Other	-	-	-
Total Operating Revenues	11,706,911	746,691	3,355,261
OPERATING EXPENSES			
Salaries, Wages and Employee Benefits	3,039,454	148,341	756,124
Utilities	660,917	265	7,129
Supplies and Materials	623,127	2,661	182,507
Contractual Services	454,184	22,178	1,125,596
Repairs and Maintenance	655,492	7,578	161,999
Cost of Goods Sold	-	-	-
Other	272,286	7,238	42,815
Administrative Overhead Charges	1,142,436	113,350	322,078
Depreciation and Amortization	2,580,565	54,063	229,016
Total Operating Expenses	9,428,461	355,674	2,827,264
Operating Income (Loss)	2,278,450	391,017	527,997
NON-OPERATING REVENUES (EXPENSES)			
Investment Income	30,859	7,641	1,734
Interest Expense and Fiscal Charges	(1,297,054)	-	-
Gain on Sale of Capital Assets	121,092	-	-
Other	108,061	-	(21,813)
Total Non-Operating Revenues (Expenses)	(1,037,042)	7,641	(20,079)
Income Before Contributions and Transfers	1,241,408	398,658	507,918
Capital Contributions	48,468	366,481	-
Transfers In	766,804	-	15,000
Transfers (Out)	(311,255)	-	(80,824)
Change in Net Assets	1,745,425	765,139	442,094
Net Assets - Beginning	50,639,267	5,363,515	2,611,803
Net Assets - Ending	\$ 52,384,692	\$ 6,128,654	\$ 3,053,897

See accompanying notes to basic financial statements

Municipal Marina	Visitor Information Center	Heritage Tourism	Total Proprietary
\$ 2,502,066	\$ 379,343	\$ 1,109,295	\$ 18,379,268
-	1,249,379	3,468	2,673,146
30,593	56,075	62,423	149,091
21,216	-	24	21,240
2,553,875	1,684,797	1,175,210	21,222,745
539,014	508,871	1,074,925	6,066,729
77,834	144,814	36,685	927,644
21,291	29,360	33,830	892,776
4,565	183,254	26,423	1,816,200
58,362	62,640	57,368	1,003,439
1,383,267	184,451	336,654	1,904,372
127,215	98,303	176,502	724,359
116,767	52,053	52,053	1,798,737
216,854	836,723	47,461	3,964,682
2,545,169	2,100,469	1,841,901	19,098,938
8,706	(415,672)	(666,691)	2,123,807
972	999	611	42,816
(41,707)	(1,120,939)	-	(2,459,700)
-	-	-	121,092
-	164,980	-	251,228
(40,735)	(954,960)	611	(2,044,564)
(32,029)	(1,370,632)	(666,080)	79,243
-	-	-	414,949
-	1,128,034	709,406	2,619,244
-	(217,006)	(74,053)	(683,138)
(32,029)	(459,604)	(30,727)	2,430,298
1,091,777	(1,116,353)	(410,026)	58,179,983
\$ 1,059,748	\$ (1,575,957)	\$ (440,753)	\$ 60,610,281

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Cash Flows
Proprietary Funds
September 30, 2011

	Utility	Stormwater Drainage	Solid Waste
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash Flows from Operating Activities:			
Received from Customers	\$ 11,593,157	\$ 385,077	\$ 3,345,736
Payment to Suppliers for Goods and Services	(3,715,358)	(162,467)	(1,787,489)
Paid to Employees	(3,039,454)	(148,341)	(756,124)
Paid to Customers for Deposit Refunds	-	-	-
Other revenues (expenses)	108,061	-	(21,813)
Net Cash Flows from Operating Activities	4,946,406	74,269	780,310
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Outstanding Bond Issues	(2,215,000)	-	-
Interest Paid on Outstanding Bond Issues	(498,038)	-	-
Acquisition and Construction of Capital Assets	(2,995,478)	(1,671,025)	(198,356)
Proceeds form sale of assets	121,092	-	23,983
Capital Contributions and Grants	48,468	366,481	-
Net Cash Flows from Capital and Related Financing Activities	(5,538,956)	(1,304,544)	(174,373)
Cash Flows from Investing Activities:			
Investment Income	30,859	7,641	1,734
Net Cash Flows from Investing Activities	30,859	7,641	1,734
Cash Flows from Non-Capital Financing Activities:			
Receipts Under Interfund Loan Agreements	8,021,125	3,688,875	-
Payments Under Interfund Loan Agreements	-	-	-
Transfers from Other Funds	766,804	-	15,000
Transfers (to) Other Funds	(311,255)	-	(80,824)
Net Cash Flows from Non-Capital Financing Activities	8,476,674	3,688,875	(65,824)
Net Change in Cash and Cash Equivalents	7,914,983	2,466,241	541,847
Cash and Cash Equivalents at Beginning of Year	10,481,012	3,514,191	876,917
Cash and Cash Equivalents at End of Year	\$ 18,395,995	\$ 5,980,432	\$ 1,418,764

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 \$799,487 for the year.

(Continued)

See accompanying notes to basic financial statements

Municipal Marina	Visitor Information Center	Heritage Tourism	Total Proprietary
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\$ 2,553,875	\$ 2,040,308	\$ 1,309,960	\$ 21,228,113
(1,850,753)	(820,399)	(681,361)	(9,017,827)
(539,014)	(508,871)	(1,074,925)	(6,066,729)
-	-	-	-
-	164,980	-	251,228
164,108	876,018	(446,326)	6,394,785

(122,031)	(291,146)	-	(2,628,177)
(36,875)	(1,125,300)	-	(1,660,213)
(191,343)	-	(20,111)	(5,076,313)
-	34,948	-	180,023
-	-	-	414,949
(350,249)	(1,381,498)	(20,111)	(8,769,731)

972	999	611	42,816
972	999	611	42,816

2,500,000	-	-	14,210,000
-	-	-	-
-	1,128,035	709,406	2,619,245
-	(217,006)	(74,053)	(683,138)
2,500,000	911,029	635,353	16,146,107
2,314,831	406,548	169,527	13,813,977
268,119	74,717	414,976	15,629,932
\$ 2,582,950	\$ 481,265	\$ 584,503	\$ 29,443,909

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Cash Flows
Proprietary Funds
September 30, 2011
(Continued)

	Utility	Stormwater Drainage	Solid Waste
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Net Operating Income	\$ 2,278,450	\$ 391,017	\$ 527,997
Adjustments to Reconcile Net Operating Income to Net Cash Flows from Operating Activities:			
Depreciation and Amortization	2,580,565	54,063	229,016
Provision for Uncollectible Accounts	60,243	5,113	16,724
Other revenues (expenses)	108,061	-	(21,813)
Changes in Operating Assets and Liabilities:			
Accounts Receivable	(126,020)	(361,614)	(9,525)
Inventories	(30,925)	-	-
Accounts Payable and Compensated Absences	63,766	(14,310)	37,911
Deposits Payable	12,266	-	-
Deferred Revenues	-	-	-
Total Adjustments	2,667,956	(316,748)	252,313
Net Cash Flows from Operating Activities	\$ 4,946,406	\$ 74,269	\$ 780,310

See accompanying notes to basic financial statements

Municipal Marina	Visitor Information Center	Heritage Tourism	Total Proprietary
-----------------------------	---	-----------------------------	------------------------------

\$ 8,706 \$ (415,672) \$ (666,691) \$ 2,123,807

216,854	836,723	47,461	3,964,682
-	-	-	82,080
-	164,980	-	251,228
-	-	-	-
-	294,070	139,078	(64,011)
(29,587)	(85,473)	47,472	(98,513)
(31,865)	19,950	(5,568)	69,884
-	-	(4,328)	7,938
-	61,440	(3,750)	57,690
155,402	1,291,690	220,365	4,270,978
\$ 164,108	\$ 876,018	\$ (446,326)	\$ 6,394,785

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2011

	Employee Retirement Funds
ASSETS	
Cash and Short-Term Investments	\$ 2,049,319
Receivables:	
Member Contributions	22,481
City Contributions	62,571
Interest and Dividends	165,553
Due from State	25,424
Total Receivables	276,029
Prepaid Expense	571
Investments, at Fair Value:	
U.S. Government Obligations Fund	4,893,014
U.S. Stock Fund	19,384,891
Mutual Fund - International Equity	1,839,150
Bond and Mortgage Fund	10,919,155
International Exchange Fund	697,629
Real Estate Fund	2,043,680
Total Investments	39,777,519
Total Assets	42,103,438
LIABILITIES	
Expenses Payable	46,975
Total Liabilities	46,975
NET ASSETS	
Held in Trust for Pension Benefits and Other Purposes	\$ 42,056,463

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, 2011

	Employee Retirement Funds
ADDITIONS	
Contributions:	
Members	\$ 578,450
City	1,571,112
State Insurance Premium Tax from General Fund	360,357
Total Contributions	<u>2,509,919</u>
Investment Income:	
Net Decrease in Fair Value of Investments	(93,378)
Interest and Dividends on Investments	<u>1,134,485</u>
Total Investment Income	1,041,107
Less Investment Expenses	<u>243,331</u>
Net Income from Investing Activities	<u>797,776</u>
Total Additions	<u>3,307,695</u>
DEDUCTIONS	
Benefit Payments	2,655,378
Termination Payments	64,318
Administrative Expenses	<u>110,124</u>
Total Deductions	<u>2,829,820</u>
Net Change in Assets	<u>477,875</u>
Net Assets - Beginning	<u>41,578,588</u>
NET ASSETS - ENDING	<u>\$ 42,056,463</u>

See accompanying notes to basic financial statements

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CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2011

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 fund) 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 fiduciary funds. The fiduciary funds 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, police officers and firefighters. 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 and 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, 2011

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 the 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 services 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, 2011

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

The Permanent 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

The Utility Fund accounts for the operation, maintenance and construction of the City-owned water and sewer system.

b. Stormwater Drainage Fund

The Stormwater Drainage Fund accounts for the operation, maintenance and construction of the City-owned stormwater drainage system.

c. Solid Waste Fund

The Solid Waste Fund accounts for the operation and maintenance of the City-owned solid waste pick-up and disposal service.

d. Municipal Marina Fund

The Marina Fund accounts for operations and maintenance of the City-owned Municipal Marina facilities.

e. Visitor Information Center

The Visitor Information Center Fund accounts for the operations and maintenance of the City-owned Visitor Information Center and Historic Downtown Parking Facility.

f. Heritage Tourism Fund

The Heritage Tourism 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

The General Employees' Pension Plan 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' Pension Plan

The Police Officers' Pension Plan 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, 2011

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

c. Firefighters' Pension Plan

The Firefighters' Pension Plan accounts for the contributions of the firefighter employees, the City and the State of Florida, along with 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 account 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, 2011

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 these 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. In FY 2011, the City purchased two fire trucks and paid for them before their completion in order to receive a discount on the purchase. These trucks were purchased in FY 2011 but delivered to the City in FY 2012.

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
Furniture and Other Equipment	2-10 years
Infrastructure & Improvements	10-40 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, 2011 are as follows:

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2011

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

	Original Cost	Accumulated Amortization	Unamortized Costs
Beginning of the year	\$ 1,065,446	\$ (306,789)	\$ 758,657
Current year additions		(51,802)	(51,802)
End of year	<u>\$ 1,065,446</u>	<u>\$ (358,591)</u>	<u>\$ 706,855</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 hours with eighteen years, 152 hours 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 of 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 hours 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
Police Department Employees: 80 hours per year, no maximum
Fire Department Employees: 112 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.

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.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2011

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

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, 2011 are as follows:

	Original Cost	Accumulated Amortization	Unamortized Costs
Beginning of year	\$ 1,571,883	\$ (1,486,416)	\$ 85,467
Current year additions		(191,531)	(191,531)
End of year	<u>\$ 1,571,883</u>	<u>\$ (1,677,947)</u>	<u>\$ (106,064)</u>

P. Fund Balance Classifications

Reserves

Beginning with this fiscal year, the City implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints place on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints.

Nonspendable Fund Balance – amounts that are not in spendable form (such as inventory and pre-paid items) or are required to be maintained intact.

Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.

Committed Fund Balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Commission). To be reported as committed, amounts cannot be used for any purpose unless the City takes the same highest level action to remove or change the constraint.

Assigned Fund Balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Commission or by an official or body to which the City Commission delegates authority.

Unassigned Fund Balance – amounts that are available for any purpose.

When both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first, then unrestricted resources as needed. When unrestricted resources (committed, assigned and unassigned) are available for use in any governmental fund, it is the City's practice to used committed resources first, then assigned, and then unassigned as needed.

The City Commission establishes (and modifies and rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget documentation as a designation or commitment of the fund. Assigned fund balance is established by the City Commission through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed assets, construction, debt service or other purposes).

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2011

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

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.

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 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, 2011, the carrying amount of cash on hand was \$563,571 and the related bank balance was \$931,384. 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 \$33,120,796 had a weighted average of 38 days to maturity as of September 30, 2011. The Fund B is accounted for as a fluctuating net asset value (NAV)

CITY OF ST. AUGUSTINE, FLORIDA

Notes to the Financial Statements

September 30, 2011

NOTE 2. DEPOSITS AND INVESTMENTS: (continued)

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 \$809,422 and had a weighted average life of 4.82 years as of September 30, 2011. 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 \$2,002,874 as of September 30, 2011. A second account with a qualified public depository was established by the City in 2009. This account is fully collateralized and held a balance of \$4,026,747 as of September 30, 2011.

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 with an average rating of A 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, 2011, the General Employee's Pension Plan had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	Between 1 and 5	Between 6 and 10	More Than 10
U.S. Treasury Obligations	\$ 292,878	\$ -	\$ -	\$ 221,241	\$ 71,637
U.S. Government Agencies	2,018,704	-	-	-	2,018,704
Corporate & Foreign Bonds	4,415,513	132,473	1,271,031	1,816,653	1,195,356
Municipal Obligations	370,247	-	370,247	-	-
Common Equity Securities	10,968,804	10,968,804	-	-	-
Preferred Equity Securities	143,250	143,250	-	-	-
Equity Mutual Funds	1,839,150	1,839,150	-	-	-
Real Estate	1,021,840	-	-	-	1,021,840
	<u>\$ 21,070,386</u>	<u>\$ 13,083,677</u>	<u>\$ 1,641,278</u>	<u>\$ 2,037,894</u>	<u>\$ 4,307,537</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 Police Pension Plan Investment Policy limits fixed income securities to 135% of the duration of the market index, including investments in government issues, corporate bonds having an average quality rating of A or higher and/or securities issued by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia. There may be exceptional circumstances indicating the use of longer maturities, but these exceptions should be few. As of September 30, 2011, the Police Officer's Pension Plan had the following investments and maturities:

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 2. DEPOSITS AND INVESTMENTS: (continued)

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	Between 1 and 5	Between 6 and 10	More Than 10
Money Market Funds	\$ 604,507	\$ 604,507	\$ -	\$ -	\$ -
U.S. Government Bonds	1,877,781	-	88,313	56,770	1,732,698
Equity Securities	3,672,777	215,241	1,086,501	1,162,318	1,208,717
Municipal Obligations	4,731,983	4,731,983	-	-	-
Real Estate	34,092	-	-	-	34,092
	1,021,840	-	-	-	1,021,840
	<u>\$ 11,942,980</u>	<u>\$ 5,551,731</u>	<u>\$ 1,174,814</u>	<u>\$ 1,219,088</u>	<u>\$ 3,997,347</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 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

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.

D. Investments – Firefighter Pension Plan

Interest Rate Risk

The Firefighter Pension Plan Investment Policy 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 investment 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, 2011, the Firefighter Pension Plan held the following fixed income investments:

Investment Type	% of Fund	Fair Value	Rating	Effective Duration
US Government Agencies	19.8%	\$ 703,651	AA	6.0-10.0
Corporate Bonds	55.9%	1,985,911	A	11.0
Domestic fixed income investment fund	11.5%	409,401	BBB-A	2.0-5.0
International bonds	0.9%	31,214	BBB-A	1.0
Temporary Investment Funds	11.9%	422,260	AAA	Daily
	<u>100%</u>	<u>\$ 3,552,437</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, 2011

NOTE 3. ACCOUNTS RECEIVABLE:

Receivables at September 30, 2011, consist of the following:

	Governmental Activities			
	General	Capital Projects	Business-Type Activities	Total
Utility Taxes	\$ 212,266	\$ -	\$ -	\$ 212,266
Accounts	114,398		1,970,998	2,085,396
Intergovernmental	287,746		353,927	641,673
Gross Receivables	614,410	-	2,324,925	2,939,335
Less: Allowance for Uncollectibles	-	-	82,080	82,080
Total Receivables	\$ 614,410	\$ -	\$ 2,242,845	\$ 2,857,255

NOTE 4. CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2011:

Governmental Activities

	Balance 10/1/2010	Increases	Decreases	Balance 9/30/2011
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 5,647,161	\$ 311,569	\$ -	\$ 5,958,730
Construction in Progress	1,051,465	1,271,539	219,393	2,103,611
Total Capital Assets Not Being Depreciated	6,698,626	1,583,108	219,393	8,062,341
Other Capital Assets:				
Buildings	18,155,645	-	7,291	18,148,354
Infrastructure	11,544,712	489,487	-	12,034,199
Furniture and Other Equipment	7,121,850	316,663	294,988	7,143,525
Total Other	36,822,207	806,150	302,279	37,326,078
Less Accumulated Depreciation For:				
Buildings	8,238,614	412,370	-	8,650,984
Infrastructure	5,802,409	334,652	-	6,137,061
Furniture and Other Equipment	5,698,400	592,990	243,607	6,047,783
Total Accumulated Depreciation	19,739,423	1,340,012	243,607	20,835,828
Other Capital Assets, Net	17,082,784	(533,862)	58,672	16,490,250
TOTALS	\$ 23,781,410	\$ 1,049,246	\$ 278,065	\$ 24,552,591

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 4. CAPITAL ASSETS: (continued)

Construction in progress is composed of the following at September 30, 2011:

Waterworks Building Repairs	\$ 27,787
Fire Station Repairs	12,627
Riberia Street Waste Disposal Closure	642,192
Valencia Street Survey	6,320
Salt Run Dredging	1,011,476
FDOT Traffic Engineering Safety Study	399,909
Sidewalk Improvements	3,300
Total	<u><u>\$ 2,103,611</u></u>

Business-Type Activities

	Balance 10/1/2010	Increases	Decreases	Balance 9/30/2011
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,130,003	\$ 15,801	\$ -	\$ 1,145,804
Construction in Progress	5,211,147	3,509,477	561,415	8,159,209
Total Capital Assets				
Not Being Depreciated	6,341,150	3,525,278	561,415	9,305,013
Other Capital Assets:				
Buildings	56,514,467	-	87,021	56,427,446
Infrastructure	68,900,623	1,665,492	-	70,566,115
Furniture and Other Equipment	5,544,033	877,749	725,041	5,696,741
Total Other	130,959,123	2,543,241	812,062	132,690,302
Less Accumulated Depreciation For:				
Buildings	19,545,285	1,335,393	-	20,880,678
Infrastructure	24,322,825	2,153,432	-	26,476,257
Furniture and Other Equipment	3,845,874	420,424	322,458	3,943,840
Total Accumulated Depreciation	47,713,984	3,909,249	322,458	51,300,775
Other Capital Assets, Net	83,245,139	(1,366,008)	489,604	81,389,527
TOTALS	<u><u>\$ 89,586,289</u></u>	<u><u>\$ 2,159,270</u></u>	<u><u>\$ 1,051,019</u></u>	<u><u>\$ 90,694,540</u></u>

Depreciation was allocated to Business-Type Activities as follows:

Utility Fund	\$ 2,543,384
Stormwater Drainage Fund	54,063
Solid Waste Fund	229,016
Municipal Marina Fund	211,983
Visitor Information Center	823,342
Heritage Tourism Fund	47,461
Total	<u><u>\$ 3,909,249</u></u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 4. CAPITAL ASSETS: (Continued)

Construction in progress is composed of the following at September 30, 2011:

Covino Ave Watermain Replacement	\$ 45,123
Design Horizontal Directional Drill	33,938
Flagler Blvd Watermain	278,888
Florida Avenue Watermain	10,048
Hibiscus Street Sewer Repairs	8,004
King Street Utility Adjustment	528
Lincolnville Watermain Improvements	56,910
LRPO Concentrate Disposal Permitting	75,927
Palmer/Masters Drive Watermain Replacement	40,429
Ravenswood Watermain Replacement	65,087
Riberia Street Design	1,756,705
Riberia Street Phase II	216,869
Riberia Street Utility Phase	551,807
Sewer Rehab Project, I&I	15,989
Stormwater/Baffle Box Project	14,018
Utilities Improvements	189,762
Volusia Street Watermain	10,000
Wastewater Improvements	2,415,815
Water Treatment Plant	179,988
Wellfield Expansion	2,193,374
Total	<u><u>\$ 8,159,209</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, 2011, will not materially affect the financial condition of the City. Therefore, the financial statements contain no provision for estimated claims.

At September 30, 2011, the City had outstanding commitments of approximately \$1,250,900 relating to construction contracts.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2011

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 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 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, 2011 is as follows:

Bond Year Ended October 1	Public Service Tax & Guaranteed Entitlement Revenue Refunding & Improvement Bonds Series 2001	
	Principal	Interest
2012	\$ 305,695	\$ 329,213
2013	315,664	315,920
2014	328,955	301,715
2015	345,569	286,583
2016	362,182	270,342
2017-2021	1,426,903	1,130,006
2022-2026	1,824,222	735,575
2027-2030	1,811,531	232,114
	<u>\$ 6,720,721</u>	<u>\$ 3,601,468</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 for essential public purposes affecting the health, welfare and safety of

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 6. LONG-TERM DEBT (Continued)

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, 2011 is as follows:

Bond Year Ended October 1	Capital Improvements & Current Refunding Series 2004	
	Principal	Interest
2012	\$ 49,418	\$ 9,782
2013	52,607	8,176
2014	54,201	6,072
2015	55,790	4,175
2016	57,396	2,152
	<u>\$ 269,412</u>	<u>\$ 30,357</u>

Capital Improvement Revenue Bonds, Series 2011:

On April 5, 2011, the City issued Capital Improvement Revenue Bonds, Series 2011, totaling \$16,215,000 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 interest rate on this bond is 5.75% and the maturity date is October 1, 2041.

Interest payments are due semi-annually on April 1 and October 1. Principal payments will not be made until 2035 at which time principal of \$16,125,000 will be paid down over seven years:

Bond Year Ended October 1	Capital Improvement Revenue Bonds Series 2011	
	Principal	Interest
2012	\$ -	\$ 932,362
2013	-	932,363
2014	-	932,362
2015	-	932,363
2016	-	932,362
Thereafter	16,215,000	20,720,701
	<u>\$ 16,215,000</u>	<u>\$ 25,382,513</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 6. LONG-TERM DEBT: (Continued)

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, 2011 is as follows:

Bond Year Ended October 1	Water & Sewer Fund Revenue Bonds, Series 2005	
	Principal	Interest
2012	\$ 2,320,000	\$ 387,188
2013	545,000	273,188
2014	570,000	247,063
2015	590,000	227,113
2016	615,000	201,050
2017-2021	4,095,000	584,100
	<u>\$ 8,735,000</u>	<u>\$ 1,919,702</u>

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

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 6. LONG-TERM DEBT: (Continued)

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
2012	-	-
2013	\$ 1,351,161	\$ 673,839
2014	1,269,533	755,467
2015	1,193,697	831,303
2016	1,118,914	906,086
2017-2021	4,430,549	5,109,451
	9,363,854	\$ 8,276,146
Accredited interest	4,093,114	
Balance September 30, 2011	\$ 13,456,968	

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, 2011 is as follows:

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 6. LONG-TERM DEBT: (Continued)

Bond Year Ended October 1	Municipal Marina Revenue Bonds Guaranteed Entitlement, Series 2001	
	Principal	Interest
2012	\$ 127,578	\$ 31,751
2013	131,738	26,201
2014	137,285	20,273
2015	144,218	13,958
2016	151,152	7,180
	<u>\$ 691,971</u>	<u>\$ 99,363</u>

Bond Year Ended October 1	Heritage Tourism Revenue Bonds Guaranteed Entitlement, Series 2001	
	Principal	Interest
2012	\$ 26,727	\$ 132,019
2013	27,598	130,851
2014	28,760	129,610
2015	30,213	128,286
2016	31,666	126,866
2017-2021	708,100	559,494
2022-2026	900,780	363,924
2027-2030	898,464	114,887
	<u>\$ 2,652,308</u>	<u>\$ 1,685,937</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. 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, 2011, is as follows:

Bond Year Ended October 1	Heritage Tourism Capital Improvement & Revenue Refunding Bonds, Series 2004	
	Principal	Interest
2012	\$ 275,581	\$ 983,974
2013	287,393	975,018
2014	300,799	963,522
2015	309,210	952,994
2016	200,000	941,785
2017-2021	3,252,605	4,405,514
2022-2026	3,950,000	3,583,375
2027-2031	5,805,000	2,496,650
2032-2034	6,185,000	628,750
	<u>\$ 20,565,588</u>	<u>\$ 15,931,582</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 7. CHANGES IN LONG-TERM DEBT:

During the year ended September 30, 2011 the following changes occurred in the City's long-term obligations:

**Primary Government
Governmental Activities**

	Balance 10/1/2010	Increases	Decreases	Balance 9/30/2011	Current Portion
General Long-Term Debt & Obligations					
Public Service Tax & Guaranteed Entitlement Revenue Refunding & Improvement Bonds	\$ 7,331,955	\$ 16,215,000	\$ 341,822	\$ 23,205,133	\$ 355,113
Accrued Compensated Absences	1,964,619	1,027,203	995,419	1,996,403	80,011
Total General Long-Term Obligations	<u>9,296,574</u>	<u>17,242,203</u>	<u>1,337,241</u>	<u>25,201,536</u>	<u>435,124</u>
Proprietary Fund Long-Term Obligations					
Accrued Compensated Absences	515,794	436,275	329,687	622,382	36,905
Revenue Bonds Payable From: Proprietary Funds	23,799,012	607,956	2,215,000	22,191,968	2,320,000
Public Service Tax & Guaranteed Entitlement Revenue	<u>24,323,044</u>	<u>-</u>	<u>413,177</u>	<u>23,909,867</u>	<u>429,886</u>
Total Proprietary Fund Long-Term Obligations	<u>48,637,850</u>	<u>1,044,231</u>	<u>2,957,864</u>	<u>46,724,217</u>	<u>2,786,791</u>
Total Long-Term Debt & Obligations	<u><u>\$ 57,934,424</u></u>	<u><u>\$ 18,286,434</u></u>	<u><u>\$ 4,295,105</u></u>	<u><u>\$ 71,925,753</u></u>	<u><u>\$ 3,221,915</u></u>

NOTE 8. INTERFUND RECEIVABLES, PAYMENTS, AND TRANSFERS:

A. At September 30, 2011, interfund payments and transfers are as follows:

Fund Type/Fund	Transfers-in	Transfers-out
GOVERNMENTAL FUNDS		
General Fund	\$ 683,194	\$ 4,428,623
Community Redevelopment Agency Fund	374,444	1,128,035
Debt Service Fund	1,777,580	-
Capital Projects Fund	785,390	-
Permanent Fund	-	56
PROPRIETARY FUNDS		
Utility Fund	766,804	311,255
Stormwater Fund	-	-
Solid Waste Fund	15,000	80,824
Municipal Marina Fund	-	-
Visitor Information Center	1,128,034	217,006
Heritage Tourism Fund	709,406	74,053
	<u><u>\$ 6,239,852</u></u>	<u><u>\$ 6,239,852</u></u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2011

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	\$ 1,798,737	\$ -
PROPRIETARY FUNDS		
Utility Fund	-	1,142,436
Stormwater Fund	-	113,350
Solid Waste Fund	-	322,078
Municipal Marina Fund	-	116,767
Visitor Information Center	-	52,053
Heritage Tourism Fund	-	52,053
	<u>\$ 1,798,737</u>	<u>\$ 1,798,737</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, 2011, interfund receivables are as follows:

<u>Fund Type/Fund</u>	<u>Due to</u>	<u>Due from</u>
GOVERNMENTAL FUNDS		
General Fund	\$ -	\$ 15,400,256
Capital Projects Fund	1,190,000	
Permanent Fund	256	-
PROPRIETARY FUNDS		
Utility Fund	8,021,125	-
Stormwater Fund	3,688,875	-
Solid Waste Fund	-	208,000
Municipal Marina Fund	2,500,000	-
Visitor Information Center		1,400,000
Heritage Tourism Fund	1,608,000	-
	<u>\$ 17,008,256</u>	<u>\$ 17,008,256</u>

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

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2011

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>
2012	\$ 1,039,666
2013	1,070,856
2014	1,102,982
2015	1,136,071
2016	1,170,153
Total future minimum rentals	<u>\$ 5,519,728</u>

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 fiduciary fund 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, 2011, the System had 217 active participants, 108 retirees/beneficiaries and 15 vested terminated participants. The total payroll for eligible employees covered by this System was \$8,288,000.

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.

CITY OF ST. AUGUSTINE, FLORIDA

Notes to the Financial Statements

September 30, 2011

NOTE 10. EMPLOYEE BENEFITS: (Continued)

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 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, 2011, is as follows:

	<u>Cost Value</u>	<u>Market Value</u>
US Treasury Obligations & Government Agencies	N/A	\$ 2,311,582
Corporate & Foreign Bonds	N/A	4,415,513
Municipal Obligations	N/A	370,247
Equity Securities	N/A	11,112,054
Equity Mutual Funds	N/A	1,839,150
Real Estate Fund	N/A	1,021,840
		<u>\$ 21,070,386</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2011

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, 2011, 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)]
9/30/2011	\$ 25,072	\$ 33,935	\$ 8,863	73.88%	\$ 8,288	106.94%

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 2011, the City's annual pension cost was \$1,375,766. The City's actual contribution was \$1,176,148. 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, 2010, valuations included (a) 7.75% investment rate of return; (b) projected salary increases of 0%; 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.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 10. EMPLOYEE BENEFITS: (Continued)

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Asset)
9/30/2009	\$1,157,224	103%	(593,598)
9/30/2010	\$1,250,914	96%	(549,216)
9/30/2011	\$1,375,766	85%	(349,598)

Fiscal Year Ended September 30, 2011	Annual
Annual Required City Contribution (ARC)	\$ 1,343,701
Interest on NPO	(43,937)
Adjustment to ARC	76,002
Annual Pension Cost	1,375,766
Contributions Made	1,176,148
Decrease in NPO	199,618
NPO Beginning of Year	(549,216)
NPO End of Year	<u>\$ (349,598)</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, 2011 is as follows:

	Market Value	Percent of Net Assets
Domestic Equity Securities	\$ 11,112,054	50%
International Equity Securities	1,839,150	8%
Real Estate	1,021,840	5%
Fixed Income Securities	7,097,342	32%
Cash & Short term Investments	1,022,552	5%
	<u>\$ 22,092,938</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 fiduciary fund 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, 2011, the System had 49 active participants, 21 retirees/beneficiaries, 4 disabled participants, 1 pending refund and 6 vested/terminated participants. The total payroll for eligible employees covered by this System was \$2,280,336.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 10. EMPLOYEE BENEFITS: (Continued)

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.

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 and Municipal Bonds	N/A	\$ 3,706,869
Real Estate	N/A	1,021,840
Governmental Obligations	N/A	1,877,781
Stocks	N/A	4,731,983
		<u>\$ 11,338,473</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

CITY OF ST. AUGUSTINE, FLORIDA

Notes to the Financial Statements

September 30, 2011

NOTE 10. EMPLOYEE BENEFITS: (Continued)

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.

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, 2011, in addition to the ordinance-required contribution of 1.5 percent.

The following is funded status information for the plan as of September 30, 2011, 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)]
9/30/2011	\$ 13,299	\$ 13,823	\$ 524	96.21%	\$ 2,280	22.98%

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 2011, the City's annual pension cost was \$506,651. The actual contribution was \$430,980. The annual required contribution for the current year was determined as part of the October 1, 2011, actuarial valuation using the Individual Entry Age Actuarial Cost Method. The actuarial assumptions in the October 1, 2011, 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)
9/30/2009	\$407,169	85%	(103,824)
9/30/2010	\$394,821	83%	(35,736)
9/30/2011	\$506,651	85%	39,935

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 10. EMPLOYEE BENEFITS: (Continued)

Fiscal Year Ended September 30, 2011	Annual
Annual Required City Contribution (ARC)	\$ 504,989
Interest on NPO	(2,859)
Adjustment to ARC	4,521
Annual Pension Cost	506,651
Contributions Made	(430,980)
Decrease in NPO	75,671
NPO Beginning of Year	(35,736)
NPO End of Year	<u>\$ 39,935</u>

5. Concentrations:

As of September 30, 2011, 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 fiduciary fund 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, 2011, the System had 32 active participants and 23 retirees/beneficiaries. The total payroll for employees covered by this System for the year ended September 30, 2011 was \$1,502,060.

As stipulated by City Ordinance 87-60, authority to establish and amend benefit provisions of the Fund rests 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.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 10. EMPLOYEE BENEFITS: (Continued)

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 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, 2011, is as follows:

	Cost Value	Fair Value
Corporate and Government Bonds	\$ 2,933,858	\$ 3,130,177
International exchange traded fund	787,810	697,629
Common Stock & Short Term Investments	3,833,104	3,963,114
	<u>\$ 7,554,772</u>	<u>\$ 7,790,920</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 \$171,675 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 14.52 percent during the Fiscal Year ended September 30, 2011, 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, 2011, the most recent actuarial valuation date (in thousands):

CITY OF ST. AUGUSTINE, FLORIDA

Notes to the Financial Statements

September 30, 2011

NOTE 10. EMPLOYEE BENEFITS: (Continued)

	(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)]
10/1/2011	\$ 8,139	\$ 7,909	\$ (230)	102.91%	\$ 1,349	-17.05%

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 2011, the City's annual pension cost was \$284,315 . The City's actual contribution was \$258,240. The annual required contribution for the current year was determined as part of the October 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions in the October 1, 2011 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.

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

Ended	Cost (APC)	APC Contributed	Obligation
9/30/2009	245,774	62%	(380,252)
9/30/2010	318,719	64%	(370,880)
9/30/2011	284,315	54%	(344,805)

Fiscal Year Ended September 30, 2011	Annual
Annual Required City Contribution (ARC)	\$ 258,240
Interest on NPO	(27,816)
Adjustment to ARC	53,891
Annual Pension Cost	284,315
Contributions Made	(258,240)
Decrease in NPO	26,075
NPO Beginning of Year	(370,880)
NPO End of Year	<u>\$ (344,805)</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 10. EMPLOYEE BENEFITS: (Continued)

5. Concentrations:

As of September 30, 2011, 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 defined benefit health insurance plan (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.

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 \$224,288 for the year ended September 30, 2011. 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:

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 10. EMPLOYEE BENEFITS: (Continued)

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>
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.

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 amortization periods used are closed. The City's annual OPEB cost for the fiscal year was \$224,288.

The City's annual OPEB cost and the net OPEB obligation for the fiscal year ended September 30, 2011 is as follows:

Annual Required City Contribution (ARC)	\$ 228,216
Interest on Plan Obligation	10,784
Adjustment to ARC	(14,712)
Annual Plan Retiree Cost	224,288
Contributions Made	(134,757)
Increase in Plan Obligation	89,531
Plan Obligation Beginning of Year	239,636
Plan Obligation End of Year	<u>\$ 329,167</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2011

NOTE 10. EMPLOYEE BENEFITS: (Continued)

The City's percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended September 30, 2011 is as follows:

Fiscal Year Ending	Annual City Retiree Cost	City* Contributions	Percentage of Cost Contributed	Net Obligation (Asset)
9/30/2011	\$ 224,288	\$ 134,757	60%	\$ 329,167

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

The 2011 contribution represented 60% of the annual required contribution. The actuarial valuation for the Plan was done as of September 30, 2011. As of September 30, 2011, the most recent actuarial valuation date, the Plan was unfunded. The actuarial accrued liability for benefits was \$2,311,000, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,311,000. The covered payroll was \$13,926,869, and the ratio of the UAAL to the covered payroll was 16.59%.

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.

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

Subsequent to year-end the City issued a bond for \$10,440,000 which will be used to finance (i) the current refunding of the City's outstanding Public Service Tax and Guaranteed Entitlement Revenue Refunding and Improvement Bond, Series 1992, (ii) the acquisition, relocation, construction and/or equipping of a parking area, a fire station and related facilities on different sites of the City and other capital projects of the City, (iii) the capitalization of interest on a portion of the Refunding Bonds, (iv) the purchase of a surety bond to fund the Reserve Account relating to Refunded Bonds, and (v) the cost of issuance with respect to the Refunded Bonds.

Management has evaluated subsequent events through March 29, 2012, 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.

**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:						
9/30/2011	\$ 25,072	\$ 33,935	\$ 8,863	73.88%	\$ 8,288	106.94%
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%
Police Pension:						
9/30/2011	13,299	13,823	524	96.21%	2,280	22.98%
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%
Fire Pension:						
9/30/2011	8,139	7,909	(230)	102.91%	1,349	-17.05%
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%

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:

2011	\$ 1,375,766	\$ 1,176,148	\$ -	85.49%
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%

Police Pension:

2011	504,989	430,980	-	85.34%
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%

Fire Pension:

2011	258,240	152,842	105,398	100.00%
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%

*** 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-11	30-Sep-11	30-Sep-11
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 28 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	7.75% Annually	7.75% Annually	7.5% Annually
Projected Salary Increases	0%	0%	7% Annually
Cost of Living Adjustments	none	Up to 3% Annually	none

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)]
9/30/2011	\$ -	\$ 2,311	\$ 2,311	0.00%	\$ 13,926	16.59%
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
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2011	\$ 224,288	\$ 134,757	60.08%
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, 2011**

	General Employees' Pension Fund	Police Officers' Pension Fund	Firefighters' Pension Fund	Total Employee Retirement Funds
ASSETS				
Cash and Short-term Investments	\$ 1,022,552	\$ 604,507	\$ 422,260	\$ 2,049,319
Receivables:				
Member Contributions	14,090	5,260	3,131	22,481
City Contributions	43,521	8,895	10,155	62,571
Interest and Dividends	84,455	54,513	26,585	165,553
Due from State	-	-	25,424	25,424
Total Receivables	142,066	68,668	65,295	276,029
Prepaid Expense	-	-	571	571
Investments, at Fair Value:				
U.S. Government Obligations Fund	2,311,582	1,877,781	703,651	4,893,014
U.S. Stock Fund	11,112,054	4,731,983	3,540,854	19,384,891
Mutual Funds - International Equity	1,839,150	-	-	1,839,150
Bond and Mortgage Fund	4,785,760	3,706,869	2,426,526	10,919,155
International Exchange Fund	-	-	697,629	697,629
Real Estate Fund	1,021,840	1,021,840	-	2,043,680
Total Investments	21,070,386	11,338,473	7,368,660	39,777,519
Total Assets	22,235,004	12,011,648	7,856,786	42,103,438
LIABILITIES				
Expenses Payable	22,853	17,239	6,883	46,975
Total Liabilities	22,853	17,239	6,883	46,975
NET ASSETS				
Held in Trust for Pension Benefits	\$ 22,212,151	\$ 11,994,409	\$ 7,849,903	\$ 42,056,463

CITY OF ST. AUGUSTINE, FLORIDA

**Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended September 30, 2011**

	General Employees' Pension Fund	Police Officers' Pension Fund	Firefighters' Pension Fund	Total Employee Retirement Funds
ADDITIONS				
Contributions				
Members	\$ 361,674	\$ 135,857	\$ 80,919	\$ 578,450
City	1,117,614	226,974	226,524	1,571,112
State Insurance Premium Tax, from General Fund	-	194,147	166,210	360,357
Total Contributions	1,479,288	556,978	473,653	2,509,919
Investment Income				
Net Increase (Decrease) in Fair Value of Investments	(56,943)	145,921	(182,356)	(93,378)
Interest and Dividends on Investments	556,775	360,115	217,595	1,134,485
Total Investment Income	499,832	506,036	35,239	1,041,107
Less Investment Expenses	135,108	63,316	44,907	243,331
Net Investment Income	364,724	442,720	(9,668)	797,776
Total Additions	1,844,012	999,698	463,985	3,307,695
DEDUCTIONS				
Benefit Payments	1,612,575	531,824	510,979	2,655,378
Termination Payments	33,850	20,592	9,876	64,318
Administrative Expenses	47,744	39,795	22,585	110,124
Total Deductions	1,694,169	592,211	543,440	2,829,820
Net Change in Assets	149,843	407,487	(79,455)	477,875
Net Assets - Beginning	22,062,308	11,586,922	7,929,358	41,578,588
NET ASSETS - ENDING	\$ 22,212,151	\$ 11,994,409	\$ 7,849,903	\$ 42,056,463

**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, 2011

Federal Agency or Federal Program	CFDA Number	Contract Number	Federal Expenditures
Department of Justice			
JAG Grant	16.803	2009-DJ-BX-1018	2,498
	16.804	2009-SB-B9-1688	44,177
	N/A	2011-DJ-BX-1556	12,362
Total Expenditures of Federal Awards			\$ 59,037

State Agency	CFSA Number	Contract Number	State Expenditures
Department of State			
Dredging of Salt Run	N/A	SJ-SA-09-38	\$ 295,359
Florida Department of Environmental Protection	66.460	C9-99451510-0	300,148
Department of Community Affairs	14.228	CDBG 11DB-L4-04-65-02-N 24	16,333
St. Johns River Water Management District	N/A	25214	50,000
Department of Justice			
JAG Grant	16.738	2011-JAGC-STJO-3-B2-240	33,853
Florida Department of Agriculture and Consumer Services (Urban Street & Tree Remediation)	N/A	15952	17,310
FDOT			
Pedestrian Safety Study	20.205	LAP 403920-3-58-01	311,741
Port and Waterway District--Derelict Vessels	N/A	ICW-SA-01-01	23,166
Total Expenditures of State Financial Assistance			\$ 1,047,910

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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"

	2001/02	2002/03	2003/04	2004/05
<u>Governmental Activities</u>				
Invested in Capital Assets, net of related debt	\$ 27,019,741	\$ 10,744,342	\$ 13,491,170	\$ 9,451,793
Restricted	1,517,136	5,365,938	4,725,306	3,203,122
Unrestricted	9,872,765	1,087,186	(671,043)	8,543,387
Total governmental activities net assets	\$ 38,409,642	\$ 17,197,466	\$ 17,545,433	\$ 21,198,302
<u>Business-type activities</u>				
Invested in Capital Assets, net of related debt	\$ 5,846,119	\$ 2,194,130	\$ 2,372,560	\$ 6,027,693
Restricted	-	2,262,668	10,138,334	2,561,863
Unrestricted	7,175,100	9,232,343	2,952,198	11,490,954
Total business-type activities net assets	\$ 13,021,219	\$ 13,689,141	\$ 15,463,092	\$ 20,080,510
<u>Primary Government</u>				
Invested in Capital Assets, net of related debt	\$ 32,865,860	\$ 12,938,472	\$ 15,863,730	\$ 15,479,486
Restricted	1,517,136	7,628,606	14,863,640	5,764,985
Unrestricted	17,047,865	10,319,529	2,281,155	20,034,341
Total primary government net assets	\$ 51,430,861	\$ 30,886,607	\$ 33,008,525	\$ 41,278,812

2005/06	2006/07	2007/08	2008/09 *	2009/10	2010/11
\$ 10,966,110	\$ 14,175,163	\$ 14,676,684	\$ 15,619,162	\$ 16,449,454	\$ 14,525,576
1,134,402	631,370	303,051	194,949	239,423	741,252
12,340,617	12,813,500	13,631,715	12,094,285	10,794,948	10,796,127
<u>\$ 24,441,129</u>	<u>\$ 27,620,033</u>	<u>\$ 28,611,450</u>	<u>\$ 27,908,396</u>	<u>\$ 27,483,825</u>	<u>\$ 26,062,955</u>
\$ 11,785,907	\$ 22,747,771	\$ 33,767,723	\$ 38,596,536	\$ 41,464,233	\$ 48,685,820
4,310,849	10,310,337	1,282,194	1,780,856	2,128,544	2,866,119
11,489,120	9,225,883	17,596,927	15,081,493	14,587,206	9,058,342
<u>\$ 27,585,876</u>	<u>\$ 42,283,991</u>	<u>\$ 52,646,844</u>	<u>\$ 55,458,885</u>	<u>\$ 58,179,983</u>	<u>\$ 60,610,281</u>
\$ 22,752,017	\$ 36,922,934	\$ 48,444,407	\$ 54,215,698	\$ 57,913,687	\$ 63,211,396
5,445,251	10,941,707	1,585,245	1,975,805	2,367,967	3,607,371
23,829,737	22,039,383	31,228,642	27,175,778	25,382,154	19,854,469
<u>\$ 52,027,005</u>	<u>\$ 69,904,024</u>	<u>\$ 81,258,294</u>	<u>\$ 83,367,281</u>	<u>\$ 85,663,808</u>	<u>\$ 86,673,236</u>

* As Restated

CITY OF ST. AUGUSTINE, FLORIDA

CHANGES IN NET ASSETS LAST FOUR FISCAL YEARS "UNAUDITED"

	2007/08	2008/09 *	2009/10	2010/11
EXPENSES				
Governmental Activities:				
General Government	\$ 8,378,922	\$ 10,029,770	\$ 9,477,947	\$ 9,516,005
Public Safety	7,948,163	8,279,880	8,192,511	8,218,190
Physical Environment	3,743,697	3,511,790	3,464,066	3,835,617
Transportation	1,249,125	1,328,943	1,148,640	213,858
Culture & Recreation	506,824	525,927	517,985	520,628
Interest and Fiscal Charges	396,709	390,469	369,659	815,610
Total Governmental Activities Expenses	\$ 22,223,440	\$ 24,066,779	\$ 23,170,808	\$ 23,119,908
Business-type Activities:				
Utility	\$ 9,958,306	\$ 10,684,931	\$ 10,620,601	\$ 10,725,515
Stormwater Drainage	390,491	539,034	466,522	355,674
Solid Waste	2,991,630	2,706,985	2,681,359	2,849,077
Municipal Marina	2,717,157	1,988,206	2,207,992	2,586,876
Visitor Information Center	-	-	3,068,303	3,221,409
Heritage Tourism	4,675,944	4,761,529	1,712,119	1,841,901
Total Business-type Activities Expenses	\$ 20,733,528	\$ 20,680,685	\$ 20,756,896	\$ 21,580,452
Total Primary Government Expenses	\$ 42,956,968	\$ 44,747,464	\$ 43,927,704	\$ 44,700,360
PROGRAM REVENUES				
Governmental Activities:				
Charges for Services				
General Government	\$ 3,778,531	\$ 4,085,583	\$ 4,159,321	\$ 4,708,023
Public Safety	1,407,388	1,068,530	1,001,276	939,952
Physical Environment	466,972	352,280	301,983	319,411
Transportation	154,200	115,821	117,612	17,809
Culture/Recreation	67,669	55,191	46,747	43,355
Operating Grants and Contributions	382,980	396,060	264,405	72,042
Capital Grants and Contributions	171,250	593,720	763,338	765,163
Total Governmental Activities Program Revenue	\$ 6,428,990	\$ 6,667,185	\$ 6,654,682	\$ 6,865,755
Business-type activities (a):				
Charges for Services				
Utility	\$ 11,704,165	\$ 11,511,293	\$ 11,471,373	\$ 11,936,064
Stormwater Drainage	734,328	735,131	747,339	746,691
Solid Waste	3,151,729	3,274,854	3,363,968	3,355,261
Municipal Marina	2,719,574	2,006,504	2,197,463	2,553,875
Visitor Information Center	-	-	1,327,438	1,849,777
Heritage Tourism	2,871,376	3,029,780	1,875,824	1,175,210
Operating Grants and Contributions				
Capital Grants and Contributions	8,187,145	1,448,401	1,046,973	414,949
Total Business-type Activities Program Revenue	\$ 29,368,317	\$ 22,005,963	\$ 22,030,378	\$ 22,031,827
Total Primary Government Revenues	\$ 35,797,307	\$ 28,673,148	\$ 28,685,060	\$ 28,897,582

(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"

	2007/08	2008/09 *	2009/10	2010/11
Net (Expense)/Revenue				
Governmental Activities	\$ (15,794,450)	\$ (17,399,594)	\$ (16,516,126)	\$ (16,254,153)
Business-type Activities	8,634,789	1,325,278	1,273,482	451,375
Total primary government net expense	<u>\$ (7,159,661)</u>	<u>\$ (16,074,316)</u>	<u>\$ (15,242,644)</u>	<u>\$ (15,802,778)</u>
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Property Taxes	\$ 11,055,233	11,399,886	10,690,906	9,125,072
Utility Taxes	707,722	695,554	961,872	1,042,588
Communication Service Taxes	894,002	954,119	1,046,752	1,133,430
Franchise Fees	1,231,158	1,464,650	1,415,038	1,534,080
State Revenue Sharing, Unrestricted	557,521	548,313	547,520	547,815
Local Option Gas Taxes	611,697	504,738	535,223	534,021
Local Option Sales Taxes	1,043,333	928,656	878,398	898,289
Insurance Premium Taxes	529,747	396,205	357,602	360,357
Other Taxes	88,454	142,520	99,409	93,994
Miscellaneous	740,018	888,487	919,858	1,473,258
Investment Income	427,186	124,422	41,448	26,486
Interfund Transfer of Assets (net)	-	-	-	-
Transfers	(1,100,204)	(1,351,010)	(1,402,471)	(1,936,106)
Total Governmental Activities	<u>\$ 16,785,867</u>	<u>\$ 16,696,540</u>	<u>\$ 16,091,555</u>	<u>\$ 14,833,284</u>
Business-type activities (a):				
Unrestricted Investment Earnings	\$ 627,860	\$ 135,753	\$ 45,145	\$ 42,816
Interfund Transfer of Assets (net)	-	-	-	-
Transfers	1,100,204	1,351,010	1,402,471	1,936,106
Total Business-type Activities	<u>\$ 1,728,064</u>	<u>\$ 1,486,763</u>	<u>\$ 1,447,616</u>	<u>\$ 1,978,922</u>
Total Primary Government	<u>\$ 18,513,931</u>	<u>\$ 18,183,303</u>	<u>\$ 17,539,171</u>	<u>\$ 16,812,206</u>
Change in Net Assets				
Governmental Activities	\$ 991,417	\$ (703,054)	\$ (424,571)	\$ (1,420,870)
Business-type Activities	10,362,853	2,812,041	2,721,098	2,430,298
Total Primary Government	<u>\$ 11,354,270</u>	<u>\$ 2,108,987</u>	<u>\$ 2,296,527</u>	<u>\$ 1,009,428</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, 2011

"UNAUDITED"

	2002	2003	2004	2005	2006
General Fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,101,805	1,340,368	1,790,289	1,848,645	884,631
Unassigned	4,401,586	4,942,892	3,488,124	7,835,329	11,513,122
Total General Fund	5,503,391	6,283,260	5,278,413	9,683,974	12,397,753
All Other Governmental Funds					
Restricted	415,331	479,522	796,069	3,058,435	2,010,274
Unassigned reported in: Capital Projects Fund	5,471,179	5,050,193	4,400,300	15,245,090	2,350,969
Total All Other Governmental Funds	5,886,510	5,529,715	5,196,369	18,303,525	4,361,243
Total Governmental Funds	\$ 11,389,901	\$ 11,812,975	\$ 10,474,782	\$ 27,987,499	\$ 16,758,996

2007	2008	2009	2010	2011
\$ -	\$ -	\$ -	\$ 772,028	\$ 1,679,414
796,284	1,208,861	1,060,567	130,821	472,396
11,902,148	12,970,610	11,399,627	10,704,273	23,770,779
12,698,432	14,179,471	12,460,194	11,607,122	25,922,589
1,713,559	608,899	905,501	620,744	733,684
282,163	117,620	9,022	54,928	54,155
1,995,722	726,519	914,523	675,672	787,839
\$ 14,694,154	\$ 14,905,990	\$ 13,374,717	\$ 12,282,794	\$ 26,710,428

CITY OF ST. AUGUSTINE, FLORIDA

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

	2001/02	2002/03	2003/04	2004/05
REVENUES				
Ad Valorem Taxes	\$ 4,645,101	\$ 5,120,073	\$ 6,025,894	\$ 6,689,649
Sales and Use Taxes	958,092	943,604	1,032,566	1,096,132
Utility Excise Taxes	1,896,688	1,856,050	1,760,159	1,842,707
Licenses, Permits & Fees	1,819,874	1,893,049	1,178,438	1,433,542
Intergovernmental	1,683,833	1,670,364	1,841,242	2,063,359
Fines & Forfeitures	353,659	418,844	437,704	415,994
Interest Earnings	280,971	391,343	143,938	905,298
Administrative Service Charges	3,250,695	3,423,685	3,359,772	3,546,557
Sale of Surplus Assets	157,245	-	-	3,586,529
Other	754,286	1,348,335	2,011,386	2,922,765
Total Revenues	15,800,444	17,065,347	17,791,099	24,502,532
EXPENDITURES				
Current:				
General Government	4,853,831	5,529,232	5,336,832	5,654,721
Public Safety	5,456,861	5,783,307	5,980,184	6,312,235
Physical Environment	2,408,870	2,411,853	2,502,833	2,715,641
Transportation	808,537	686,899	797,999	1,115,556
Culture & Recreation	301,988	360,195	401,789	460,018
Capital Outlay	-	1,443,463	3,511,261	9,335,467
Debt Service:				
Principal Retirement	239,624	247,863	259,426	277,230
Interest and Fiscal Charges	620,959	596,351	578,366	1,569,121
Issuance Cost				356,512
Total Expenditures	14,690,670	17,059,163	19,368,690	27,796,501
Excess (deficiency) of revenues over (under) expenditures	1,109,774	6,184	(1,577,591)	(3,293,969)
Other Financing Sources (Uses)				
Transfers In	1,740,888	2,202,016	4,127,939	6,103,130
Transfers (Out)	(1,596,154)	(1,840,686)	(3,888,541)	(6,020,414)
Long-term Debt Issued	-	-	-	20,999,525
Retirement to Escrow Agent	-	-	-	(578,198)
Discount on Long-Term Debt Issued	-	-	-	-
Premium on Long-Term Debt Issued	-	-	-	302,643
Total Other Financing Sources (Uses)	144,734	361,330	239,398	20,806,686
Net Change in Fund Balances	\$ 1,254,508	\$ 367,514	\$ (1,338,193)	\$ 17,512,717
Debt Service as a percentage of noncapital expenditures	6.22%	5.72%	5.58%	11.36%

2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
\$ 8,534,508	\$ 10,581,764	\$ 10,589,451	\$ 10,966,589	\$ 10,361,986	\$ 8,880,436
1,221,253	1,226,062	1,141,444	900,942	892,825	894,378
1,815,289	1,747,093	1,601,724	1,649,673	2,008,624	2,176,019
1,886,205	1,790,500	1,983,703	2,199,545	2,567,238	2,746,002
2,134,319	2,310,841	2,195,144	2,091,824	1,892,676	1,823,510
408,105	376,423	371,934	294,423	280,874	293,660
1,263,737	965,558	427,186	124,421	41,447	26,486
3,611,332	3,368,212	2,675,852	2,306,131	1,983,565	1,798,737
166,909	-	-	-	-	-
2,395,265	3,113,832	3,328,623	4,181,187	4,119,474	4,995,917
23,436,922	25,480,285	24,315,061	24,714,735	24,148,709	23,635,145
6,564,789	7,395,472	7,769,930	8,882,214	8,020,835	6,707,477
6,900,438	7,705,333	7,823,977	8,157,878	8,143,485	8,199,851
3,097,289	3,466,862	3,489,882	3,354,800	3,346,170	3,833,649
1,069,139	1,144,871	1,152,404	1,102,977	1,112,354	213,003
459,648	532,658	505,720	525,588	517,985	520,305
14,809,417	5,496,747	1,560,586	2,167,291	2,000,736	2,168,860
285,605	287,627	303,812	313,781	326,938	341,823
1,526,314	438,764	396,710	390,469	369,659	815,610
-	-	-	-	-	-
34,712,639	26,468,334	23,003,021	24,894,998	23,838,162	22,800,578
(11,275,717)	(988,049)	1,312,040	(180,263)	310,547	834,567
6,307,014	5,191,500	2,701,482	4,640,885	3,276,693	3,620,608
(6,259,800)	(6,268,293)	(3,801,686)	(5,991,895)	(4,679,164)	(5,556,714)
-	-	-	-	-	16,215,000
-	-	-	-	-	-
-	-	-	-	-	(685,827)
-	-	-	-	-	-
47,214	(1,076,793)	(1,100,204)	(1,351,010)	(1,402,471)	13,593,067
\$ (11,228,503)	\$ (2,064,842)	\$ 211,836	\$ (1,531,273)	\$ (1,091,924)	\$ 14,427,634
10.02%	3.59%	3.38%	3.20%	3.30%	5.94%

CITY OF ST. AUGUSTINE, FLORIDA

TOTAL ASSESSED VALUATIONS AND TOTAL EXEMPTIONS LAST TEN FISCAL YEARS

September 30, 2011

"UNAUDITED"

	2002	2003	2004	2005	2006
Real Property	\$ 628,742,076	\$ 728,606,206	\$ 861,761,206	\$ 964,366,560	\$ 1,246,909,727
Personal Property	68,205,751	63,426,737	73,963,887	73,456,340	79,796,610
Railroad & Telegraph	2,282,126	2,371,769	2,539,213	2,631,148	2,694,393
Total Assessed Valuations	699,229,953	794,404,712	938,264,306	1,040,454,048	1,329,400,730
Homestead Exempt Property (a)	68,138,029	69,563,109	69,803,529	70,662,166	72,884,446
Other Exemptions	305,989,307	355,719,806	419,524,055	498,558,761	682,259,040
Total Exempt Property	374,127,336	425,282,915	489,327,584	569,220,927	755,143,486
Total Just Valuations	<u>\$ 1,073,357,289</u>	<u>\$ 1,219,687,627</u>	<u>\$ 1,427,591,890</u>	<u>\$ 1,609,674,975</u>	<u>\$ 2,084,544,216</u>
Direct Rate	6.800	6.600	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

2007	2008	2009	2010	2011 (b)
\$ 1,564,575,408	\$ 1,669,995,197	\$ 1,550,350,973	\$ 1,301,673,116	\$ 1,134,963,935
79,538,769	83,760,234	84,760,234	74,772,148	74,630,543
2,724,258	2,924,258	2,350,861	2,404,981	2,166,551
1,646,838,435	1,756,679,689	1,637,462,068	1,378,850,245	1,211,761,029
74,445,529	75,575,856	89,055,545	142,104,962	142,013,468
873,984,577	936,639,130	881,478,198	452,265,568	426,874,775
948,430,106	1,012,214,986	970,533,743	594,370,530	568,888,243
\$ 2,595,268,541	\$ 2,768,894,675	\$ 2,607,995,811	\$ 1,973,220,775	\$ 1,780,649,272
6.600	6.313	6.823	7.500	7.500

CITY OF ST. AUGUSTINE, FLORIDA

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

September 30, 2011

"UNAUDITED"

Fiscal Year Ended	Direct	Overlapping				Total
	City of St. Augustine	St. Johns County	School District	St. Johns River Water Management District	Other	
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
2011	7.500	5.937	7.979	0.331	0.228	21.976

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, 2011

"UNAUDITED"

Taxpayer	2010/2011			2001/2002		
	Taxable Assessed Value	Rank	Percent of Total Assessment	Taxable Assessed Value	Rank	Percent of Total Assessment
Patris Real Estate LLC	\$ 14,989,692	1	1.52%			
The Flagler Resort, LTD	13,391,700	2	1.36%			
Target Corporation	6,828,110	3	0.69%	3,735,680	6	0.62%
The Allegro Senior Housing, LLC	5,740,854	4	0.58%	5,971,914	5	0.99%
Sea Wall Motor Lodge, INC	5,109,627	5	0.52%			
Home Depot USA, Inc.	4,687,402	6	0.48%	8,303,810	3	1.38%
Patel, Kantibhai M.	4,377,651	7	0.44%			
Orthopedic Associates Partners	3,978,361	8	0.40%			
Gates of St. Johns, LLC	3,371,275	9	0.34%			
Virtu Cathedral Associates	2,721,612	10	0.28%			
WP-VCP St. Augustine, LLC				19,556,720	1	3.24%
Harbour Isle at St. Augustine				18,850,000	2	3.12%
Ponce De Leon Resort & Convention				7,500,000	4	1.24%
University of St. Augustine Health Services				3,431,760	7	0.57%
St. Johns Investors, LTD Part.				3,431,630	8	0.57%
T.W.C. Ninety-Six, LTD				3,227,583	9	0.53%
Carmel-Olympic Associates ETAL				31,756,110	10	5.26%
Other Taxpayers	<u>918,598,514</u>		<u>93.37%</u>	<u>497,899,114</u>		<u>82.48%</u>
	<u>\$ 983,794,798</u>		<u>100.00%</u>	<u>\$ 603,664,321</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, 2011

"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
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%
2011	9,099,510	8,797,391	96.68%	1,213,268,030	1,213,268	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, 2011

"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
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	-	-	-	-	-
2011	13,056	1,213,268	-	-	-	-	-

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, 2011

"UNAUDITED"

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
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
2011	341,823	815,610	1,157,433	20,856,626	5.55

CITY OF ST. AUGUSTINE, FLORIDA

UTILITY REVENUE BOND COVERAGE LAST TEN FISCAL YEARS

September 30, 2011

"UNAUDITED"

Fiscal Year Ended	Gross Revenue (a)	Operating Expenses (b)	Net Revenue (c)	Debt Service Requirements	Debt Service Coverage
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
2011	12,301,380	6,795,703	5,505,677	3,318,894 (d)	1.66

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, 2011 "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	\$ -	\$ -	\$ -	\$ 8,735,000
Water and Sewer, Revenue Bonds, 2003	-	-	-	13,456,968
Public Service Tax and Guaranteed Entitlement Revenue Refunding and Improvements Bonds, 2001	-	-	10,065,000	-
Capital Improvement & Reserve Refunding Bonds, Series 2004	-	-	20,835,000	-
Capital Improvement Revenue Bond, Series 2011			16,215,000	
Total Direct Debt	\$ -	\$ -	\$ 47,115,000	\$ 22,191,968
St. Johns County				
Water and Sewer Revenue Bonds, 1991A	\$ -	\$ -	\$ -	\$ 25,862,137
Water and Sewer Revenue Refunding Bonds 1998	-	-	-	1,265,000
Water and Sewer, Revenue Series 2004	-	-	-	32,414,676
Water and Sewer, Revenue Series 2006	-	-	-	41,015,000
Ponte Vedra Water and Sewer, Revenue Bonds, Series 2006	-	-	-	28,510,000
Ponte Vedra Water and Sewer, Revenue Bonds, Series 2007	-	-	-	30,620,000
City of Gulf Breeze, Florida Local Gov't Loan Program, Series 2004	-	-	-	12,300,000
(continued)				

CITY OF ST. AUGUSTINE, FLORIDA

NET DEBT STATEMENT

Computation of Direct and Overlapping Debt

September 30, 2011

"UNAUDITED"

(continued)

Direct Debt/ Overlapping Debt	Certificate of Participation	General Obligation Debt	Non-Self Supporting Revenue Bonds	Self Supporting Revenue Bonds
Capital Improvement Revenue Bonds, Series 2005	-	-	19,040,000	-
Sales Tax Revenue Bonds, Series 2002	-	-	-	-
Sales Tax Revenue Bonds, Series 2004	-	-	40,295,000	-
Sales Tax Revenue Bonds, Series 2006	-	-	43,465,000	-
Sales Tax Revenue Bonds, Series 2009	-	-	21,560,000	-
Sales Tax Revenue Bonds, Series 2009A	-	-	10,675,000	-
Community Redevelopment Agency Revenue & Refunding Note, 2006	-	-	4,890,000	-
Transportation Improvement Revenue Bonds, 2006	-	-	27,455,000	-
Transportation Improvement Revenue Bonds, 2003	-	-	26,980,000	-
\$45,000,000 Commercial Paper Progr.	-	-	1,540,000	-
State Revolving Loan Fund Agreement	-	-	4,076,224	627,361
Board of Public Instruction				
Certificate of Participation	115,155,000	-	-	-
General Obligation Bonds, Series, 2003A	-	14,055,000	-	-
Total Overlapping Debt	\$ 115,155,000	\$ 14,055,000	\$ 199,976,224	\$ 172,614,174
Total Direct and Overlapping Debt	\$ 115,155,000	\$ 14,055,000	\$ 247,091,224	\$ 194,806,142

(continued)

CITY OF ST. AUGUSTINE, FLORIDA

NET DEBT STATEMENT
Computation of Direct and Overlapping Debt
September 30, 2011
"UNAUDITED"
(continued)

DEBT RATIOS

Direct and Overlapping General Obligation Debt	\$ 14,055,000
Per Capita	\$ 1,077
As a Percentage of Taxable Assessed Valuation	1.16%
As a Percentage of Total Just Valuation	0.79%
Direct and Overlapping General Obligation and Non-Self Supporting Revenue Debt and Long-Term Notes Payable	\$ 261,146,224
Per Capita	\$ 20,002
As a Percentage of Taxable Assessed Valuation	21.52%
As a Percentage of Total Just Valuation	14.65%

CITY OF ST. AUGUSTINE, FLORIDA

COMPUTATION OF LEGAL DEBT MARGIN

September 30, 2011

"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, 2011 "UNAUDITED"

Revenue Source	FY 2006/07	FY 2007/08	FY 2008/09	FY 2009/10	FY 2010/11
Public Service Tax					
Electric	\$ 711,370	\$ 636,610	\$ 643,040	\$ 894,452	\$ 980,395
Communication	960,056	894,002	954,119	1,046,752	1,133,430
Gas	75,667	71,111	52,513	67,420	62,194
Fuel Oil	-	-	-	-	-
Total	\$ 1,747,093	\$ 1,601,723	\$ 1,649,672	\$ 2,008,624	\$ 2,176,019
Florida Revenue Sharing					
Revenue Sharing	\$ 566,485	\$ 557,521	\$ 548,313	\$ 547,520	\$ 547,815
Guaranteed Entitlements					
Local Option Gas Tax	\$ 671,481	\$ 611,697	\$ 504,738	\$ 535,223	\$ 534,021
Total	\$ 671,481	\$ 611,697	\$ 504,738	\$ 535,223	\$ 534,021
Total Pledged Funds	\$ 2,985,059	\$ 2,770,942	\$ 2,702,723	\$ 3,091,367	\$ 3,257,855

CITY OF ST. AUGUSTINE, FLORIDA

DEMOGRAPHIC STATISTICS

September 30, 2011

"UNAUDITED"

Year	Population		Per Capita Personal Income	Total Personal Income (in thousands)	Unemploy- ment Rate
	City of St. Augustine	St. Johns County			
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	\$ 8,911,368	9.6%
2011	13,056	190,039	\$ 47,544	Not Available	8.4%

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

2015 13,900 214,079

2020 14,300 246,937

Avg Household Size: Not Available 2.49

**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, 2011

"UNAUDITED"

Establishment	Product	Approximate Employment	
		2010/2011	2001/2002
St. Johns County School Board	Educational	3,440	2,500
Flagler Hospital	Health Care	1,600	1,000
US Army National Guard	Florida National Guard HQ	1,300	355
St. Johns County	County Government	1,100	708
Northrop Grumman	Aircraft Overhaul & Modification	1,000	1,000
Community Hospice of NE Florida	Health Care	700	-
Florida School for the Deaf and Blind	Educational Institution	670	639
Tree of Life	Health Food Distribution	-	385
Flagler College	Four-Year Liberal Arts College	530	275
Ring Power	Heavy Equipment Sales	500	-
City of St. Augustine	Municipal Government	335	325
Carlisle Interconnect Technologies (Tensolite Company)	Manufacturer	255	275
Hydro Aluminum	Aluminum Fabrication	270	550

CITY OF ST. AUGUSTINE, FLORIDA

SUMMARY OF TEN LARGEST WATER CUSTOMERS

September 30, 2011

"UNAUDITED"

Customer	Usage for Fiscal Year Ended September 30, 2011 (in gallons)
Flagler Hospital	41,070,800
City of St. Augustine	36,971,200
St. Johns County	23,762,400
Flagler College	19,362,600
Florida School for the Deaf & Blind	17,690,100
Grumman of St. Augustine	13,126,400
St. Johns County School Board	12,642,600
St. Johns Welfare Federation	9,161,500
Flagler Resort LTD	7,578,600
Northport Health Services	5,071,500

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, 2011

"UNAUDITED"

Fiscal Year Ended	Water Customers			Sewer Customers		
	Inside City	Outside City	Total	Inside City	Outside City	Total
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
2011	6,793	4,440	11,233	6,374	2,332	8,706

Source: City of St. Augustine Customer Service Department

Water Sales (Thousands of Gallons)		
Inside City	Outside City	Total
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
540,729	374,552	915,281

CITY OF ST. AUGUSTINE, FLORIDA

**WATER AND WASTEWATER TREATMENT PLANTS
SUMMARY OF HISTORICAL DAILY FLOWS**

September 30, 2011

"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)
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
2011	3.244	3.692	2.674	3.581

Source: City of St. Augustine Engineering Department

CITY OF ST. AUGUSTINE, FLORIDA

WATER AND SEWER UTILITIES HISTORICAL RATE STRUCTURES

September 30, 2011

"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.
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
2011	Inside City	3,000	16.46	4.56	22.69	5.77
	Outside City	3,000	20.54	5.70	28.34	7.21

CITY OF ST. AUGUSTINE, FLORIDA

BUILDING PERMIT ACTIVITY

LAST TEN FISCAL YEARS

(Value in Thousands)

September 30, 2011

"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
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
2011	41	0	49,910	0	834	-	50,744

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, 2011

"UNAUDITED"

Fiscal Year	Commercial Construction (a)		Residential Construction (a)		Bank Deposits (b)
	Number of Units	Value	Number of Units	Value	
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
2011	0	-	41	49,910	2,868,734

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, 2011

"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	11,233
Sewer	8,706
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, 2011

"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, 2011

"UNAUDITED"

FUNCTION	Full-time Equivalent Employees as of September 30,				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental Activities:					
General Government	82	83	82	85	75
Public Safety	102	100	102.5	101.5	100.5
Physical Environment	31	29	26	29	31
Transportation	13	13	13	13	0
Culture/Recreation	3	3	3	3	2
Business-Type Activities					
Utilities	66.5	62.5	57.5	56.5	58.5
Stormwater	1	1	1	3	1
Solid Waste	12	12	12	12	19
Municipal Marina	10.5	10.5	10.5	11	13
Visitor Information Center	11.5	14.5	14.5	16	17.5
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, 2011

"UNAUDITED"

FUNCTION	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police					
Physical Arrests	1,094	1,485	1,712	1,622	1,564
Traffic Violations	2,733	3,016	3,862	5,849	3,937
Calls for Service	37,030	35,660	40,175	44,550	41,127
Parking Violations	19,724	17,528	13,685	10,321	10,003
(includes those issued by Parking Enforcement)					
Fire					
Number of calls answered	3,193	3,081	3,140	3,162	3,389
Inspections	465	408	470	427	387
Hydrants Flow Tested	430	67	546	439	455
Highways and Streets					
New Street Pavings (miles)	1	-	-	-	-
Streets Resurfaced (miles)	-	-	-	-	0.3
Sanitation					
Refuse Collected (tons/day)	49.5	54.0	58.5	59.2	60.0
Recyclables Collected (tons/day)	1.2	1.3	1.5	1.8	2.7
Culture and Recreation					
Field Permits Issued	12	11	14	19	20
Plaza Permits Issued	49	60	56	43	41
Other Event Permits Issued	15	32	36	45	47
Water					
New Connections	484	482	178	111	100
Average Daily Consumption (thousands of gallons)	3,560	3,388	3,356	3,356	3,692
Wastewater					
Average Daily Usage (thousands of gallons)	3,624	2,995	3,697	3,033	3,581

Source: Various City Departments

CITY OF ST. AUGUSTINE, FLORIDA

Capital Asset Statistics by Function

LAST FIVE FISCAL YEARS

September 30, 2011

"UNAUDITED"

FUNCTION	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police					
Stations	1	1	1	1	1
Boats				1	1
Fire					
Stations	2	2	2	2	2
Vehicles	8	8	8	8	8
Boats	0	1	1	1	1
Highways and Streets					
New Streets (Miles)	1	-	-	-	-
Sanitation					
Collection Trucks	4	4	6	7	7
Water					
New Feet of Water Mains Added	17,208	67,355	15,739	6,073	5,593
Fire hydrants	1,009	1,009	1,034	1,051	1,049
Maximum Monthly Average Daily Flow (thousands of gallons)	4,085	4,601	4,119	3,769	3,692
Wastewater					
New Feet of Sanitary Sewer Added	10,468	70,275	35,702	-	-
New Feet of Storm Sewers Added	-	-	-	-	-
Maximum Monthly Average Daily Flow (thousands of gallons)	6,016	10,885	9,639	9,030	3,581

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



CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS CONSULTANTS

John L. Smith, CPA, Emeritus
Steven D. Rawlins, CPA
Gary M. Huggett, CPA
Jeffrey F. Scales, CPA
Jeffrey M. Jacobs, CPA
Frank Hunter, CPA

**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, 2011, which collectively comprise the City of St. Augustine, Florida's basic financial statements and have issued our report thereon dated March 29, 2012. 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.

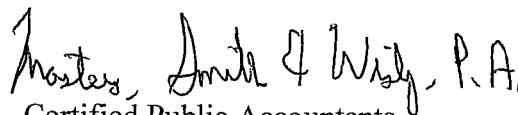
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of St. Augustine's internal control.

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*. However, we noted certain matters that we have reported to the management of the City in a separate letter dated March 29, 2012.

This report is intended solely for the information and use of management, City Commission, 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 29, 2012

**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, 2011. 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, 2011.

**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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Internal Control over Compliance:

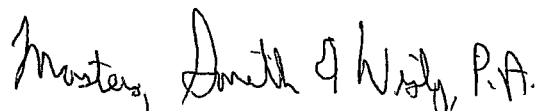
The management of the City of St. Augustine, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state projects. In planning and performing our audit, we considered the City of St. Augustine, Florida's internal control over compliance with requirements that could have a direct and 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 Commission, and state awarding agencies and pass through entities and is not intended to be used by anyone other than these specific parties.


Certified Public Accountants

March 29, 2012

CITY OF ST. AUGUSTINE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2011

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.

Florida Department of Environmental Protection 66.460

Dollar threshold used to distinguish Type A and Type B programs	Federal	State
	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, 2011
(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, 2011, and have issued our report thereon dated March 29, 2012.

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 29, 2012, 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
Page 2**

- Section 10.554(1)(i)3, Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have the following findings and recommendations:

Finding and Recommendation:

In testing utility receivables, we found one customer, whom happened to be an employee of the City, who was delinquent in payments yet his utilities had not been cut-off as per City procedure. It was subsequently determined that his account had been erroneously marked as not-for-cut-off and that most employees in the utility department have the ability to mark an account this way. We recommend that the City take security actions to limit those who can mark an account not-for-cut-off and assign an individual to monitor monthly charges to ensure customers with balances in arrears are not still receiving utility benefits.

City Response:

The City is in agreement with the above and is in the process of changing its utility software which will allow for better security than its current software. The City also will monitor its receivables monthly to help ensure the above situation is not repeated.

Finding and Recommendation:

It was noted during the audit that adjustments to the general ledger were still taking place well after the books should have been closed. We recommend the City review its procedures to determine if improvements need to be made in order to close the books in a timelier manner, generally 75 days.

City's Response:

The City concurs that due to the nature of certain matters the annual closing of its books has gotten drawn out. The City will review its year end close out procedures to determine if it can reasonably close out its books within 75 days after year end.

**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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Finding and Recommendation:

It was noted that the City does not account for the annual activity of its Pension Plans in its general ledger. We recommend the City start accounting for the activity of its Pension Plans in its general ledger.

City's Response:

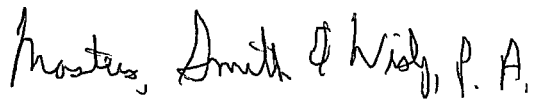
The City concurs with this recommendation and will start accounting for its Pension Plans' activity in its general ledger.

- 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.

**Honorable Mayor and Members
of the City Commission
Mr. John Regan, City Manager
City of St. Augustine, Florida
St. Augustine, Florida
Page 4**

- 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.
- 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.


Certified Public Accountants

March 29, 2012