

City of St. Augustine, Florida

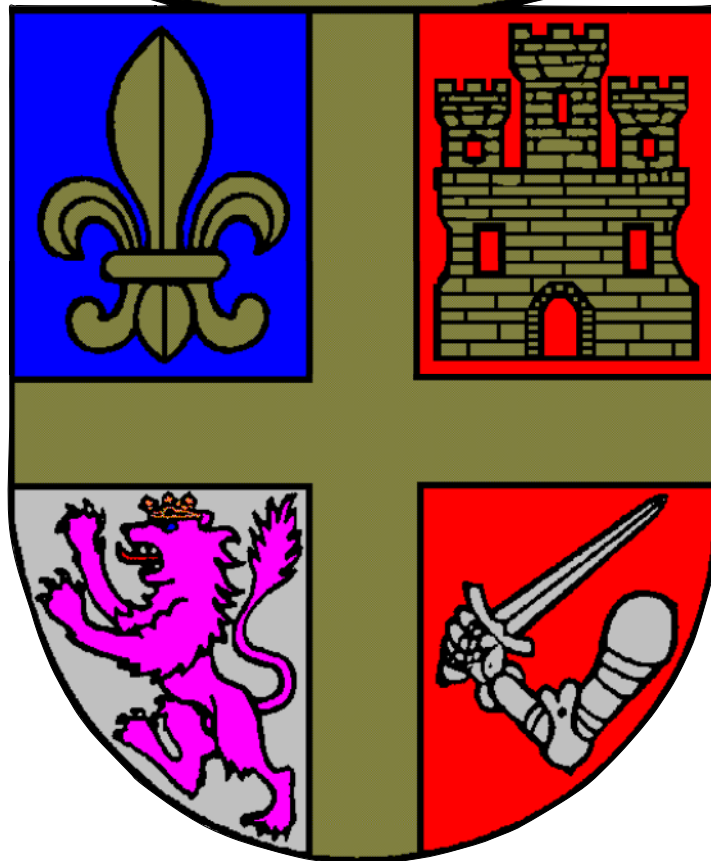
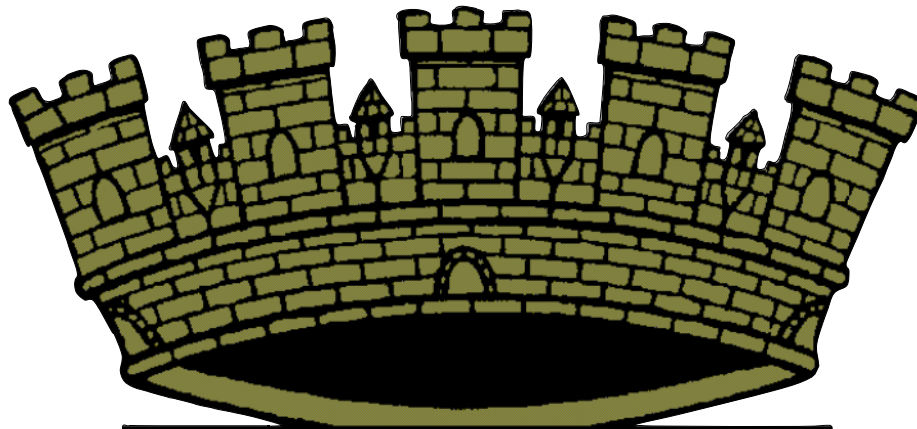
Comprehensive Annual Financial Report Fiscal Year Ended September 30, 2009

Prepared By:

Finance, Budget and Management Department

Mark R. Litzinger
City Comptroller

Meredith Breidenstein
Financial Services Group Manager



CITY OF ST. AUGUSTINE, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2009

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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 17, 2010

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, 2009, is submitted herewith, pursuant to Florida Statutes Chapter 166.241 (4) and Chapter 10.550 of the Rules of the Auditor General of the State of Florida. This Comprehensive Annual Financial Report was prepared by the staff of the City's Finance, Budget and Management Department and, therefore, responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of activity of its various funds, and that all disclosures necessary to enable the readers to gain the maximum understanding of the City's financial activity have been included.

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

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

GOVERNMENT PROFILE

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

Four flags have flown over St. Augustine - Spanish, British, Confederate, and American. For nearly two centuries (1565-1763), St. Augustine was a Spanish possession. This 200-year period is referred to as the first Spanish period. Britain obtained possession of Florida and St. Augustine in 1763, and for a 20-year period, including the period of the American Revolution, St. Augustine was a British possession. Spain regained possession of St. Augustine along with the rest of Florida in 1784, the second Spanish period.

Florida, with St. Augustine as the capital of East Florida, became a possession of the United States in 1821 with territorial status being maintained until 1845 when Florida was admitted to the Union as the twenty-seventh state. St. Augustine was briefly under the Confederate flag when Florida seceded from the Union in 1861, but the City was captured by Union forces early during the War Between the States and was occupied during most of the hostilities.

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

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

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

The City budget process begins in March 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 funds budget.

ECONOMIC CONDITIONS AND OUTLOOK

The City of St. Augustine is located within St. Johns County on the northeast coast of Florida. While the population within the City has remained stable, the growth rate for the surrounding area has been steady, mostly influenced by the significant development of Florida in general, and the St. Johns County area in particular.

Founded by the Spanish 444 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 visitors who spend the day and return home. 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.

While tourism is considered the mainstay of the economy, a diversity of light industry, 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.

MAJOR INITIATIVES/PROGRAMS

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

The following initiatives and programs, some new and some ongoing, are briefly outlined to indicate the challenges and opportunities related to development currently facing the City:

Fleet Operations and Warehouse Facility

The City of St. Augustine has completed construction of the Fleet Operations and Warehouse Facility, which is strategically located on City-owned property within the Oyster Creek Public Works Complex. The location logistically enhances City-wide functionality and effectiveness, which is principally due to the proximity to its main users.

City of St. Augustine, Florida
Letter of Transmittal

The City used a design-build selection process to construct the masonry and metal building, consisting of approximately 28,000 square feet of space. The building houses the Fleet Operations Division and the City's warehouse.

New Fueling Station

The City of St. Augustine has completed its state-of-the-art fueling station located at the new Fleet Operations and Warehouse Facility. This new station will increase fuel storage capacity from 20 thousand gallons of fuel to 30 thousand gallons of fuel. The project also included the removal and disposal of the singled-walled fuel tanks that were being used throughout the City. The City of St. Augustine is now in compliance with the DEPs directive to eliminate single-walled tanks before December 31, 2009.

Hamilton Upchurch Park

The City has completed construction of Hamilton Upchurch Park located near Fire Station # 2. This project was financed by a Florida Department of Environmental Protection grant of \$200,000, \$30,000 of City funds, \$100,000 from St. Johns County and \$70,000 provided by community donations. An \$86,000 sound barrier being built at the Park is in the last phase of construction. This sound barrier is designed to reduce the "clanging noise" made by skate boards hitting the concrete, disquieting to those neighbors living on Flamingo Drive.

Lighthouse Park Boat Ramp Floating Dock

The City has entered into an interlocal agreement with the St. Augustine Port, Waterway & Beach District (SAPW&BD) to administer a \$71,550 grant from the Florida Inland Navigation District, which is being matched by SAPW&BD, for replacement of the Lighthouse Park Boat ramp. The new floating dock doubled the length of the existing structure and provides considerable increase in capacity for boaters and kayakers.

Parking

Parking and traffic resolutions in the downtown area continue to be a major focus of the City Commission, management and community. Currently, the City is implementing a seven-point master plan that was submitted to and approved by the Commission.

The plan includes: the Historic Downtown Parking Facility (HDPF) (currently in operation), parking policy revisions for the downtown area, a residential parking decal program, heritage tourism signage, parking at the San Sebastian Harbour development and the remodeling of the Lightner Parking Lot.

Construction of the 1,200 vehicle HDPF and the remodeled Visitor Information Center (VIC) are in operation. Public acceptance and use continues to grow each year since opening in 2006.

City of St. Augustine, Florida
Letter of Transmittal

A residential parking permit program is now in place and operating in two areas of the City. The program has been operational since January 2006 and is proving to be a viable parking scheme for those residents in the designated area. The City has implemented residential parking in the Model Land Tract neighborhood and the HP I district. There are no other neighborhoods that currently desire the residential program.

The Heritage Tourism Signage Program has been initiated. This program was designed to strategically install 11 informational signs at the entry points to the City in order to direct traffic in the most functional way. Tourists entering the City are directed to the VIC and HDPF where access to the downtown area is most convenient. Installation of the signs has already shown a noticeable increase in the HDPF car counts.

The first phase of the downtown parking meter and paystation system was installed in December 2007, with the final phase completed in the spring of 2009. The system is fully operational and the City continues to work to educate its residents and tourists on the use of the new meters and paystations.

450th Commemoration

St. Augustine's 450th Commemoration is planned as a three-year celebration, starting in January 2013 with the 500th anniversary celebration of the landing of Juan Ponce de Leon, the discoverer of Florida and, by all official accounts, mainland America; cumulating in 2015 with the 450th anniversary of the founding of St. Augustine by Don Pedro Menendez de Aviles in 1565. The three-year event will be ushered in with a celebration in 2012 commemorating the 200th anniversary of the Spanish constitution, and substantiated by a post-event economic impact study and other reports that will be generated in 2016.

The goal of the 450th Commemoration is to celebrate the important role this colonial city and capital, and its diverse peoples, played in the founding of America. Its cultural and historical development will be interpreted through restorations, festival events, public education programs, and authentic recreations showcasing the rich and lengthy history and cultural diversity of St. Augustine.

A Federal Commission for the 450th Commemoration was enacted on March 30, 2009, when Congressional House Bill 146 became Public Law 111-11 by order of United States President Barack Obama. The congressional act and public law created a 14-member Federal Commission appointed by the Secretary of the Interior by way of recommendations of members of Congress (5 appointments), the Governor of Florida (3), the National Park Service (1), the Chancellor of the State University System of Florida (1), the Mayor of St. Augustine (1), and the St. Augustine City Commission (3). Responsibilities of the Federal Commission include planning for the commemoration and its activities, providing technical assistance, creation of a national campaign, and the hiring of an executive director. The Commission will convene no later than five months following its creation and shall meet no less than three times a year.

City of St. Augustine, Florida
Letter of Transmittal

For the purposes of developing the strategic plan for the 450th Commemoration, the Mayor and the St. Augustine City Commission created a Regional Steering Committee composed of principal agency and organization heads in St. Johns County.

The Federal Commission and the Regional Steering Committee, along with all planning participants, will focus on three principal goals:

- 1) Awareness of St. Augustine and the important role it played in the development of First America, the foundation of colonial America. Through comprehensive public education programs, the historical and cultural destination of St. Augustine will be showcased and communicated nationally and internationally.
- 2) Economic development through community redevelopment opportunities, infrastructure improvements, and creation of enterprise.
- 3) Enhance tourism through destination and event planning, marketing, and the development of signature commemoration events to attract new tourism audiences. The event and all community development and infrastructure resulting from it will create a foundation for sustainable tourism beyond its current model.

In anticipation of the Congressional initiative, the City of St. Augustine established an official office of the St. Augustine 450th Commemoration Commission in April 2009. The Commemoration Office has developed a 7-part series entitled *Discover First America: Legacies of La Florida* that has served as the introductory project for the Commemoration. The series offers entertaining and enlightening programs on St. Augustine's important role in the historical and cultural development of the United States. The Commemoration Office is working closely with the Department of the Interior and the City of Aviles, Spain, (St. Augustine's sister city) to organize the Federal Commission members and appoint Committee Chairs.

State Road 312 Corridor Development

The State Road 312 corridor continues to experience commercial development opportunities. One project, on the south side of State Road 312, east of the inter-coastal waterway, is complete and waiting for occupancy. Another project, a cardio-lab, is anticipated to be under construction this next year.

Antigua on Anastasia Island Development

Under new ownership (post foreclosure), the Antigua an Anastasia Island development is anticipated to become more active this next year. Development continues with construction of an entry feature and wetlands mitigation.

Islander Multifamily Development

Market conditions have slowed projects throughout the City. However, projects such as the Islander Development are exploring options for continued expansion as a town-home project.

Fish Island Commercial Development

This retail development is located at the intersection of State Road 312 and Harbour Island Drive. Although it has been permitted, construction has been discontinued.

U.S. Highway 1 Development

The proposed River's View Hotel is located on U.S. 1. The permit review process is complete and construction is anticipated in the near future. The owner sought and obtained a two-year extension of the project and continues to seek financing for the project.

Zaxby's, however, obtained the former Burger King site and constructed a new restaurant, which began operation on February 1, 2010.

Florida East Coast Property

Property owned by the Florida East Coast Railway, slated for commercial development, has been planted with pine trees and is considered silviculture activity.

Central City Development

The Council on Aging has completed construction of a new banquet facility that will operate as a day center for seniors. Restaurants, bars and tourist oriented businesses continue to be popular in the downtown area. **Max and Erma's**, a popular national restaurant chain, is under construction, as is a new pirate museum.

Sebastian Inland Harbor Development

Although a large portion of this project is in foreclosure, the commercial portion as well as the post-foreclosure hotel portion has generated development interest.

Madeira Development

Three new homes have been constructed in the Madiera subdivision. Additional single-family home construction is anticipated. The infrastructure is complete for Phase 1, including the entry features.

Anastasia Island Development

The majority of development on Anastasia Island has been redevelopment projects. With the completion of the Bridge of Lions, additional redevelopment projects are anticipated along this corridor.

Water and Sewer Infrastructure Improvements

The 1600-foot, 30-inch Wastewater Treatment Plant Effluent Outfall pipeline was replaced in 2009. The innovative project design called for a pulled-in-place high density polyethylene pipe with anchors imbedded into the marsh of the Matanzas River discharge location. The project was completed on schedule and under budget. Other major work at the Wastewater Treatment Plant includes \$1.715 million in upgrades, such as replacing 1980's vintage disk aerators with Triton Floating Aerators/Mixers, a new motor control center, new Vactor station for grease and stormwater discharge, and new stop logs for the return activated sludge discharge. Designs and equipment purchases are underway.

The City continues reduction of inflow and infiltration (I&I) into the sanitary sewer system, committing approximately \$150,000 of renewal and replacement funds towards this effort. Investing in I&I reduction reduces flows into the wastewater treatment plant, which defers the need for high-dollar plant capacity expansions as long as possible.

Three new water supply pump stations were substantially completed in 2009 and will go into production by early 2010. Forty percent of funding for the new pump stations came from a grant from St. Johns River Water Management District under their Alternative Water Supply Program. As a condition for Consumptive Use permitting, five new monitoring wells have to be constructed; monitoring wells aid the water management district with vital data and statistics about the Upper Floridian Aquifer. Two of the monitoring wells were completed in 2009. In 2010, an additional monitoring well is scheduled to be installed, with two more wells slated to be completed by 2012. With the availability of new production wells, the nine shallow water supply wells will be decommissioned. As of 2009, three of the shallow wells were capped and the remaining six will be completed by end of 2010.

With over 70 sewage pump stations, many aging with structural deficiencies and without modern day electronics, lift station refurbishment is a high priority. During 2009, the Public Works Department completely refurbished Lift Station 7 and added new telemetry electronics to three pumping stations. An emergency standby generator was purchased in 2009 with delivery and installation scheduled for early 2010. Designs are underway for replacing Lift Station 52. .

The City continues an annual program of replacing and upgrading aging water and sewer mains. In 2009, approximately \$150,000 was invested in replacing water mains in the Lincolnville area and is currently designing a replacement 10" sewer force main under the San Sebastian River to replace a 50-year old pipeline.

Stormwater Infrastructure Improvements

Major on-going projects include master planning of stormwater infrastructure improvements on Riberia Street, Cordova Street and Treasury Street as well as baffle box installations on Charlotte Street, St. Augustine Boulevard and Pine Street. Design for Phase 1 Riberia Street has been completed. The \$3.1 million construction is scheduled to start in FY10. Designs for the second phase are well underway, and are scheduled for completion by early FY10. With these projects accomplished, the City will have completed the projects identified in the 1995 Master Drainage Study; therefore, a new master plan is anticipated for FY10. The City received a \$450,000 Section 319 EPA Non-Point Source Pollution Prevention grant for the construction of Riberia Street. Construction of both Riberia Street and the baffle box installation is anticipated to begin in 2010 and completed by 2011. Shoreline hardening and littoral zone plantings were completed along Lake Maria Sanchez in 2009. The project will be completed in 2010 when dredging is planned for completion.

Salt Run Dredging

The City has entered into an inter-local agreement with the St. Augustine Port, Waterway & Beach District (SAPW&BD) and the Florida Inland Navigation District (FIND) to begin a 3-8 year phased dredging project in Salt Run. Phase 2, totaling \$400,000, will remove 10 thousand cubic yards of material from the inlet to the Conch House Marina. Phase 1 had previously removed 20 thousand cubic yards from this area.

San Sebastian Dredging

The City, partnered with the SAPW&BD, is waiting for permitting to dredge the San Sebastian River. Once the permits are complete, the City will apply for a FIND grant to fund this dredging process. This project is scheduled to start in the Spring of 2011.

Derelict Vessel Removal

The City continues to work with the SAPW&BD in identifying and removing derelict vessels from the waterways within the City limits. Working in conjunction, the St. Augustine Police Department and the Florida Fish and Wildlife Conservation Commission, remove, salvage or dispose of abandoned and unsightly boats with the potential to contaminate the area's waterways. All removal work is managed by City staff and expenses incurred are reimbursed by the SAPW&BD.

Municipal Marina

The St. Augustine Municipal Marina is located on the Atlantic Intracoastal Waterway, just south of the Historic Bridge of Lions. The marina was originally designed in 1991/1992 with a 'floating dock' design and has a total of 85 berthing slips, which are allocated to transient, short-

term and long-term clients. The 'floating dock' design was warranted on the constant basis of major tidal changes that commonly and routinely exceed five feet.

A major improvement and renovation initiative on the floating dock system commenced in September 2006, by awarding a contract to design and engineer a breakwater system located north of the north dock. This system will not only help protect the docks from strong winds and tides, but will also add approximately 20 smaller slips to the Marina's inventory. It is anticipated that this project design will be completed by autumn of 2011. Other initiatives such as replacing galvanized thread rods on the south dock, and applying for state grants in order to replace a sewer pump-out system are also being planned.

Mooring Fields

The City of St. Augustine has completed a Harbor Management Plan for Matanzas Bay and Salt Run and all permits to begin construction have been received. Construction of the mooring fields is planned to begin shortly after the July 4th weekend 2010. Among the plan's goals are a management system determining where boats may anchor safely, requiring that live-aboard vessels properly dispose of waste, addressing the issue of derelict boats, and encouraging responsible boating and increased public accessibility to the water.

One key element of the plan is to establish mooring fields in Matanzas Bay and Salt Run. Advantages of a planned mooring field, or managed anchorage, over ad-hoc anchoring include:

- Boater registration
- Boosts local tourism on the waterfronts
- Can create a 'quaint' harbor setting for waterfront restaurants
- Environmental protection - moorings rely on anchor systems that are embedded into the bottom substrate and do not have heavy ground tackle dragging on the sea bed
- Locates boats away from corals and sea grasses
- Helps increase boat density by creating planned boat storage rather than random storage.
- Improves safety (encourages sea-worthiness)
- Can generate revenue for waterfront projects
- Forces proper pump-out and trash disposal.

CHALLENGES AND CONCERNS

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

Property Values

In addition to the 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 10% for the 2010/2011 fiscal year with no relief in sight for the 2011/2012 fiscal year.

Transfer of State Owned Historical Properties

In 1997, upon elimination of the Historic St. Augustine Preservation Board, an agency of the State of Florida funded by annual legislation appropriation, the City of St. Augustine assumed responsibility for the Board's properties and programs. The City also assumed the responsibility of deferred maintenance on the properties. The cost of maintaining these properties and programs was burdensome, as the City received no state compensation.

In 2007, the state legislature approved legislation authorizing transfer of the administration of these same properties and programs from the City to the University of Florida. However, this legislation does not take effect until the transfer is formally approved by the University.

Administration by the University of Florida is contingent upon legislative appropriation that has yet to be scheduled. The buildings and programs form a core part of the City's principal historic district, critical to the local heritage tourism industry. Recognizing that there are facility and programmatic elements that require immediate attention, the City of St. Augustine adopted a new business plan.

The intent of this business plan, one that focuses on the Department's interpretive programs and retail operations, is to develop museum and retail programs that are more relevant to the visitor experience, and to develop these programs as viable components of a sustainable tourism model.

Budget and Growth Concerns

The City is no longer comfortable it can continue to provide the same level of service as in the past due to rising costs, a slowing economy and state government's attempt at property tax reform. However, there continues to be a growing trend and desire for increased levels of service and for new programs to be introduced.

These programs and services come from increased tourism and the desire for a higher quality of life by the citizens of St. Augustine. The City will have difficult decisions ahead on how and what to fund for its citizens.

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, the number of new service connections resulted in excess service capacity within systems constructed to accommodate anticipated growth. Maintaining the 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.

Additionally, the City is taking aggressive measures to conserve the use of potable water and to assure all billable water use is charged accordingly. Staff is undertaking procedures and practices to better account for water usage and lost water, to inspect, repair/replace meters, and to calibrate and adjust meters as necessary. This will ensure all revenue is captured and reduce the City's use of potable water for irrigation purposes.

Finally, 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.

Holmes Boulevard Cleanup & Riberia Landfill Closure

The City has entered into a Florida Department of Environmental Protection Consent Order for the removal of improperly disposed solid waste at a City-owned property located on Holmes Boulevard. The City paid an administrative fine of \$33,698 and is required to remove and dispose of the solid waste. Construction of the required remediation was completed in 2009. Capping the closed landfill at the end of Riberia Street, to include shoreline hardening, is planned for 2011.

RISK MANAGEMENT

The City of St. Augustine provides insurance coverage for much of city government through the use of specific insurance contracts with various companies. The cost associated with these insurance contracts has increased dramatically in recent years. The City currently does not insure on a self-insurance basis for any of its insurance needs.

CASH MANAGEMENT

Cash that exceeded current operating needs was invested with the State Board of Administration (SBA), which yielded an average return of 0.81 percent and a government money market account with a qualified public depository which yielded an average return of 0.40 percent. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. See the Notes to the Financial Statements for more information on the current status of the SBA Fund.

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, 2009, for the City are as follows:

Outstanding Bond Issue	Balance
Water and Sewer Revenue, 2005	\$ 13,095,000
Water and Sewer Revenue, 2003	12,268,644
Public Service Tax and Guaranteed Entitlement, 2001	10,925,000
Public Service Tax and Guaranteed Entitlement, 2004	<u>21,459,999</u>
Total Outstanding Bond Issues	<u>\$ 57,748,643</u>

The table below shows the City's debt service coverage for the Utility Fund for the year ended September 30, 2009.

Fiscal Year Ended	Gross Revenue	Operating Expenses	Net Revenue	Debt Service Requirements	Debt Service Coverage
2009	12,148,028	7,292,572	4,855,456	3,254,261	1.49

SIGNIFICANT LITIGATION

As explained in the Notes to the Financial Statements, the City is a defendant in various legal actions, which should not have a material, adverse impact on the financial position of the City as reported herein.

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, 2008. This is the 17th 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.

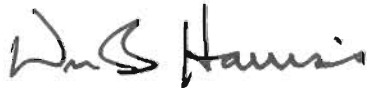
A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

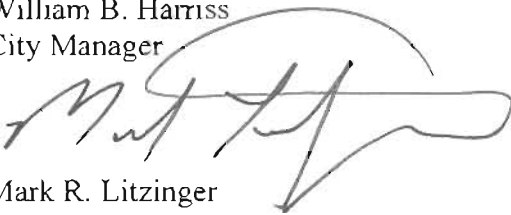
The presentation of this report, in a timely manner, was accomplished with the efficient and dedicated service of the City of St. Augustine's Finance, Budget and Management Department, and the CPA firm of Masters, Smith & Wisby, P.A.

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,



William B. Harriss
City Manager



Mark R. Litzinger
City Comptroller

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, 2008

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



President

Executive Director

Principal City Officials

City of St. Augustine

Comprehensive Annual Financial Report For the Year Ended September 30th, 2009

Principal City Officials

City Commission

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

City Staff

City Manager.....	William Harriss
City Attorney.....	Ronald Brown
City Clerk.....	Karen Rogers
Chief of Administration.....	Timothy Burchfield
Chief of Operations.....	John Regan
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

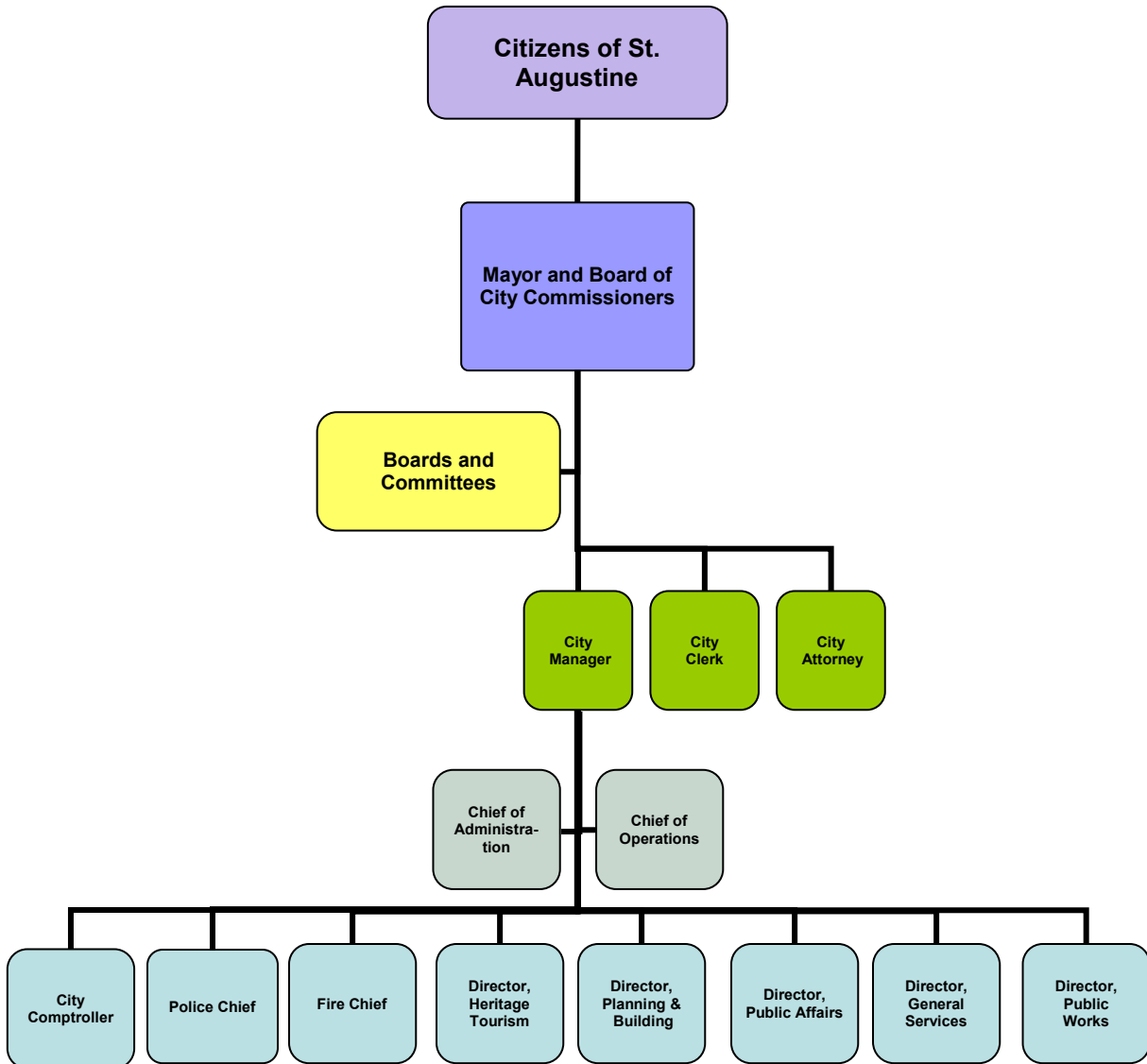
City Boards & Committees

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, 2009
City Government Organizational Chart



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FINANCIAL SECTION

This Section Contains the Following:

Independent Auditors' Report

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

Basic Financial Statements

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

Combining Statements

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

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of the City Commission
Mr. William Harriss, 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, 2009, 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 \$7,430,678 (19%) and \$(10,865) (% not calculable), 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, 2009, 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. William Harriss, 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 17, 2010, 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.

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

March 17, 2010

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.

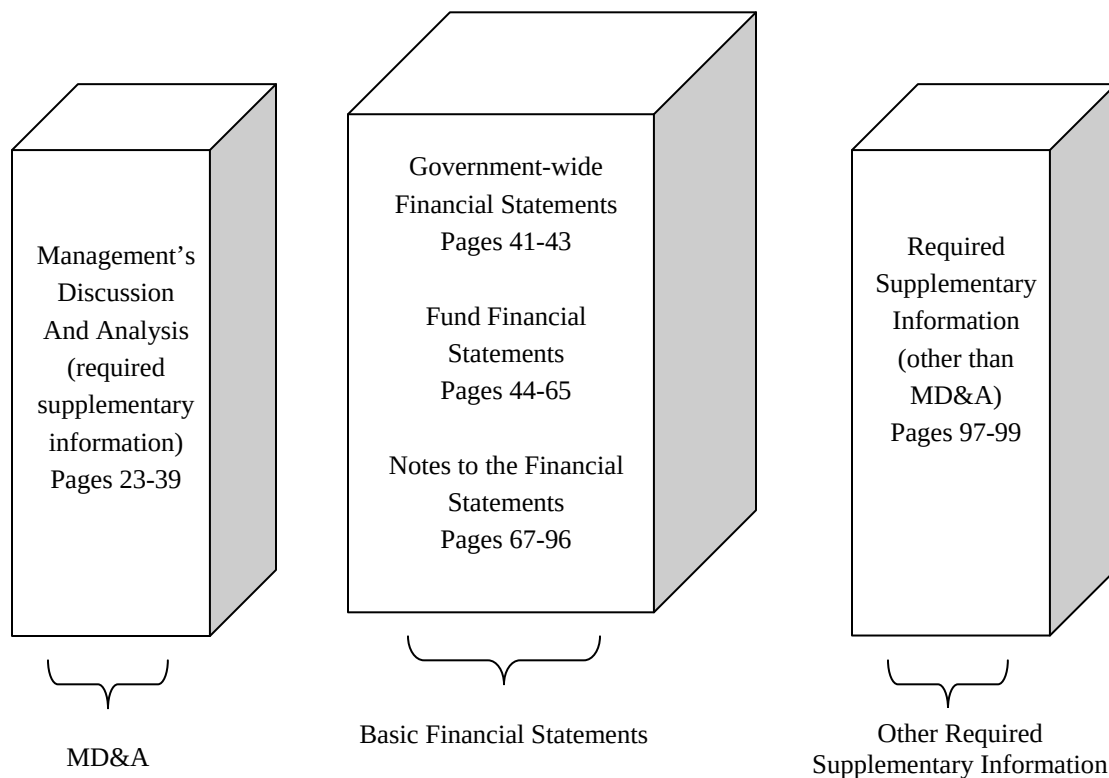
Financial Highlights

- The City's assets at the close of the most recent fiscal year exceeded its liabilities (reported as net assets) by \$83,856,831. Of this amount, \$27,665,328 (unrestricted net assets) can be used to meet the government's ongoing obligations to citizens and creditors. The City's net assets increased by \$2,598,537 (or 3.2%) from the previous year.
 - Governmental net assets decreased by \$703,054 (or 2.46%) for the current fiscal year and governmental unrestricted net assets were equal to \$12,094,285.
 - Business-type net assets increased by \$3,301,591 (or 6.27%). Business-type unrestricted net assets were equal to \$15,571,043.
 - The governmental fund activities revenue increased by \$238,194 (or 3.7%). The current year's activities produced a decrease in net assets of \$703,054 compared to the previous year's increase of \$991,417.
 - The business-type activities operating revenue decreased by \$604,485 (or 2.87%). The current year's activities produced an increase in net assets of \$3,301,591 compared to the previous year's increase of \$10,362,853.
 - The City's total debt decreased by a net \$3,211,099 during the fiscal year.
-

Overview of the Financial Statements

Using the Annual Report

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



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

Government-wide Financial Statements

The government-wide financial statements report on the City as a whole. The statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. There are two government-wide statements. Both distinguish functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Government-wide Financial Statements can be found on pages 41-43 of this report.

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

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

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate legal compliance with finance-related legal requirements. The City chose to include the required budget-to-actual comparisons in the fund financial statements of its financial report. The City has three fund categories: governmental funds, proprietary funds and fiduciary funds.

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

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2009

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 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 \$83,856,831 as of September 30, 2009. A portion of the City's net assets of \$54,215,698 (or 64.65%), reflects its investments in capital assets less any related debt used to acquire these assets that is still outstanding. The City uses capital assets to provide services to citizens; therefore, these assets are not available for future spending. The governmental unrestricted net asset of \$12,094,285 is a decrease of \$1,537,430

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2009

from the previous year. This is due to a transfer of surplus funds to cover Commission approved projects that were beyond the normal operating budget. The business-type unrestricted net assets decreased \$2,025,884 from the previous year, primarily due to an investment of unrestricted net assets into capital assets.

Restricted net assets of the City in the amount of \$1,975,805 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 \$27,665,328 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, 2009, with comparative data for 2008

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 15,389,407	\$ 17,682,272	\$ 19,458,208	\$ 21,483,235	\$ 34,847,615	\$ 39,165,507
Capital Assets	23,278,055	22,649,359	88,686,286	85,609,652	111,964,341	108,259,011
Total Assets	38,667,462	40,331,631	108,144,494	107,092,887	146,811,956	147,424,518
Current and Other Liabilities	3,100,173	3,747,506	2,106,309	2,604,115	5,206,482	6,351,621
Long-term Debt Outstanding	7,658,893	7,972,675	50,089,750	51,841,928	57,748,643	59,814,603
Total Liabilities	10,759,066	11,720,181	52,196,059	54,446,043	62,955,125	66,166,224
Net Assets:						
Invested in Capital Assets, Net of Related Debt	15,619,162	14,676,684	38,596,536	33,767,723	54,215,698	48,444,407
Restricted	194,949	303,051	1,780,856	1,282,194	1,975,805	1,585,245
Unrestricted	12,094,285	13,631,715	15,571,043	17,596,927	27,665,328	31,228,642
Total Net Assets	\$ 27,908,396	\$ 28,611,450	\$ 55,948,435	\$ 52,646,844	\$ 83,856,831	\$ 81,258,294

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

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2009

Statement of Activities for the year ended September 30th, 2009, with comparative data for 2008
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues:						
Charges for Services	\$ 5,677	\$ 5,875	\$ 20,558	\$ 21,181	\$ 26,235	\$ 27,056
Operating Grants and Contributions	396	383	-	-	396	383
Capital Grants and Contributions	594	171	1,938	8,187	2,532	8,358
General Revenues:					-	-
Taxes	15,022	14,930	-	-	15,022	14,930
Fees	1,465	1,231	-	-	1,465	1,231
Revenue Sharing	548	558	-	-	548	558
Investment Income	124	427	136	628	260	1,055
Miscellaneous	888	740	-	-	888	740
Total Revenues	24,715	24,315	22,631	29,996	47,346	54,311
Program Expenses Including						
Indirect Expenses						
General Administration	10,030	8,379	-	-	10,030	8,379
Public Safety	8,280	7,948	-	-	8,280	7,948
Physical Environment	3,512	3,744	-	-	3,512	3,744
Transportation	1,329	1,249	-	-	1,329	1,249
Culture/Recreation	526	507	-	-	526	507
Interest/Fiscal Charges on Long-term Debt	390	397	-	-	390	397
Utilities	-	-	10,685	9,958	10,685	9,958
Stormwater	-	-	539	390	539	390
Solid Waste	-	-	2,707	2,992	2,707	2,992
Municipal Marina	-	-	1,988	2,717	1,988	2,717
Heritage Tourism	-	-	4,762	4,676	4,762	4,676
Total Expenses	24,067	22,223	20,681	20,734	44,747	42,957
Increase in Net Assets Before Transfers	648	2,092	1,951	9,263	2,599	11,354
Transfers	(1,351)	(1,100)	1,351	1,100	-	-
Increase in Net Assets	(703)	991	3,302	10,363	2,599	11,354
Net Assets - Beginning	28,611	27,620	52,647	42,284	81,258	69,904
Net Assets - Ending	\$ 27,908	\$ 28,611	\$ 55,948	\$ 52,647	\$ 83,857	\$ 81,258

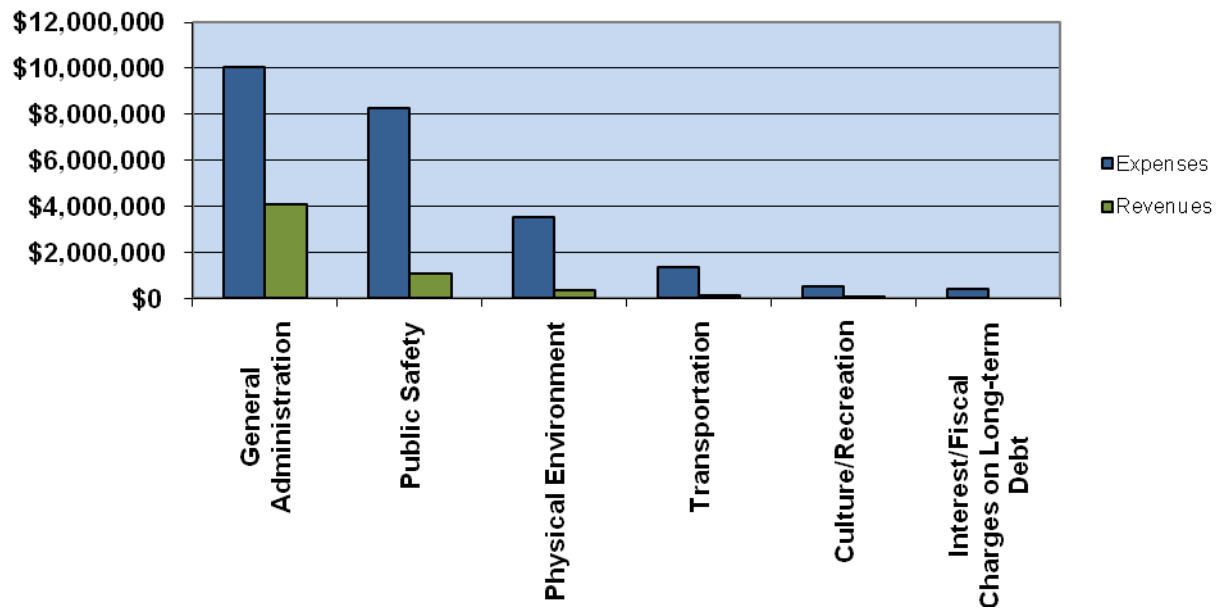
Governmental Activities

Governmental activities decreased the City's net assets by \$703,054. Key elements of this decrease are as follows:

- Although general fund revenues exceeded the budget by \$996,121, a transfer of \$2,734,822 was made from general fund surplus to cover Commission approved projects that were outside of the regular budget.

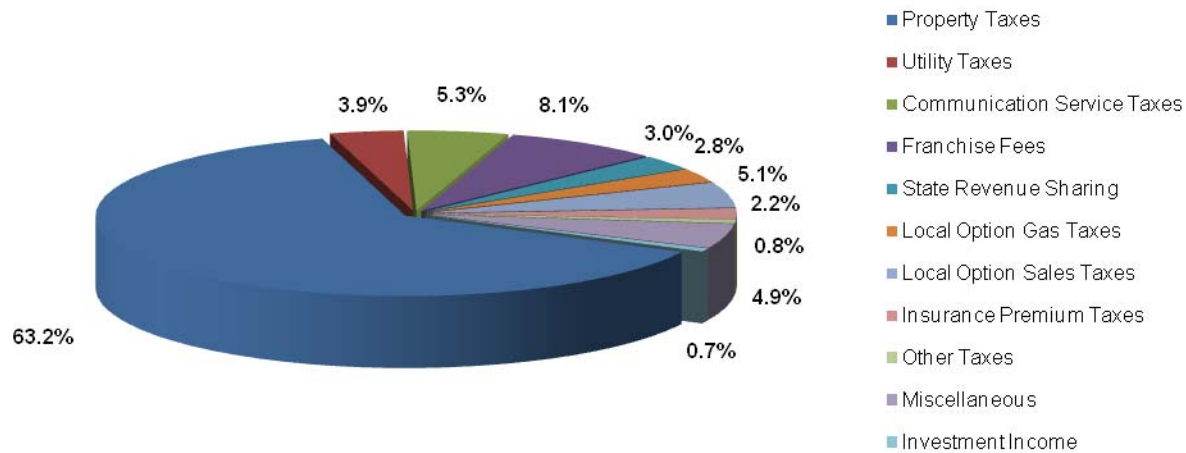
Program revenues are revenues that can be assigned or are attributable to a specific program. These revenues account for \$6,667,185 (or 26.98%) of total governmental activities revenue. The chart below shows governmental activities by program with their respective expenses and revenues.

Program Expenses and Revenues - Governmental Activities



General revenues are revenues that fail to meet the criteria of program specific revenues. General revenues account for \$18,047,550 (or 73.1%) 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 \$3,301,591. Key elements of this increase are as follows:

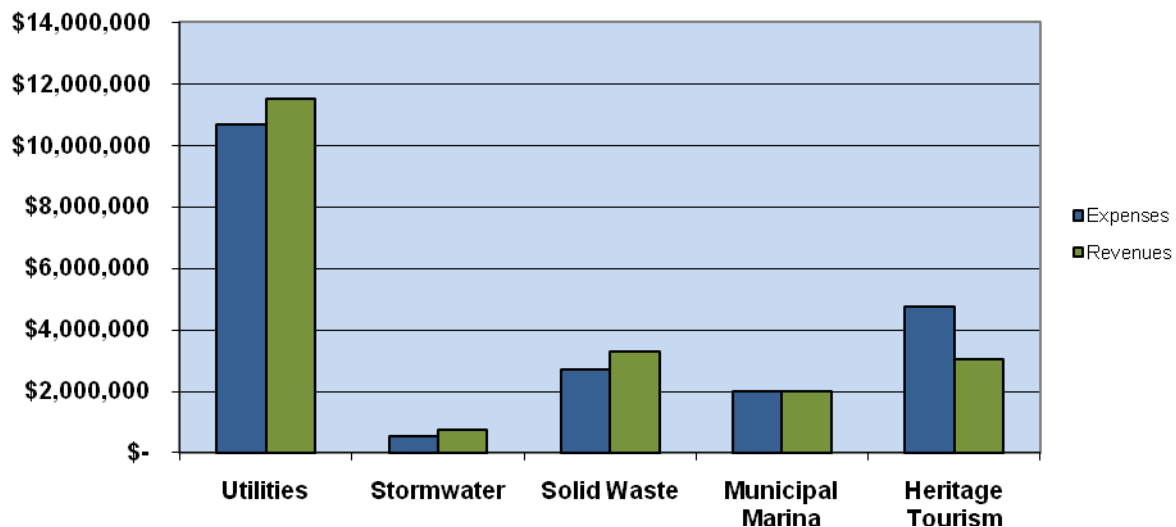
- The business-type activities that are primarily driven by growth and development added \$4,035,787 to net assets. The majority of this addition can be attributed to charges for services and developer contributions of land, rights-of-way and infrastructure.
- The business-type activities that are primarily driven by the economy and tourism experienced a loss in net assets of \$734,196. This is primarily attributed to an operating loss in the Heritage Tourism Fund.

Program revenues are revenues that can be assigned or are attributable to a specific program. These revenues account for \$22,495,513 (or 99.4%) of total business-type activities revenue.

**City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2009**

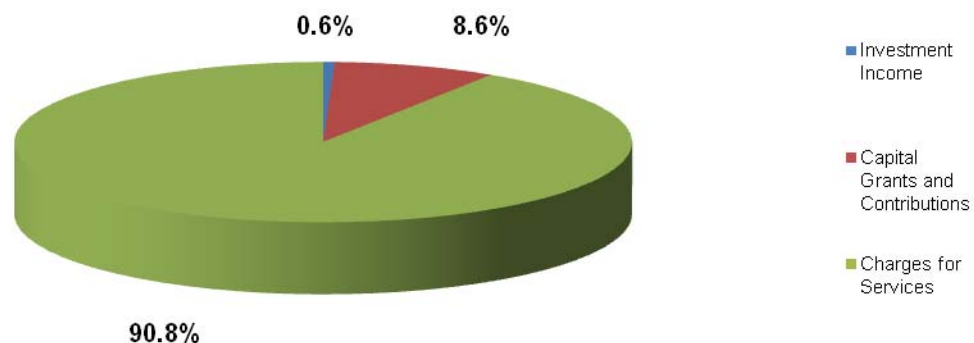
The chart below shows business-type activities by program with their respective expenses and revenues.

Program Expenses and Revenues - Business-type Activities



Total revenues for business-type activities amounted to \$22,631,266. 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 \$13,374,717, a decrease of \$1,531,272 from the previous fiscal year. The majority of this total amount, \$11,408,649 (or 85.3%) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remaining \$1,966,068 (or 14.7%) is designated to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$11,399,627 while the total fund balance was \$12,460,194. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and the total fund balance to the total fund expenditures.

Unreserved fund balance represents 53.4% of the total General Fund expenditures, while total fund balance represents 58.4% of that same amount.

The fund balance of the City's General Fund decreased by \$1,719,277 over the previous fiscal year. Key factors for this are as follows:

- Although general fund revenues exceeded the budget by \$996,121, a transfer of \$2,734,822 was made from general fund surplus to cover Commission approved projects that were outside of the regular budget.

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 \$842,077. The fund balance increased by \$296,152 over the previous 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 \$9,022. The fund balance decreased by \$108,598 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 \$63,425. The fund balance increased by \$451 over

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2009

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, 2009

	Utility	Stormwater Drainage	Solid Waste	Municipal Marina	Heritage Tourism	Total Proprietary
Net Assets - Beginning	\$ 45,004,897	\$ 5,083,373	\$ 1,194,013	\$ 1,021,301	\$ 343,260	\$ 52,646,844
Change in Net Assets	3,353,736	67,497	614,554	21,803	(755,999)	3,301,591
Net Assets - Ending	<u>\$ 48,358,633</u>	<u>\$ 5,150,870</u>	<u>\$ 1,808,567</u>	<u>\$ 1,043,104</u>	<u>\$ (412,739)</u>	<u>\$ 55,948,435</u>

Net Assets As of September 30, 2009

	Utility	Stormwater Drainage	Solid Waste	Municipal Marina	Heritage Tourism	Total Proprietary
Invested in Capital Assets,						
Net of Related Debt	\$ 37,225,538	\$ 1,486,157	\$ 1,264,870	\$ 321,955	\$ (1,701,984)	\$ 38,596,536
Restricted	1,256,005	-	-	-	524,851	1,780,856
Unrestricted	9,877,090	3,664,713	543,697	721,149	764,394	15,571,043
Total Net Assets	<u>\$ 48,358,633</u>	<u>\$ 5,150,870</u>	<u>\$ 1,808,567</u>	<u>\$ 1,043,104</u>	<u>\$ (412,739)</u>	<u>\$ 55,948,435</u>

**City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2009**

Cumulatively, the proprietary funds had a \$3,301,591 increase in net assets. Key factors pertaining to this increase are as follows:

- The Utility Fund had a \$3,353,736 increase in net assets from the previous year. The fund had an operating income of \$2,172,911 due mainly to the recognition of deferred revenue for the North City Overlay District and reduced operating expenses. Additionally, the fund received \$1,590,786 in developer contributions and \$298,684 in state grants.
- Of the increase in proprietary funds, \$67,497 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 \$614,554. This amount can be attributed to the operating income of the fund and to a reduction in operating expenditures of over \$300,000.
- The Municipal Marina Fund had a slight increase in net assets of \$21,803.
- The Heritage Tourism Fund experienced a decrease in net assets of \$755,999. This is due to an operating loss of \$603,987 which can be primarily attributed to depreciation expense for the VIC Garage.

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. There was a \$2,734,822 amendment to the surplus “transfer in” and “transfer out” budgets to cover the cost of Commission approved projects that were outside of the normal budget process. (See budget to actual comparison on page 51.)

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2009

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, 2009, amounts to \$111,964,341 (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 3.42%.

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	\$ 6,311,529	\$ 6,311,529	\$ 1,130,003	\$ 1,130,003	\$ 7,441,532	\$ 7,441,532
Capitalized Interest	123,946	131,237	1,362,933	1,449,953	1,486,879	1,581,190
Buildings	7,627,776	7,518,524	22,203,223	23,245,932	29,830,999	30,764,456
Infrastructure	4,987,160	4,085,722	37,629,079	36,449,676	42,616,239	40,535,398
Machinery	1,717,714	2,375,782	1,653,056	1,441,181	3,370,770	3,816,963
Total	20,768,125	20,422,794	63,978,294	63,716,745	84,746,419	84,139,539
Work in Progress	2,509,930	2,226,565	24,707,992	21,892,907	27,217,922	24,119,472
Total	<u>\$ 23,278,055</u>	<u>\$ 22,649,359</u>	<u>\$ 88,686,286</u>	<u>\$ 85,609,652</u>	<u>\$ 111,964,341</u>	<u>\$ 108,259,011</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	\$ 22,649,359	\$ 85,609,652	\$ 108,259,011
Additions	1,952,307	3,432,341	5,384,648
Retirement	(363,922)	(12,134)	(376,056)
CWIP	283,365	2,815,085	3,098,450
Other	-	-	-
Depreciation	<u>(1,243,054)</u>	<u>(3,158,658)</u>	<u>(4,401,712)</u>
Ending Balance	<u>\$ 23,278,055</u>	<u>\$ 88,686,286</u>	<u>\$ 111,964,341</u>

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2009

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

Wastewater Improvements	\$ 999,491
Water Plant Expansion	14,458,430
Outfall Line Replacement	19,277
Northwest Force Main	6,706,303
WWTP Pipe Repair	650,833
Marina Project	27,179
Heritage Tourism Renovations	240,030
Wellfield Expansion	951,909
King Street Segment 3	131,489
Oyster Creek Sewer Repair	108,144
Water Treatment Plant	95,688
Garage Relocation	263,859
Davis Shores Skate Park	6,080
Compactors	49,280
Garage Relocation	2,505,071
SAPD Armory	4,859
	<u>\$ 27,217,922</u>

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

Contributed Infrastructure (7 Properties)	\$ 1,590,786
Upchurch Skate Park	583,427
Alcazar Window Restoration	488,243
Fuel Tank Replacement	352,222
Lake Maria Sanchez Improvements	247,534
Sanitary Sewer Slipling	230,848
Transmission and Distribution Lines	144,060
Lincolnville Water Main	143,868
Cervantes/N. Whitney Streets Improvement	130,303
Filter Pump Backwash Replacement	124,512
Reactor Clarifier Mainenance Project	106,464
Streets Improvements	103,662
Pump Station Improvements	60,370
	<u>\$ 4,306,299</u>

City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2009

Long-Term Debt

At the end of fiscal year 2009, the City had total debt outstanding of \$57,748,643. 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.

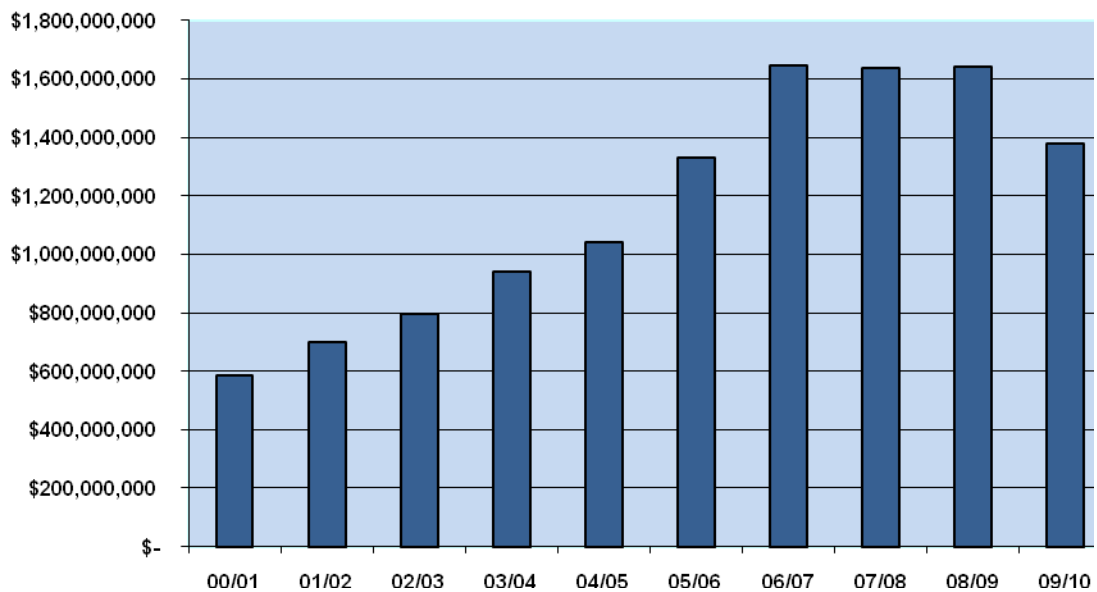
Outstanding Debt at Year-end			
	2009		2008
Governmental:			
Revenue Bonds	\$	7,658,893	\$ 7,972,675
Business Type:			
Water & Sewer Revenue Bonds		25,363,644	26,884,601
Municipal Marina Revenue Bonds		930,486	1,042,811
Heritage Tourism Revenue Bonds		23,795,620	23,914,516
Total	\$	57,748,643	\$ 59,814,603

Economic Factors

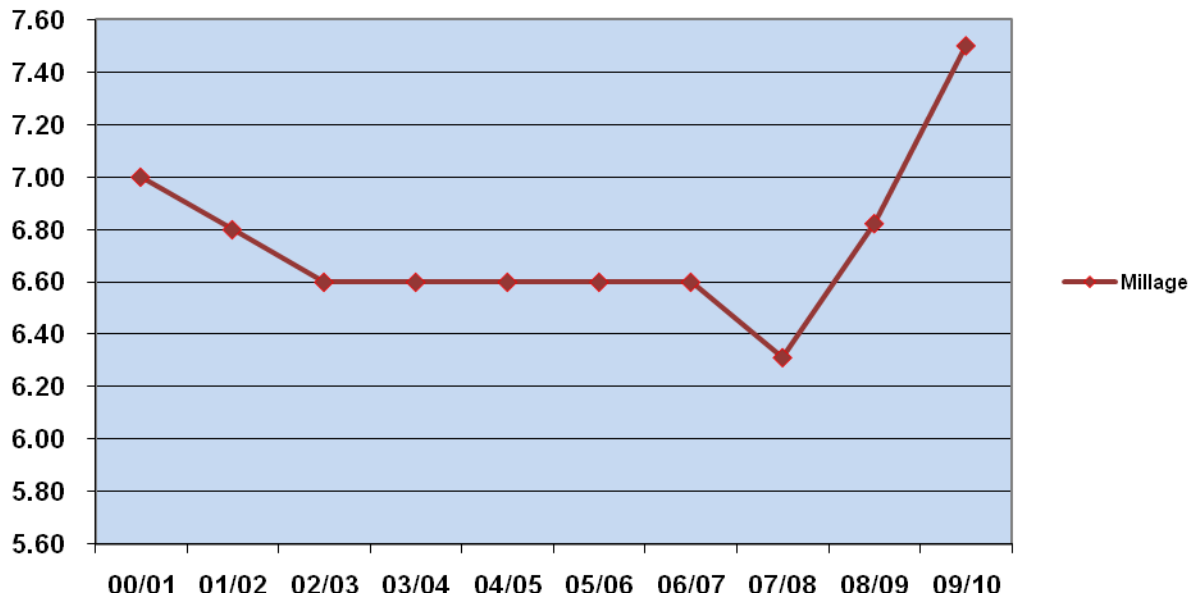
The City primarily relies on property and a limited array of permitted or other taxes and fees for governmental activities. There are a number of state-shared revenues and recurring and non-recurring grants from both the state and federal governments. Property values within the City have continued to fall over the last year with the current economic state. Although the City was able to compensate for some of the lost tax revenue with an increase in millage, 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, 2009

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, 2009

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, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 12,832,612	\$ 10,153,802	\$ 22,986,414
Receivables (Net)	846,859	2,429,230	3,276,089
Due from Other Governments	5,027	-	5,027
Internal Balances	(3,914,366)	3,914,366	-
Inventories	650,704	365,743	1,016,447
Prepaid Items	286,835	-	286,835
Investments, At Fair Value	7,500	-	7,500
Net Pension Assets	1,077,674	-	1,077,674
Restricted Assets:			
Cash and Cash Equivalents	3,596,562	1,780,856	5,377,418
Capital Assets:			
Non-Depreciable	8,028,821	25,837,995	33,866,816
Depreciable (Net)	15,249,234	62,848,291	78,097,525
Deferred Charges	-	814,211	814,211
Total Assets	38,667,462	108,144,494	146,811,956
LIABILITIES			
Accounts Payable and Accrued Expenses	778,613	1,478,411	2,257,024
Deposits	-	319,071	319,071
Unearned Revenue	158,403	71,680	230,083
Net Insurance Obligation	134,654	-	134,654
Non-Current Liabilities:			
Due Within One Year:			
Compensated Absences	82,188	30,109	112,297
Bonds Payable	326,938	2,548,062	2,875,000
Deferred Charges - Defeased Bond Cost	-	(191,532)	(191,532)
Settlements Payable	-	-	-
Due in More Than One Year			
Compensated Absences	1,946,315	484,037	2,430,352
Bonds Payable	7,331,955	47,541,688	54,873,643
Deferred Charges - Defeased Bond Cost	-	(85,467)	(85,467)
Total Liabilities	10,759,066	52,196,059	62,955,125
NET ASSETS			
Invested in Capital Assets (Net of Related Debt)	15,619,162	38,596,536	54,215,698
Restricted for:			
Expendable			
Capital Projects	9,022	-	9,022
Renewal and Replacement	-	1,256,005	1,256,005
Other	122,503	524,851	647,354
Non-Expendable			
Permanent Fund	63,424	-	63,424
Unrestricted	12,094,285	15,571,043	27,665,328
Total Net Assets	\$ 27,908,396	\$ 55,948,435	\$ 83,856,831

See accompanying notes to basic financial statements

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Activities
For Year Ended September 30, 2009

FUNCTION/PROGRAM ACTIVITIES	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General Government	\$ 10,029,770	\$ 4,085,583	\$ -	\$ 593,720
Public Safety	8,279,880	1,068,530	396,060	-
Physical Environment	3,511,790	352,280	-	-
Transportation	1,328,943	115,821	-	-
Culture/Recreation	525,927	55,191	-	-
Interest/Fiscal Charges on Long-term Debt	390,469	-	-	-
Total Governmental Activities	24,066,779	5,677,405	396,060	593,720
Business-type Activities:				
Utilities	10,684,931	11,511,293	-	1,889,470
Stormwater	539,034	735,131	-	-
Solid Waste	2,706,985	3,274,854	-	39,548
Municipal Marina	1,988,206	2,006,504	-	-
Heritage Tourism	4,761,529	3,029,780	-	8,933
Total Business-type Activities	20,680,685	20,557,562	-	1,937,951
Total Primary Government	\$ 44,747,464	\$ 26,234,967	\$ 396,060	\$ 2,531,671

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
\$ (5,350,467)	\$ -	\$ (5,350,467)
(6,815,290)	-	(6,815,290)
(3,159,510)	-	(3,159,510)
(1,213,122)	-	(1,213,122)
(470,736)	-	(470,736)
(390,469)	-	(390,469)
(17,399,594)	-	(17,399,594)
-	2,715,832	2,715,832
-	196,097	196,097
-	607,417	607,417
-	18,298	18,298
-	(1,722,816)	(1,722,816)
-	1,814,828	1,814,828
(17,399,594)	1,814,828	(15,584,766)
11,399,886	-	11,399,886
695,554	-	695,554
954,119	-	954,119
1,464,650	-	1,464,650
548,313	-	548,313
504,738	-	504,738
928,656	-	928,656
396,205	-	396,205
142,520	-	142,520
888,487	-	888,487
124,422	135,753	260,175
(1,351,010)	1,351,010	-
16,696,540	1,486,763	18,183,303
(703,054)	3,301,591	2,598,537
28,611,450	52,646,844	81,258,294
\$ 27,908,396	\$ 55,948,435	\$ 83,856,831

CITY OF ST. AUGUSTINE, FLORIDA

Balance Sheet

Governmental Funds

September 30, 2009

	General	Debt Service	Special Revenue
ASSETS			
Cash and Cash Equivalents	\$ 12,832,612	\$ -	\$ -
Receivables (Net of Allowance for Uncollectibles)	846,859	-	-
Due from Other Funds	-	-	-
Due from Other Governments	5,027	-	-
Inventories, At Cost	650,704	-	-
Prepaid Expenditures	286,835	-	-
Investments, At Fair Value	7,500	-	-
Restricted Assets:			
Cash and Cash Equivalents	-	-	3,472,077
Total Assets	\$ 14,629,537	\$ -	\$ 3,472,077
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 652,269	\$ -	\$ -
Unearned Revenue	158,403	-	-
Accrued Expenditures	45,919	-	-
Due to Other Funds	1,312,752	-	2,630,000
Total Liabilities	2,169,343	-	2,630,000
Fund Balances:			
Reserved for:			
Inventories	650,704	-	-
Police Education/Confiscation/Donations	122,503	-	-
Tree Memorial Fund	525	-	-
Prepaid Expenditures	286,835	-	-
Community Redevelopment Area	-	-	842,077
Trust Funds	-	-	-
Unreserved, Reported In:			
General Fund	11,399,627	-	-
Capital Projects Fund	-	-	-
Total Fund Balances	12,460,194	-	842,077
Total Liabilities and Fund Balances	\$ 14,629,537	\$ -	\$ 3,472,077

See accompanying notes to basic financial statements

Capital Projects	Permanent	Total Governmental
\$ -	\$ -	\$ 12,832,612
-	-	846,859
28,792	-	28,792
-	-	5,027
-	-	650,704
-	-	286,835
-	-	7,500
60,655	63,830	3,596,562
\$ 89,447	\$ 63,830	\$ 18,254,891

\$ 80,425	\$ -	\$ 732,694
-	-	158,403
-	-	45,919
-	406	3,943,158
80,425	406	4,880,174

-	-	650,704
-	-	122,503
-	-	525
-	-	286,835
-	-	842,077
-	63,424	63,424
-	-	11,399,627
9,022	-	9,022
9,022	63,424	13,374,717
\$ 89,447	\$ 63,830	\$ 18,254,891

CITY OF ST. AUGUSTINE, FLORIDA
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets
September 30, 2009

Total Governmental Fund Balances	\$ 13,374,717
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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	42,107,573	
Less accumulated depreciation	<u>(18,829,518)</u>	
	23,278,055	
		23,278,055

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

Governmental bonds payable	(7,658,893)	
Settlements payable	-	
Compensated absences	<u>(2,028,503)</u>	
		(9,687,396)

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

Net pension assets	1,077,674	
Net insurance obligations	<u>(134,654)</u>	
		943,020

Net Assets of Governmental Activities	<u><u>\$ 27,908,396</u></u>
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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, 2009

	General	Debt Service	Special Revenue
REVENUES			
Ad Valorem Taxes	\$ 10,966,589	\$ -	\$ -
Sales, Use and Gas Taxes	900,942	-	-
Utility and Communications Service Taxes	1,649,673	-	-
Grants	724,650	-	-
Intergovernmental	1,608,527	-	433,297
Franchise Fees	1,464,650	-	-
Licenses, Permits and Other Fees	2,199,545	-	-
Fines and Forfeitures	294,423	-	-
Administrative Overhead Charges	2,306,131	-	-
Investment Income	98,035	1,861	12,536
Miscellaneous	1,726,757	-	-
Total Revenues	23,939,922	1,861	445,833
EXPENDITURES			
Current Operating:			
General Government	7,144,545	-	63,555
Public Safety	8,157,878	-	-
Physical Environment	3,354,800	-	-
Transportation	1,102,977	-	-
Culture/Recreation	525,588	-	-
Capital Outlay	1,063,839	-	-
Debt Service:			
Principal Retirement	-	313,781	-
Interest and Other	-	390,469	-
Total Expenditures	21,349,627	704,250	63,555
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,590,295	(702,389)	382,278
OTHER FINANCING SOURCES (USES)			
Transfers In	906,837	702,389	689,154
Transfers (Out)	(5,216,409)	-	(775,280)
Total Other Financing Sources (Uses)	(4,309,572)	702,389	(86,126)
Net Change in Fund Balances	(1,719,277)	-	296,152
Fund Balances - Beginning	14,179,471	-	545,925
FUND BALANCES - ENDING	\$ 12,460,194	\$ -	\$ 842,077

See accompanying notes to basic financial statements

Capital Projects	Permanent	Total Governmental
\$ -	\$ -	\$ 10,966,589
-	-	900,942
-	-	1,649,673
265,130	-	989,780
50,000	-	2,091,824
-	-	1,464,650
-	-	2,199,545
-	-	294,423
-	-	2,306,131
11,333	656	124,421
-	-	1,726,757
326,463	656	24,714,735
1,674,114	-	8,882,214
-	-	8,157,878
-	-	3,354,800
-	-	1,102,977
-	-	525,588
1,103,452	-	2,167,291
-	-	313,781
-	-	390,469
2,777,566	-	24,894,998
(2,451,103)	656	(180,263)
2,342,505	-	4,640,885
-	(206)	(5,991,895)
2,342,505	(206)	(1,351,010)
(108,598)	450	(1,531,273)
117,620	62,974	14,905,990
\$ 9,022	\$ 63,424	\$ 13,374,717

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, 2009

Net Change in Fund Balances - Total Governmental Funds **\$ (1,531,273)**

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	2,167,292	
Less: current year depreciation and amortization	(1,243,054)	924,238

The net effect of various transactions involving capital assets (i.e., sales, trade-ins, disposals, capitalization of construction in progress) is to decrease net assets.

Capitalized Constructin in Progress	(90,670)	
Gain/loss on transfer of capital assets to proprietary fund	(171,896)	
Cost of capital assets sold or retired net	(32,975)	(295,541)

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

Principal payments and retirement of debt	313,781	313,781
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Government funds do not report negative net pension obligations or net insurance obligations as assets/liabilities of the general fund.

Net pension asset	(47,948)	
Net insurance obligation	(134,654)	(182,602)

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 settlement obligations	100,000	
Change in long-term compensated absences	(31,657)	68,343

Change in Net Assets of Governmental Activities	\$ (703,054)
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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, 2009

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 13,434,454	\$ 13,434,454	\$ 13,517,204	\$ 82,750
Intergovernmental	2,069,734	2,069,734	2,333,177	263,443
Licenses, Permits and Fees	3,185,136	3,185,136	3,664,195	479,059
Fines and Forfeitures	325,200	325,200	294,423	(30,777)
Administrative Service Charges	2,306,131	2,306,131	2,306,131	-
Investment Income	275,000	275,000	98,035	(176,965)
Proceeds from Sale of Land				-
Miscellaneous	1,212,188	1,212,188	1,726,757	514,569
Total Revenues	22,807,843	22,807,843	23,939,922	1,132,079
EXPENDITURES				
Current Operating:				
General Government	7,365,286	7,365,286	7,144,545	220,741
Public Safety	8,174,295	8,174,295	8,157,878	16,417
Physical Environment	3,618,370	3,618,370	3,354,800	263,570
Transportation	1,203,171	1,203,171	1,102,977	100,194
Culture/Recreation	534,402	534,402	525,588	8,814
Capital Outlay	473,526	473,526	1,063,839	(590,313)
Total Expenditures	21,369,050	21,369,050	21,349,627	19,423
Excess of Revenues Over Expenditures	1,438,793	1,438,793	2,590,295	1,151,502
OTHER FINANCING SOURCES (USES)				
Transfers In	1,042,794	1,042,794	906,837	(135,957)
Transfers (Out)	(2,481,587)	(5,216,409)	(5,216,409)	-
Total Other Financing Sources (Uses)	(1,438,793)	(4,173,615)	(4,309,572)	(135,957)
Net Change in Fund Balances	-	(2,734,822)	(1,719,277)	1,015,545
Fund Balances - Beginning	14,179,471	14,179,471	14,179,471	-
FUND BALANCES - ENDING	\$ 14,179,471	\$ 11,444,649	\$ 12,460,194	\$ 1,015,545

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, 2009

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 435,688	\$ 435,688	\$ 433,297	\$ (2,391)
Investment Income	57,500	57,500	12,536	(44,964)
Total Revenues	493,188	493,188	445,833	(47,355)
EXPENDITURES				
Current Operating:				
General Government	49,000	49,000	1,611	47,389
Capital Outlay	130,292	130,292	-	130,292
Total Expenditures	179,292	179,292	1,611	177,681
Excess of Revenues Over Expenditures	313,896	313,896	444,222	130,326
OTHER FINANCING SOURCES (USES)				
Transfers In	947,957	947,957	689,154	(258,803)
Transfers (Out)	(1,261,853)	(1,261,853)	(837,224)	424,629
Total Other Financing Sources (Uses)	(313,896)	(313,896)	(148,070)	165,826
Net Change in Fund Balances	-	-	296,152	296,152
Fund Balances - Beginning	545,925	545,925	545,925	-
FUND BALANCES - ENDING	\$ 545,925	\$ 545,925	\$ 842,077	\$ 296,152

See accompanying notes to basic financial statements

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CITY OF ST. AUGUSTINE, FLORIDA

Statement of Net Assets

Proprietary Funds

September 30, 2009

	Utility	Stormwater Drainage	Solid Waste
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 4,699,680	\$ 3,929,588	\$ 380,931
Accounts Receivable (Net)	1,136,988	110,673	385,801
Due from Other Funds	4,827,990	-	-
Deferred Charges, Current Portion	37,302	-	-
Inventories, at Cost	116,257	-	-
Total Current Assets	10,818,217	4,040,261	766,732
Non-Current Assets:			
Restricted Assets			
Cash and Cash Equivalents	1,256,005	-	-
Total Restricted Assets	1,256,005	-	-
Other Assets:			
Deferred Charges, Less Current Portion	397,033	-	-
Property, Plant and Equipment:			
Land and Improvements	1,130,003	-	-
Buildings and Structures	14,097,038	-	333,163
Infrastructure	56,691,830	1,463,566	1,874
Machinery and Equipment	2,934,898	171,485	2,317,343
Construction in Progress	24,121,564	269,939	49,280
Accumulated Depreciation	(36,386,151)	(418,833)	(1,436,790)
Net Property, Plant and Equipment:	62,589,182	1,486,157	1,264,870
Total Non-Current Assets	64,242,220	1,486,157	1,264,870
Total Assets	\$ 75,060,437	\$ 5,526,418	\$ 2,031,602
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 1,181,326	\$ 113,875	\$ 95,608
Customer Deposits	312,721	-	-
Revenue Bonds Payable, Current Portion	2,145,000	-	-
Deferred Charges - Defeased Bonds, Current Portion	(191,060)	-	-
Unearned Revenues - Other	-	-	-
Due to Other Funds	-	260,000	81,910
Compensated Absences, Current Portion	13,546	68	3,461
Total Current Liabilities	3,461,533	373,943	180,979

(Continued)

See accompanying notes to basic financial statements

Municipal Marina	Heritage Tourism	Total Proprietary
-----------------------------	-----------------------------	------------------------------

\$ 477,948	\$ 665,655	\$ 10,153,802
12,500	783,268	2,429,230
150,000	-	4,977,990
4,870	48,329	90,501
96,847	152,639	365,743
742,165	1,649,891	18,017,266

-	524,851	1,780,856
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-	524,851	1,780,856
---	---------	-----------

31,251	295,426	723,710
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-	-	1,130,003
2,921,408	24,527,824	41,879,433
931,999	935,502	60,024,771
8,269	92,058	5,524,053
27,179	240,030	24,707,992
(2,636,414)	(3,701,778)	(44,579,966)

1,252,441	22,093,636	88,686,286
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1,283,692	22,913,913	91,190,852
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\$ 2,025,857	\$ 24,563,804	\$ 109,208,118
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\$ 36,011	\$ 51,591	\$ 1,478,411
-	6,350	319,071
116,484	286,578	2,548,062
(4,832)	4,360	(191,532)
-	71,680	71,680
-	721,714	1,063,624
2,471	10,563	30,109
150,134	1,152,836	5,319,425

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Net Assets
Proprietary Funds
September 30, 2009
(Continued)

	Utility	Stormwater Drainage	Solid Waste
LIABILITIES			
Non-Current Liabilities:			
Revenue Bonds Payable, Less Current Portion	23,218,644	-	-
Deferred Charges - Defeased Bonds, Less Current Portion	(262,979)	-	-
Compensated Absences, Less Current Portion	284,606	1,605	42,056
Total Non-Current Liabilities	23,240,271	1,605	42,056
Total Liabilities	\$ 26,701,804	\$ 375,548	\$ 223,035
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	37,225,538	1,486,157	1,264,870
Restricted	1,256,005	-	-
Unrestricted	9,877,090	3,664,713	543,697
Total Net Assets	\$ 48,358,633	\$ 5,150,870	\$ 1,808,567

See accompanying notes to basic financial statements

Municipal Marina	Heritage Tourism	Total Proprietary
-----------------------------	-----------------------------	------------------------------

814,002	23,509,042	47,541,688
(31,023)	208,535	(85,467)
49,640	106,130	484,037
832,619	23,823,707	47,940,258
\$ 982,753	\$ 24,976,543	\$ 53,259,683

321,955	(1,701,984)	38,596,536
-	524,851	1,780,856
721,149	764,394	15,571,043
\$ 1,043,104	\$ (412,739)	\$ 55,948,435

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2009

	Utility	Stormwater Drainage	Solid Waste
OPERATING REVENUES			
User Charges	\$ 9,842,989	\$ -	\$ 3,274,854
Fees	1,567,239	735,131	-
Rental	-	-	-
Other	-	-	-
Total Operating Revenues	11,410,228	735,131	3,274,854
OPERATING EXPENSES			
Salaries, Wages and Employee Benefits	3,096,284	70,108	623,976
Utilities	808,276	283	7,050
Supplies and Materials	725,561	608	108,938
Contractual Services	403,455	204,593	1,220,967
Repairs and Maintenance	702,241	63,737	138,211
Cost of Goods Sold	-	-	-
Other	123,992	5,082	402
Administrative Overhead Charges	1,447,288	151,302	398,281
Depreciation and Amortization	1,930,220	43,321	170,866
Total Operating Expenses	9,237,317	539,034	2,668,691
Operating Income (Loss)	2,172,911	196,097	606,163
NON-OPERATING REVENUES (EXPENSES)			
Investment Income	99,741	25,947	240
Interest Expense and Fiscal Charges	(1,446,445)	-	-
Gain on Sale of Capital Assets	9,049	-	-
Other	90,847	-	(38,294)
Total Non-Operating Revenues (Expenses)	(1,246,808)	25,947	(38,054)
Income Before Contributions and Transfers	926,103	222,044	568,109
Capital Contributions	1,889,470	-	39,548
Transfers In	1,573,164	-	90,000
Transfers (Out)	(1,035,001)	(154,547)	(83,103)
Change in Net Assets	3,353,736	67,497	614,554
Net Assets - Beginning	45,004,897	5,083,373	1,194,013
Net Assets - Ending	\$ 48,358,633	\$ 5,150,870	\$ 1,808,567

See accompanying notes to basic financial statements

Municipal Marina	Heritage Tourism	Total Proprietary
\$ 1,953,924	\$ 1,012,545	\$ 16,084,312
-	1,092,270	3,394,640
26,986	707,107	734,093
23,342	214,858	238,200
2,004,252	3,026,780	20,451,245
452,624	1,504,698	5,747,690
87,584	245,148	1,148,341
15,402	94,153	944,662
2,767	164,971	1,996,753
136,105	106,102	1,146,396
856,285	333,196	1,189,481
54,507	152,301	336,284
131,577	115,739	2,244,187
185,498	914,379	3,244,284
1,922,349	3,630,687	17,998,078
81,903	(603,907)	2,453,167
3,505	6,320	135,753
(50,977)	(1,143,351)	(2,640,773)
2,252	3,000	14,301
(14,880)	12,509	50,182
(60,100)	(1,121,522)	(2,440,537)
21,803	(1,725,429)	12,630
-	8,933	1,937,951
-	1,345,076	3,008,240
-	(384,579)	(1,657,230)
21,803	(755,999)	3,301,591
1,021,301	343,260	52,646,844
\$ 1,043,104	\$ (412,739)	\$ 55,948,435

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2009

	Utility	Stormwater Drainage	Solid Waste
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash Flows from Operating Activities:			
Received from Customers	\$ 9,502,484	\$ 729,662	\$ 3,218,545
Payment to Suppliers for Goods and Services	(3,182,833)	(343,924)	(1,851,968)
Paid to Employees	(3,096,284)	(70,108)	(623,976)
Paid to Customers for Deposit Refunds	(7,728)	-	-
Other revenues (expenses)	90,847	-	(38,294)
Net Cash Flows from Operating Activities	3,306,486	315,630	704,307
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Outstanding Bond Issues	(2,075,000)	-	-
Interest Paid on Outstanding Bond Issues	(649,270)	-	-
Acquisition and Construction of Capital Assets	(5,305,034)	(412,214)	(474,968)
Proceeds form sale of assets	11,382	-	10,732
Capital Contributions and Grants	1,889,470	-	39,548
Net Cash Flows from Capital and Related Financing Activities	(6,128,452)	(412,214)	(424,688)
Cash Flows from Investing Activities:			
Investment Income	99,741	25,947	240
Net Cash Flows from Investing Activities	99,741	25,947	240
Cash Flows from Non-Capital Financing Activities:			
Receipts Under Interfund Loan Agreements	-	-	-
Payments Under Interfund Loan Agreements	45,356	-	-
Transfers from Other Funds	1,573,164	-	90,000
Transfers (to) Other Funds	(1,035,001)	(154,547)	(83,103)
Net Cash Flows from Non-Capital Financing Activities	583,519	(154,547)	6,897
Net Change in Cash and Cash Equivalents	(2,138,706)	(225,184)	286,756
Cash and Cash Equivalents at Beginning of Year	8,094,391	4,154,772	94,175
Cash and Cash Equivalents at End of Year	\$ 5,955,685	\$ 3,929,588	\$ 380,931

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 \$797,646 for the year.

(Continued)

See accompanying notes to basic financial statements

Municipal Marina	Heritage Tourism	Total Proprietary
-----------------------------	-----------------------------	------------------------------

\$ 2,004,252	\$ 3,503,980	\$ 18,958,923
(1,314,645)	(1,244,717)	(7,938,087)
(452,624)	(1,504,698)	(5,747,690)
(1,000)	(3,348)	(12,076)
(14,880)	12,509	50,182
221,103	763,726	5,311,252

(112,325)	(118,896)	(2,306,221)
(46,145)	(1,147,712)	(1,843,127)
(56,379)	-	(6,248,595)
2,252	3,000	27,366
-	8,933	1,937,951

(212,597)	(1,254,675)	(8,432,626)
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3,505	6,320	135,753
3,505	6,320	135,753

-	-	-
-	(11,505)	33,851
-	1,345,076	3,008,240
-	(384,579)	(1,657,230)

-	948,992	1,384,861
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12,011	464,363	(1,600,760)
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465,937	726,143	13,535,418
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\$ 477,948	\$ 1,190,506	\$ 11,934,658
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CITY OF ST. AUGUSTINE, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2009
(Continued)

	Utility	Stormwater Drainage	Solid Waste
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Net Operating Income	\$ 2,172,911	\$ 196,097	\$ 606,163
Adjustments to Reconcile Net Operating Income to Net Cash Flows from Operating Activities:			
Depreciation and Amortization	1,930,220	43,321	170,866
Provision for Uncollectible Accounts	39,966	5,126	16,607
Other revenues (expenses)	90,847	-	(38,294)
Changes in Operating Assets and Liabilities:			
Accounts Receivable	(95,033)	(5,469)	(56,309)
Inventories	(3,077)	-	-
Accounts Payable and Compensated Absences	991,091	76,555	5,274
Deposits Payable	(7,726)	-	-
Deferred Revenues	(1,812,713)	-	-
Total Adjustments	1,133,575	119,533	98,144
Net Cash Flows from Operating Activities	\$ 3,306,486	\$ 315,630	\$ 704,307

See accompanying notes to basic financial statements

Municipal Marina	Heritage Tourism	Total Proprietary
-----------------------------	-----------------------------	------------------------------

\$ 81,903 \$ (603,907) \$ 2,453,167

185,498	914,379	3,244,284
-	-	61,699
(14,880)	12,509	50,182

-	407,752	250,941
(45,280)	(11,326)	(59,683)
14,862	(21,781)	1,066,001
(1,000)	(3,348)	(12,074)
-	69,448	(1,743,265)

139,200	1,367,633	2,858,085
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\$ 221,103 \$ 763,726 \$ 5,311,252

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2009

	Employee Retirement Funds
ASSETS	
Cash and Short-Term Investments	\$ 1,156,848
Receivables:	
Member Contributions	27,265
City Contributions	63,658
Interest and Dividends	169,175
Due from State	269,722
Total Receivables	529,820
Prepaid Pension Payment	30,842
Prepaid Expense	849
Investments, at Fair Value:	
U.S. Government Obligations Fund	6,432,553
U.S. Stock Fund	17,320,430
Mutual Fund - International Equity	1,601,644
Bond and Mortgage Fund	9,008,585
International Exchange Fund	648,942
Real Estate Fund	1,351,896
Total Investments	36,364,050
Total Assets	38,082,409
LIABILITIES	
Expenses Payable	42,322
Total Liabilities	42,322
NET ASSETS	
Held in Trust for Pension Benefits and Other Purposes	\$ 38,040,087

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, 2009

	Employee Retirement Funds
ADDITIONS	
Contributions:	
Members	\$ 608,562
City	1,419,295
State Insurance Premium Tax from General Fund	396,205
Total Contributions	<u>2,424,062</u>
Investment Income:	
Net Decrease in Fair Value of Investments	(452,970)
Interest and Dividends on Investments	842,564
Total Investment Income	<u>389,594</u>
Less Investment Expenses	<u>173,892</u>
Net Income from Investing Activities	<u>215,702</u>
Total Additions	<u>2,639,764</u>
DEDUCTIONS	
Benefit Payments	2,453,175
Termination Payments	83,878
Administrative Expenses	103,050
Total Deductions	<u>2,640,103</u>
Net Change in Assets	<u>(339)</u>
Net Assets - Beginning	<u>38,040,426</u>
NET ASSETS - ENDING	<u><u>\$ 38,040,087</u></u>

See accompanying notes to basic financial statements

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CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs are included in the program expense reported for individual functions and activities. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major proprietary funds are reported as separate columns in the fund financial statements.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

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

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

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

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

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

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

The City reports the following funds:

Major Governmental Funds

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

a. General Fund

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

b. Special Revenue Fund

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

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

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

parking geographical area principally located in the historic downtown area.

c. Capital Project Fund

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

d. Debt Service Fund

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

e. Permanent Fund

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

Major Proprietary Funds

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

a. Utility Fund

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

b. Stormwater Drainage Fund

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

c. Solid Waste Fund

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

d. Municipal Marina Fund

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

e. Heritage Tourism Fund

This fund accounts for the operation and maintenance of the City-owned Visitors Information Center, and State owned properties that are managed by the City.

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:

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

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

a. General Employees' Pension Plan

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

b. Police Officers' Retirement System

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

c. Firefighters' Pension Plan

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for goods and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

D. Cash and Cash Equivalents

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

E. Investments

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

F. Receivables and Allowance for Uncollectible Accounts

All receivables are reported at gross value and, where appropriate, are reduced by the portion that is expected to be uncollectible. Estimated unbilled revenues from the Utility, Stormwater, and Solid Waste Funds are

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

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

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.

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

H. Prepaid Items

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

I. Restricted Assets

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

J. Capital Assets

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

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

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

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

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

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

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

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, 2009 are as follows:

	<u>Original Cost</u>	<u>Accumulated Amortization</u>	<u>Unamortized Costs</u>
Beginning of the year	\$ 1,065,446	\$ (195,683)	\$ 869,763
Current year additions	-	(55,552)	(55,552)
End of year	<u>\$ 1,065,446</u>	<u>\$ (251,235)</u>	<u>\$ 814,211</u>

L. Compensated Absences

Annual vacation leave is accumulated in the following manner:

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

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

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

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

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

M. Other Post-Employment Benefits (OPEB)

Pursuant to Section 112.0801, Florida Statutes, the City is mandated to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. The rates provide an implicit subsidy for retirees because,

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

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

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.

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, 2009 are as follows:

	<u>Original Cost</u>	<u>Accumulated Amortization</u>	<u>Unamortized Costs</u>
Beginning of the year	\$ 1,571,883	\$ (1,103,353)	\$ 468,530
Current year additions	-	(191,531)	(191,531)
End of year	<u>\$ 1,571,883</u>	<u>\$ (1,294,884)</u>	<u>\$ 276,999</u>

P. Fund Balance

Reserves

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

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

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

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

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

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

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

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

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

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

Q. Revenue Recognition – Property Taxes

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

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

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

R. Expenditures

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

NOTE 2. DEPOSITS AND INVESTMENTS:

A. Cash and Cash Equivalents

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

At September 30, 2009, the carrying amount of cash on hand was \$1,812,752 and the related bank balance was \$2,599,946. 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.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

NOTE 2. DEPOSITS AND INVESTMENTS: (Continued)

The State Board consists of the Local Government Surplus Trust Fund (LGIP) and the Fund B Surplus Funds Trust Fund (Fund B). The LGIP is a 2a7-like external investment pool. The fair value of the position in the external investment pool is the same as the value of the pool shares. The LGIP is rated by Standard and Poors and currently has a rating of AAAM. The LGIP balance of \$21,208,190 had a weighted average of 33 days to maturity as of September 30, 2009. The Fund B is accounted for as a fluctuating net asset value (NAV) pool. The Fund B is not rated by any nationally recognized statistical rating agency. The fair value of the City's Fund B investment was \$1,317,543.74 and had a weighted average life of 9.36 years as of September 30, 2009. A government money market account with a qualified public depository was established and funded by the City in 2008. This account is fully collateralized and held a balance of \$1,932,396 as of September 30, 2009. These funds are included in the cash on hand figure listed above. A second investment account with a qualified public depository was established by the City in 2009. This account is fully collateralized and held a balance of \$4,010,348 as of September 30, 2009.

B. Investments—General Pension Plan

Interest Rate Risk

The General Pension Plan Investment Policy limits interest rate risk by limiting fixed-income securities to an average maturity of 12 years or less, including investments in government issues, corporate bonds rated A quality or higher and/or the Government National Mortgage Association pooled obligations. There may be exceptional circumstances indicating the use of longer maturities, but these exceptions should be few.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	Between 1-5	Between 6-10	More Than 10
Real Estate Account	\$ 1,351,896	\$ 1,351,896	\$ -	\$ -	\$ -
Bond & Mortgage Account	7,362,088	\$ -	\$ 4,948,616	\$ 1,424,549	\$ 988,923
Stock and Mutual Funds	10,391,017	\$ 10,391,017	\$ -	\$ -	\$ -
	<u>\$ 19,105,001</u>	<u>\$ 11,742,913</u>	<u>\$ 4,948,616</u>	<u>\$ 1,424,549</u>	<u>\$ 988,923</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 ten 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 five percent of the total equity portfolio may be invested in Foreign Securities.

C. Investments—Police Pension Plan

Interest Rate Risk

The St. Augustine Police Retirement System's investment policy limits fixed income securities normally to an average maturity of 12 years or less, including investments in government issues, corporate bonds rated A quality or higher and/or Government National Mortgage Association pooled obligations. There may be exceptional circumstances indicating the use of longer maturities, but these exceptions should be few. As of September 30, 2009, the St. Augustine Police Officer's Retirement System had the following investments and maturities:

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

NOTE 2. DEPOSITS AND INVESTMENTS: (Continued)

Investment Type	S&P Rating	Fair Value	Investment Maturities (in Years)			
			Less Than 1	Between 1-5	Between 6-10	More Than 10
U.S. Government Obligations	AAA	\$ 1,480,176	\$ -	\$ 33,440	\$ 302,460	\$ 1,144,276
Bond & Mortgage Account	A-AAA	\$ 3,566,543	\$ 128,040	\$ 1,849,674	\$ 807,104	\$ 781,725
U.S. Stock Fund		\$ 5,161,788	\$ 5,161,788	\$ -	\$ -	\$ -
Total		\$ 10,208,507	\$ 5,289,828	\$ 1,883,114	\$ 1,109,564	\$ 1,926,001

Credit Risk and Concentration of Credit Risk

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

Foreign Currency

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

D. Investments—Firefighters' Pension Plan

Interest Rate Risk

The St. Augustine Firefighters' Pension Trust Fund limits all investments in corporate fixed income securities to those that hold a rating of investment grade or higher. There is no limit imposed on investments in fixed income securities issued directly by the U. S. Government. The Plan limits the effective duration of its investment portfolio through the adoption of the Merrill Lynch Government/Corporate Bond Index bench mark. It is expected that the average duration of the total fixed income portfolio will not exceed 150% of the duration of the Index. As of September 30, 2009, the St. Augustine Firefighters' Pension Trust Fund held the following fixed income investments:

Investment Type	% of Fund	Fair Value	S&P Rating	Effective Duration
US Government Agencies	19.9%	\$ 1,482,528	AAA	4.0-5.2
Corporate Bonds	20.8%	\$ 1,549,803	A-	4.2
Foreign Bonds	0.2%	\$ 16,012	BBB+A	4.0
Temporary Investment Funds	3.5%	\$ 262,807	AAA	Daily
		<u>\$ 3,311,150</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, 2009

NOTE 3. ACCOUNTS RECEIVABLE:

Receivables at September 30, 2009, consist of the following:

	Governmental Activities		Business-Type	
	General	Capital Projects	Activities	Total
Utility Taxes	\$ 66,277	\$ -	\$ -	\$ 66,277
Accounts	82,045	-	1,717,687	1,799,732
Intergovernmental	698,536	-	788,163	1,486,699
Gross Receivables	846,859	-	2,505,850	3,352,708
Less: Allowance for Uncollectibles	-	-	76,620	76,620
Total Receivables	<u>\$ 846,859</u>	<u>\$ -</u>	<u>\$ 2,429,230</u>	<u>\$ 3,276,089</u>

NOTE 4. CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2009:

Governmental Activities

	Balance 10/1/2008	Increases	Decreases	Balance 9/30/2009
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 5,394,945	\$ -	\$ -	\$ 5,394,945
Construction in Progress	2,226,565	374,035	90,670	2,509,930
Capitalized Interest	131,237	-	7,291	123,946
Total Capital Assets				
Not Being Depreciated	<u>7,752,747</u>	<u>374,035</u>	<u>97,961</u>	<u>8,028,821</u>
Other Capital Assets:				
Buildings	15,020,718	488,243	-	15,508,961
Infrastructure	10,190,144	1,186,238	-	11,376,382
Furniture and Other Equipment	7,681,071	277,826	765,487	7,193,410
Total Other	<u>32,891,932</u>	<u>1,952,307</u>	<u>765,487</u>	<u>34,078,752</u>
Less Accumulated Depreciation For:				
Buildings	7,502,194	378,991	-	7,881,185
Infrastructure	5,187,837	284,800	-	5,472,637
Furniture and Other Equipment	5,305,289	579,263	408,856	5,475,696
Total Accumulated Depreciation	<u>17,995,320</u>	<u>1,243,054</u>	<u>408,856</u>	<u>18,829,518</u>
Other Capital Assets, Net	<u>14,896,612</u>	<u>709,253</u>	<u>356,631</u>	<u>15,249,234</u>
TOTALS	<u>\$ 22,649,359</u>	<u>\$ 1,083,288</u>	<u>\$ 454,592</u>	<u>\$ 23,278,055</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 976,827
Public Safety	58,345
Physical Environment	155,131
Transportation	52,751
Total	<u>\$ 1,243,054</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

NOTE 4. CAPITAL ASSETS: (continued)

Construction in progress is composed of the following at September 30, 2009:

Garage Relocation	\$ 2,505,071
SAPD Armory	4,859
Total	<u>\$ 2,509,930</u>

Business-Type Activities

	Balance			Balance
	10/1/2008	Increases	Decreases	9/30/2009
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,130,003	\$ -	\$ -	\$ 1,130,003
Construction in Progress	21,892,907	3,228,805	413,720	24,707,992
Total Capital Assets				
Not Being Depreciated	23,022,910	3,228,805	413,720	25,837,995
Other Capital Assets:				
Buildings	41,966,452	-	87,021	41,879,431
Infrastructure	57,075,491	2,949,279	-	60,024,770
Furniture and Other Equipment	5,139,149	483,062	98,160	5,524,051
Total Other	104,181,092	3,432,341	185,181	107,428,252
Less Accumulated Depreciation For:				
Buildings	17,270,567	1,042,708	-	18,313,275
Infrastructure	20,625,815	1,769,876	-	22,395,691
Furniture and Other Equipment	3,697,968	346,071	173,045	3,870,994
Total Accumulated Depreciation	41,594,350	3,158,655	173,045	44,579,960
Other Capital Assets, Net	62,586,742	273,686	12,136	62,848,292
TOTALS	<u>\$ 85,609,652</u>	<u>\$ 3,502,491</u>	<u>\$ 425,856</u>	<u>\$ 88,686,287</u>

Depreciation was charged to Business-Type Activities as follows:

Utility Fund	\$ 1,892,919
Stormwater Drainage Fund	43,321
Solid Waste Fund	170,866
Municipal Marina Fund	185,498
Heritage Tourism Fund	866,051
Total	<u>\$ 3,158,655</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

NOTE 4. CAPITAL ASSETS: (Continued)

Construction in progress is composed of the following at September 30, 2009:

Wastewater Improvements	\$ 999,491
Water Plant Expansion	14,458,430
Outfall Line Replacement	19,277
Northwest Force Main	6,706,303
WWTP Pipe Repair	650,833
Marina Project	27,179
Heritage Tourism Renovations	240,030
Wellfield Expansion	951,909
King Street Segment 3	131,489
Oyster Creek Sewer Repair	108,144
Water Treatment Plant	95,688
Garage Relocation	263,859
Davis Shores Skate Park	6,080
Compactors	49,280
Total	<u><u>\$ 24,707,992</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, 2009, will not materially affect the financial condition of the City. Therefore, the financial statements contain no provision for estimated claims.

The City of St. Augustine had an outstanding environmental compliance issue at City property located west of St. Augustine. During the construction of a wetlands mitigation project, the City excavated and disposed of fill that the Florida Department of Environmental Protection (FDEP) considers solid waste. The City negotiated a Consent Order to remove the material and dispose it in compliance with FDEP guidelines. The Consent Order was approved on May 20, 2008 by the City and FDEP. The work has been completed in full compliance with the Consent Order.

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

At September 30, 2009, the City had outstanding commitments of approximately \$1,999,430 relating to construction contracts.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

NOTE 6. LONG-TERM DEBT:

Governmental Funds

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

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

Principal payments are due annually on October 1, and interest payments are due semi-annually on April 1 and October 1. The annual requirement to amortize long-term bonded debt outstanding as of September 30, 2009 is as follows:

Bond Year Ended October 1	Public Service Tax & Guaranteed Entitlement Revenue Refunding & Improvement Bonds Series 2001	
	Principal	Interest
2010	\$ 279,113	\$ 352,938
2011	292,404	341,494
2012	305,695	329,213
2013	315,664	315,920
2014	328,955	301,715
2015-2019	1,523,123	1,277,096
2020-2024	1,651,110	904,889
2025-2029	2,107,120	448,177
Thereafter	489,054	24,458
	<u>\$ 7,292,238</u>	<u>\$ 4,295,900</u>

Capital Improvement and Refunding Revenue Bonds, Series 2004:

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

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

NOTE 6. LONG-TERM DEBT (Continued)

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

Payment of maturing principal and interest (2.0 percent to 5.0 percent) on these bonds is provided for in the Debt Service Fund. Principal payments are due annually on October 1, and interest payments are due semi-annually on April 1 and October 1. The annual requirement to amortize bonded debt outstanding as of September 30, 2009 is as follows:

Bond Year Ended October 1	Capital Improvements & Current Refunding Series 2004	
	Principal	Interest
2010	\$ 47,825	\$ 12,749
2011	49,419	11,314
2012	49,418	9,782
2013	52,607	8,176
2014	54,201	6,072
Thereafter	113,185	6,327
	<u>\$ 366,655</u>	<u>\$ 54,420</u>

Enterprise Funds

Water and Sewer Revenue Refunding Bonds, Series 2005:

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

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

Principal payments are due annually on October 1, and interest payments are due semi-annually on April 1 and October 1. The annual requirement to amortize bonded debt outstanding as of September 30, 2009 is as follows:

Bond Year Ended October 1	Water & Sewer Fund Revenue Bonds, Series 2005	
	Principal	Interest
2010	\$ 2,145,000	\$ 562,969
2011	2,215,000	495,938
2012	2,320,000	387,188
2013	545,000	273,188
2014	570,000	247,063
2015-2019	3,235,000	847,063
Thereafter	2,065,000	165,200
	<u>\$ 13,095,000</u>	<u>\$ 2,978,609</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

NOTE 6. LONG-TERM DEBT: (Continued)

Water and Sewer Revenue Bonds, Series 2003:

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

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

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

Bond Year Ended October 1	Water and Sewer Fund	
	Capital Appreciation Bonds, Series 2003	
	Principal	Interest
2010	\$ -	\$ -
2011	-	-
2012	-	-
2013	1,351,161	673,839
2014	1,269,533	755,467
2015-2019	5,276,300	4,848,700
Thereafter	1,466,860	1,998,140
	9,363,854	\$ 8,276,146
Accredited interest	2,904,790	
Balance September 30, 2009	\$ 12,268,644	

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

NOTE 6. LONG-TERM DEBT: (Continued)

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

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

Principal payments are due annually on October 1, and interest payments are due semi-annually on April 1 and October 1. The annual requirement to amortize bonded debt outstanding as of September 30, 2009 is as follows:

Bond Year Ended October 1	Municipal Marina Revenue Bonds Guaranteed Entitlement, Series 2001	
	Principal	Interest
2010	\$ 116,484	\$ 41,652
2011	122,031	36,876
2012	127,578	31,751
2013	131,738	26,201
2014	137,285	20,273
Thereafter	295,370	21,138
	<u><u>\$ 930,486</u></u>	<u><u>\$ 177,891</u></u>

Bond Year Ended October 1	Heritage Tourism Revenue Bonds Guaranteed Entitlement, Series 2001	
	Principal	Interest
2010	\$ 24,403	\$ 134,093
2011	25,565	133,092
2012	26,727	132,019
2013	27,598	130,851
2014	28,760	129,610
2015-2019	466,507	611,732
2020-2024	818,890	447,861
2025-2029	1,042,881	221,823
Thereafter	240,945	12,040
	<u><u>\$ 2,702,276</u></u>	<u><u>\$ 1,953,121</u></u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

NOTE 6. LONG-TERM DEBT: (Continued)

Capital Improvement and Refunding Revenue Bonds, Series 2004:

On October 14, 2004, the City Issued Capital Improvement and Refunding Revenue Bonds totaling \$22,155,000 to refund the 1995 Series Revenue Bonds and construct a parking garage and other capital improvements for the City. Payment of maturing principal and interest (2.00 percent to 5.00 percent) on these bonds is provided for in the Debt Service Fund. Principal payments are due annually on October 1, and interest payments are due semi-annually on April 1 and October 1. The annual requirement to amortize bonded debt outstanding as of September 30, 2009, is as follows:

Bond Year Ended October 1	Heritage Tourism Capital Improvement & Revenue Refunding Bonds, Series 2004	
	Principal	Interest
2010	\$ 262,175	\$ 1,000,071
2011	265,581	992,207
2012	275,581	983,974
2013	287,393	975,018
2014	300,799	963,522
2015-2019	2,431,815	4,616,343
2020-2024	3,580,000	3,950,375
2025-2029	4,580,000	2,960,625
2030-2034	9,110,000	1,481,725
	<u>\$ 21,093,344</u>	<u>\$ 17,923,860</u>

Prior Years' Debt Defeasance

In prior years, the City has defeased various bond issues by creating separate escrow accounts. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in escrow accounts.

The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes the debt has been considered defeased and therefore removed as a liability from the City's Government Wide Financial Statements and appropriate Enterprise Fund Statements. As of September 30, 2009, the City had \$4,307,969 escrowed defeased debt outstanding.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

NOTE 7. CHANGES IN LONG-TERM DEBT:

During the year ended September 30, 2009 the following changes occurred in the City's long-term obligations:

Primary Government

Governmental Activities

	Balance 10/1/2008	Increases	Decreases	Balance 9/30/2009	Current Portion
General Long-Term Debt & Obligations					
Public Service Tax & Guaranteed					
Entitlement Revenue Refunding &					
Improvement Bonds	\$ 7,972,675	\$ -	\$ 313,782	\$ 7,658,893	\$ 326,938
Accrued Compensated Absences	1,996,846	1,173,733	1,142,076	2,028,503	82,188
Total General Long-Term					
Obligations	9,969,521	1,173,733	1,455,858	9,687,396	409,126
Proprietary Fund Long-Term Obligations					
Accrued Compensated Absences	520,158	419,460	425,472	514,146	30,109
Revenue Bonds Payable From:					
Proprietary Funds	26,884,601	554,043	2,075,000	25,363,644	2,145,000
Public Service Tax & Guaranteed					
Entitlement Revenue	24,957,327	-	231,221	24,726,106	403,062
Total Proprietary Fund					
Long-Term Obligations	52,362,086	973,503	2,731,693	50,603,896	2,578,171
Total Long-Term Debt & Obligations	\$ 62,331,607	\$ 2,147,236	\$ 4,187,551	\$ 60,291,292	\$ 2,987,297

NOTE 8. INTERFUND RECEIVABLES, PAYMENTS, AND TRANSFERS:

A. At September 30, 2009, interfund payments and transfers are as follows:

Fund Type/Fund	Transfers-in	Transfers-out
GOVERNMENTAL FUNDS		
General Fund	\$ 906,837	\$ 5,216,409
Community Redevelopment Agency Fund	689,154	775,280
Debt Service Fund	702,389	-
Capital Projects Fund	2,342,505	-
Permanent Fund	-	206
PROPRIETARY FUNDS		
Utility Fund	1,573,164	1,035,001
Stormwater Fund	-	154,547
Solid Waste Fund	90,000	83,103
Municipal Marina Fund	-	-
Heritage Tourism Fund	1,345,076	384,579
	\$ 7,649,125	\$ 7,649,125

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

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	\$ 2,306,131	\$ -
CRA		61,944
PROPRIETARY FUNDS		
Utility Fund	-	1,447,288
Stormwater Fund	-	151,302
Solid Waste Fund	-	398,281
Municipal Marina Fund	-	131,577
Heritage Tourism Fund	-	115,739
	<u>\$ 2,306,131</u>	<u>\$ 2,306,131</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, 2009, interfund receivables are as follows:

<u>Fund Type/Fund</u>	<u>Due to</u>	<u>Due from</u>
GOVERNMENTAL FUNDS		
General Fund	\$ 1,312,752	\$ -
Special Revenue	2,630,000	-
Capital Projects Fund	-	28,792
Permanent Fund	406	-
PROPRIETARY FUNDS		
Utility Fund	-	4,827,990
Stormwater Fund	260,000	-
Solid Waste Fund	81,910	-
Municipal Marina Fund	-	150,000
Heritage Tourism Fund	721,714	-
	<u>\$ 5,006,782</u>	<u>\$ 5,006,782</u>

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

NOTE 9. OPERATING LEASES:

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

<u>Year Ending September 30</u>	<u>Amount</u>
2010	\$ 1,354,912
2011	1,394,204
2012	1,434,636
2013	1,477,675
2014	1,522,006
Total future minimum rentals	<u>\$ 7,183,434</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

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. Disclosures relating to the individual pension trust funds are as follows:

A. General Employees' Retirement System:

1. Plan Description:

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

Any full-time City employee (those who work 40 or more hours per week), other than regular members of the Police and Fire Departments of the City, is eligible to become a member of this System. The City Manager may elect not to participate in the System. As of September 30, 2009, the System had 239 active participants, 109 retirees/beneficiaries and 9 vested terminated participants. The total payroll for eligible employees covered by this System was \$9,500,551.

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

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

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

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

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

NOTE 10. EMPLOYEE BENEFITS: (Continued)

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 managers, Principal Mutual Life Insurance Company and Salem Trust Company. The summary of investments at September 30, 2009, is as follows:

	<u>Cost Value</u>	<u>Market Value</u>
US Treasury Obligations	N/A	\$ 3,469,849
Real Estate Fund	N/A	1,351,896
Corporate & Foreign Bonds	N/A	3,892,239
Common Equity Securities	N/A	8,569,045
Equity Mutual Funds	N/A	1,585,632
Cash & Short term Investments	N/A	604,150
Preferred Equity Securities	N/A	236,340
		<u>\$ 19,709,151</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

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 10.83 percent.

The following is funded status information for the plan as of October 1, 2009, 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)]
9/30/2009	\$ 23,817	\$ 29,574	\$ 5,757	80.53%	\$ 9,501	60.59%

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 2009, the City's annual pension cost was \$1,157,224. The City's actual contribution was \$1,192,706. The annual required contribution for the current year was determined as part of the October 1, 2007, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions in the October 1, 2007, valuations included (a) 8.0% investment rate of return; (b) projected salary increases ranging from 4% to 8% per year; and (c) 3.5% rate of inflation. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined by adjusting the expected values of assets as of any valuation date by a portion of the cumulative differences of the market value of assets and the expected actuarial value of assets. Each difference is fully recognized over a period not to exceed five years. The unfunded actuarial liability is being amortized over 15 years as a level percentage of projected payroll on a closed basis.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Asset)
9/30/2007	\$631,069	131%	(428,044)
9/30/2008	\$872,326	119%	(558,116)
9/30/2009	\$1,157,224	103%	(593,598)

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

NOTE 10. EMPLOYEE BENEFITS: (Continued)

<u>Fiscal Year Ended September 30, 2009</u>	<u>Annual</u>
Annual Required City Contribution (ARC)	\$ 1,127,814
Interest on NPO	(44,649)
Adjustment to ARC	(74,059)
Annual Pension Cost	1,157,224
Contributions Made	1,192,706
Increase in NPO	(35,482)
NPO Beginning of Year	(558,116)
NPO End of Year	<u>\$ (593,598)</u>

5. Concentrations:

Principal Mutual Life Insurance Company, Salem Trust, Sawgrass Asset Management, Vanguard Total International Stock and Tradewinds 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, 2009 is as follows:

	<u>Market Value</u>	<u>Percent of Net Assets</u>
US Treasury Obligations	\$ 3,469,849	17%
Real Estate Fund	1,351,896	6%
Corporate & Foreign Bonds	3,892,239	19%
Common Equity Securities	8,569,045	43%
Equity Mutual Funds	1,585,632	7%
Cash & Short term Investments	604,150	3%
Preferred Equity Securities	236,340	1%
	<u>\$ 19,709,151</u>	

B. Police Officers' Retirement System

1. Plan Description:

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

Any police officer who is a regular member of the police department of the City of St. Augustine is a member of this retirement system. As of September 30, 2009, the System had 49 active participants, 22 retirees/beneficiaries, 3 disabled participants and 6 vested/terminated participants. The total payroll for eligible employees covered by this System was \$2,780,015.

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

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

NOTE 10. EMPLOYEE BENEFITS: (Continued)

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

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

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

2. Summary of Accounting Policies:

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

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

	<u>Cost Value</u>	<u>Fair Value</u>
Corporate Bonds	N/A	\$ 3,566,543
Governmental Obligations	N/A	1,480,177
Stocks	N/A	5,161,788
		<u>\$ 10,208,508</u>

3. Funding Policy, Contributions, Status and Progress:

The St. Augustine Police Officers' Retirement System is funded under the provisions of Article X, Section 10.03, St. Augustine Code and Chapter 185.07, Florida Statutes. Funding arrangements include contributions by retirement system members, the City of St. Augustine, percentage of casualty insurance premiums collected on property located within the corporate limits of the City of St. Augustine, accretions to the fund by way of interest on bank deposits or otherwise, and any other source of income authorized by law to increase the retirement fund. At September 30, 2008, contributions by retirement system members are based on 5.5 percent of compensation while the City of St. Augustine contributes a minimum of 2.5 percent of compensation. Previously, retirement system members contributed four percent of fixed monthly compensation. The Board of Trustees for the Plan anticipates the above funding methods will result in all members' benefits being fully provided for by the time of their retirement. Effective October 1, 1993, the member contributions were changed from after tax compensation to pre-tax compensation.

Administrative costs are funded by City and member contributions.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

NOTE 10. EMPLOYEE BENEFITS: (Continued)

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. The City made an actuarial contribution of 2.46 percent during the fiscal year ended September 30, 2009, in addition to the ordinance-required contribution of 1.5 percent.

The following is funded status information for the plan as of September 30, 2009, 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)]
9/30/2009	\$ 12,759	\$ 13,428	\$ 669	95.01%	\$ 2,780	24.08%

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 2009, the City's annual pension cost was \$407,169. The actual contribution was \$346,738. The annual required contribution for the current year was determined as part of the October 1, 2009, actuarial valuation using the Individual Entry Age Actuarial Cost Method. The actuarial assumptions in the October 1, 2009, valuations included (a) 8% investment rate of return; (b) projected salary increases ranging from 4.5% to 8% per year; and (c) 3.5% rate of inflation. The assumptions did include post retirement benefits with a cost of living adjustment of up to 3%. The actuarial value of assets was determined by adjusting the expected value of assets as of any valuation date by a portion of the cumulative differences of the market value of assets and the expected actuarial value of assets starting from October 1, 1990. Each difference is fully recognized over a period not to exceed five years. The unfunded actuarial liability is being amortized over 15 years as a level percentage of projected payroll on a closed basis.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Asset)
9/30/2007	\$469,050	79%	(198,443)
9/30/2008	\$415,753	92%	(164,254)
9/30/2009	\$407,169	85%	(103,824)

Fiscal Year Ended September 30, 2009	Annual
Annual Required City Contribution (ARC)	\$ 401,752
Interest on NPO	(13,140)
Adjustment to ARC	(18,556)
Annual Pension Cost	407,168
Contributions Made	346,738
Decrease in NPO	60,430
NPO Beginning of Year	(164,254)
NPO End of Year	\$ (103,824)

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

NOTE 10. EMPLOYEE BENEFITS: (Continued)

5. Concentrations:

As of September 30, 2009, the Plan had no investments that exceeded five percent of the Plan's net assets as of that date.

C. Firefighters' Retirement System:

1. Plan Description:

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

Any City full-time firefighter and retired firefighter is eligible to become a member of this System. As of September 30, 2009, the System had 32 active participants and 20 retirees/beneficiaries. The total payroll for employees covered by this System for the year ended September 30, 2009 was \$1,517,867.

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

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

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

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

2. Summary of Accounting Policies:

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

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

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

NOTE 10. EMPLOYEE BENEFITS: (Continued)

- b. Valuation of Investments – Investments are reported at fair value as provided by the Fund's investment manager Fifth Third Bank. Fifth Third arrives at fair value through the use of broker and pricing services. The summary of investments at September 30, 2009, is as follows:

	Cost Value	Fair Value
U.S. Government and Agencies	\$ 1,386,483	\$ 1,482,528
Corporate Bonds	1,491,978	1,549,803
International exchange traded fund	860,694	648,942
Common Stock & Short Term Investments	3,135,137	3,616,064
Foreign Bonds	14,810	16,012
	<u>\$ 6,889,102</u>	<u>\$ 7,313,349</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 \$180,272 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 8.0 percent during the Fiscal Year ended September 30, 2009, 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, 2009, the most recent actuarial valuation date (in thousands):

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Covered Payroll	UAAL as a % of Covered Payroll [(2)-(1)/(5)]
10/1/2009	\$ 8,301	\$ 8,123	\$ (178)	102.19%	\$ 1,518	-11.73%

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 2009, the City's annual pension cost was \$138,960. The City's actual contribution was \$153,176. The annual required contribution for the current year was determined as part of the October 1, 2007, actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions in the October 1, 2007 valuations included (a) 8% investment rate of return; (b) projected salary increases of 7% per year; and (c) 3% rate of inflation.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

NOTE 10. EMPLOYEE BENEFITS: (Continued)

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

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2007	2,225	100%	(304,668)
9/30/2008	44,996	255%	(336,036)
9/30/2009	138,960	117%	(380,252)

Fiscal Year Ended September 30, 2009	Annual
Annual Required City Contribution (ARC)	\$ 130,541
Interest on NPO	(29,283)
Adjustment to ARC	37,702
Annual Pension Cost	138,960
Contributions Made	(153,176)
Increase in NPO	(14,216)
NPO Beginning of Year	(366,036)
NPO End of Year	<u>\$ (380,252)</u>

5. Concentrations:

As of September 30, 2009, the Plan had no investments that exceeded five percent of the Plan's net assets as of that date.

D. Other Post-Employment Benefits (OPEB):

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

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

1. Plan Description:

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

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

NOTE 10. EMPLOYEE BENEFITS: (Continued)

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

2. Funding Policy:

The City Commission is authorized to establish benefit levels and approve the actuarial assumptions used in the determination of contributions levels. The City Commission establishes the contributions requirements of plan members and the City. These contributions are neither mandated nor guaranteed. The retiree contributes the premium cost each month. Spouses and other dependents are also eligible for coverage, although the retiree pays the premium cost. Retirees must pay a monthly premium as determined by the insurance carrier. The premium varies depending on whether the retiree elects single, single plus spouse, single plus dependents, or family coverage. Currently, the City's subsidy to OPEB benefits is unfunded. There are no separate Trust Funds or equivalent arrangements into which the City makes contributions to advance-fund the OPEB obligations, as it does for its retiree pension plans. The City's cost of the OPEB benefits, funded on a pay-as-you-go basis, was \$208.983 for the year ended September 30, 2009. The ultimate implicit and explicit subsidies which are provided over time are financed directly by general assets of the City, which are invested in short-term fixed income instruments according to its current investment policy. The City selected an interest discount rate of 4.50% per annum, which is the long range expected return on such short-term fixed income instruments, to calculate the present values and costs of the OPEB. This is consistent with GASB Statement No. 45 guidance. Significant Actuarial Assumptions and methods used to estimate the OPEB liability are as follows:

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

Assumed healthcare cost trend rates:

<u>Fiscal Year Ending</u>	<u>Percent Increase</u>
2009	10.00%
2010	9.00%
2011	8.00%
2012	7.00%
2013	6.00%
2014 - Thereafter	5.00%

3. Actuarial Methods:

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

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

NOTE 10. EMPLOYEE BENEFITS: (Continued)

4. Annual OPEB Cost and Net OPEB Obligation:

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize the actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City's annual OPEB cost for the fiscal year was \$208,983.

The City's annual OPEB cost and the net OPEB obligation for the fiscal year ended September 30, 2009 is as follows:

Annual Required City Contribution (ARC)	\$ 208,983
Interest on Plan Obligation	-
Adjustment to ARC	-
Annual Plan Retiree Cost	<u>208,983</u>
Contributions Made	<u>(74,329)</u>
Increase in Plan Obligation	134,654
Plan Obligation Beginning of Year	<u>-</u>
Plan Obligation End of Year	<u><u>\$ 134,654</u></u>

The City's percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended September 30, 2009 is as follows:

Fiscal Year Ending	Annual City Retiree Cost	City* Contributions	Percentage of Retiree Cost Contributed	Net Obligation (Asset)
9/30/2009	\$ 208,983	\$ 74,329	36%	\$ 134,654

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

The 2009 contribution represented 36% of the annual required contribution. The actuarial valuation for the Plan was done as of September 30, 2009. As of September 30, 2009, the most recent actuarial valuation date, the Plan was unfunded. The actuarial accrued liability for benefits was \$2,169,073, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,169,073. The covered payroll was \$12,876,173, and the ratio of the UAAL to the covered payroll was 16.85%.

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

NOTE 11. 457 TAX-DEFERRED COMPENSATION PLAN:

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

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2009

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

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

**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:						
9/30/2009	\$ 23,817	\$ 29,574	\$ 5,757	80.53%	\$ 9,501	60.59%
9/30/2008	23,258	27,153	3,895	85.66%	9,357	41.63%
9/30/2007	22,172	25,909	3,737	85.58%	9,000	41.52%
9/30/2006	20,135	22,726	2,591	88.60%	8,004	32.37%
9/30/2005	18,481	19,674	1,193	93.94%	7,073	16.87%
9/30/2004	17,076	17,874	798	95.54%	7,069	11.29%
9/30/2003	15,835	15,374	(461)	103.00%	7,072	0.00%
9/30/2002	14,486	14,572	86	99.41%	6,700	1.28%
9/30/2001	12,750	13,759	1,009	92.67%	6,459	15.62%
9/30/2000	12,501	12,270	(231)	101.88%	5,604	0.00%
Police Pension:						
9/30/2009	12,759	13,428	669	95.01%	2,780	24.08%
9/30/2008	12,951	13,473	522	96.13%	2,495	20.92%
9/30/2007	12,424	12,544	120	99.04%	2,576	4.66%
9/30/2006	11,383	11,846	463	96.09%	2,287	20.23%
9/30/2005	10,566	11,052	486	95.60%	2,273	21.40%
9/30/2004	10,267	9,774	(493)	-105.04%	2,044	-24.12%
9/30/2003	10,013	11,295	1,281	88.65%	2,015	63.59%
9/30/2002	9,643	10,910	1,267	88.39%	1,921	65.97%
9/30/2001	9,245	10,555	1,310	87.59%	1,974	66.35%
9/30/2000	8,822	10,188	1,366	86.59%	1,735	78.75%
Fire Pension:						
9/30/2009	8,301	8,123	(178)	102.19%	1,518	-11.73%
9/30/2008	8,222	8,031	(191)	102.38%	1,413	-13.52%
9/30/2007	8,089	9,377	1,288	86.27%	1,310	98.30%
9/30/2006	7,428	8,771	1,343	84.69%	930	144.46%
9/30/2005	6,904	8,311	1,408	83.06%	843	166.90%
9/30/2004	6,608	7,868	1,260	83.99%	925	136.22%
9/30/2003	6,458	7,747	1,289	83.36%	941	136.98%
9/30/2002	6,362	7,670	1,308	82.94%	903	144.95%
9/30/2001	6,333	7,651	1,318	82.78%	886	148.68%
9/30/2000	6,116	6,116	0	100.00%	854	0.00%

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:

2009	\$ 1,157,224	\$ 1,192,706	\$ -	103.07%
2008	909,542	1,039,614	-	114.30%
2007	631,069	828,381	-	131.27%
2006	597,699	679,414	-	113.67%
2005	448,795	457,095	-	101.85%
2004	365,948	388,902	-	106.27%
2003	469,150	509,417	-	108.58%
2002	302,607	350,022	-	115.67%
2001	427,286	452,671	-	105.94%
2000	338,023	342,720	-	101.39%

Police Pension:

2009	407,169	346,738	-	85.16%
2008	415,753	381,564	-	91.78%
2007	469,050	372,637	-	79.45%
2006	454,343	215,128	271,723	107.15%
2005	302,097	56,415	246,906	100.41%
2004	222,781	52,448	212,619	118.98%
2003	217,351	52,942	208,567	120.32%
2002	236,544	48,192	211,147	109.64%
2001	200,713	46,704	192,079	118.97%
2000	205,837	33,849	184,087	105.88%

Fire Pension:

2009	237,355	153,176	106,814	109.54%
2008	310,329	106,364	268,679	120.85%
2007	250,034	104,222	252,226	142.56%
2006	239,014	91,576	212,014	127.02%
2005	198,791	59,614	169,201	115.10%
2004	152,714	34,859	151,978	122.34%
2003	134,387	22,851	140,928	121.87%
2002	127,846	22,363	120,607	111.83%
2001	-	16,022	128,099	100.00%
2000	-	8,460	118,223	100.00%

* General and police contributions for the City and State are adjusted for interest credits to the end of the fiscal year, as per the plan's actuarial valuation, dated September 30, 2008. 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-09	30-Sep-09	30-Sep-09
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 29 Years
Asset Valuation Method	5 Year Weighted Average of Difference Between Market & Expected Market	5 Year Weighted Average of Difference Between Market & Expected Market	4 Year Smoothing
Actuarial Assumptions:			
Investment Rate of Return	8% Annually	8% Annually	8% Annually
Projected Salary Increases	4% to 8% Annually	4.5% to 8% Annually	7% Annually
Cost of Living Adjustments	none	Up to 3% Annually	Up to 3% Annually

CITY OF ST. AUGUSTINE, FLORIDA

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

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Covered Payroll	UAAL as a Percentage of Covered Payroll [(2)-(1)/(5)]
9/30/2009	\$ -	\$ 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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2009	\$ 208,983	\$ 74,329	35.57%
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*** 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, 2009

	General Employees' Pension Fund	Police Officers' Pension Fund	Firefighters' Pension Fund	Total Employee Retirement Funds
ASSETS				
Cash and Short-term Investments	\$ 604,150	\$ 289,891	\$ 262,807	\$ 1,156,848
Receivables:				
Member Contributions	17,407	6,114	3,744	27,265
City Contributions	51,058	5,469	7,131	63,658
Interest and Dividends	79,989	56,265	32,921	169,175
Due from State	-	215,933	53,789	269,722
Total Receivables	148,454	283,781	97,585	529,820
Prepaaid Pension Payment			30,842	30,842
Prepaid Expense	-	-	849	849
Investments, at Fair Value:				
U.S. Government Obligations Fund	3,469,849	1,480,176	1,482,528	6,432,553
U.S. Stock Fund	8,805,385	5,161,788	3,353,257	17,320,430
Mutual Funds - International Equity	1,585,632	-	16,012	1,601,644
Bond and Mortgage Fund	3,892,239	3,566,543	1,549,803	9,008,585
International Exchange Fund			648,942	648,942
Real Estate Fund	1,351,896	-	-	1,351,896
Total Investments	19,105,001	10,208,507	7,050,542	36,364,050
Total Assets	19,857,605	10,782,179	7,442,625	38,082,409
LIABILITIES				
Expenses Payable	10,294	20,081	11,947	42,322
Total Liabilities	10,294	20,081	11,947	42,322
NET ASSETS				
Held in Trust for Pension Benefits	\$ 19,847,311	\$ 10,762,098	\$ 7,430,678	\$ 38,040,087

CITY OF ST. AUGUSTINE, FLORIDA

**Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended September 30, 2009**

	General Employees' Pension Fund	Police Officers' Pension Fund	Firefighters' Pension Fund	Total Employee Retirement Funds
ADDITIONS				
Contributions				
Members	\$ 385,913	\$ 142,148	\$ 80,501	\$ 608,562
City	1,144,288	121,831	153,176	1,419,295
State Insurance Premium Tax, from General Fund	-	215,933	180,272	396,205
Other	-	-	-	-
Total Contributions	1,530,201	479,912	413,949	2,424,062
Investment Income				
Net Decrease in Fair Value of Investments	(10,808)	(317,905)	(124,257)	(452,970)
Interest and Dividends on Investments	257,081	336,748	248,735	842,564
Total Investment Income	246,273	18,843	124,478	389,594
Less Investment Expenses	78,591	52,106	43,195	173,892
Net Investment Income	167,682	(33,263)	81,283	215,702
Total Additions	1,697,883	446,649	495,232	2,639,764
DEDUCTIONS				
Benefit Payments	1,176,261	793,694	483,220	2,453,175
Termination Payments	67,262	15,882	734	83,878
Administrative Expenses	29,930	50,977	22,143	103,050
Total Deductions	1,273,453	860,553	506,097	2,640,103
Net Change in Assets	424,430	(413,904)	(10,865)	(339)
Net Assets - Beginning	19,422,881	11,176,002	7,441,543	38,040,426
NET ASSETS - ENDING	\$ 19,847,311	\$ 10,762,098	\$ 7,430,678	\$ 38,040,087

**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, 2009

Federal Agency or Federal Program	CFDA Number	Contract Number	Federal Expenditures
Department of Homeland Security (FEMA)			
Firefighters (SAFER)	97.044	EMW-2006-FF-04362	230,643
Tropical Storm Fay	97.036	1785-DR-FL	53,675
Department of Justice			
JAG Grant	16.738	2009-JAGD-STJO-1-TB-094	3,314
(Pass Through State of Florida)			
JAG Grant	16.738	2009-JAFG-STJO-T7-105	10,921
(Pass Through State of Florida)			
E. Byrne Grant			
(Pass Through State of Florida)	16.804	2007-F4980-FL-DJ	14,235
Total Expenditures of Federal Awards			\$ 312,788

State Agency	CFSA Number	Contract Number	State Expenditures
Department of State			
Spanish Quarter Museum GOS	45.017	2068551	\$ 8,933
Alcazar Window Grant	45.032	SC701	488,244
Davis Shores Neighborhood Park	37.017	F07126	200,000
Pomar Park	37.017	F07197	8,306
			<u>705,483</u>
Water Management District			
Water Plant	37.066	SJ-36913	746,711
FDOT			
Pedestrian Safety Study	20.205	LAP 403920-3-58-01	5,663
Signage Grant	20.205	LAP 210240-2-58-01	114,382
Port and Waterway District--Derelict Vessels		ICW-SA-08-01-04	20,000
Total Expenditures of State Financial Assistance			\$ 1,586,576

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STATISTICAL SECTION

Statistical Section

This section of the City of St. Augustine, Florida's comprehensive annual financial report presents d 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.

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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.	

Table 1

CITY OF ST. AUGUSTINE, FLORIDA

NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
"UNAUDITED"

	1999/00	2000/01	2001/02	2002/03
<u>Governmental Activities</u>				
Invested in Capital Assets, net of related debt	\$ 23,028,213	\$ 24,171,092	\$ 27,019,741	\$ 10,744,342
Restricted	862,740	1,124,044	1,517,136	5,365,938
Unrestricted	2,749,730	10,462,446	9,872,765	1,087,186
Total governmental activities net assets	\$ 26,640,683	\$ 35,757,582	\$ 38,409,642	\$ 17,197,466
<u>Business-type activities</u>				
Invested in Capital Assets, net of related debt	\$ 5,148,052	\$ 5,846,119	\$ 5,846,119	\$ 2,194,130
Restricted	-	-	-	2,262,668
Unrestricted	5,755,996	6,977,839	7,175,100	9,232,343
Total business-type activities net assets	\$ 10,904,048	\$ 12,823,958	\$ 13,021,219	\$ 13,689,141
<u>Primary Government</u>				
Invested in Capital Assets, net of related debt	\$ 28,176,265	\$ 30,017,211	\$ 32,865,860	\$ 12,938,472
Restricted	862,740	1,124,044	1,517,136	7,628,606
Unrestricted	8,505,726	17,440,285	17,047,865	10,319,529
Total primary government net assets	\$ 37,544,731	\$ 48,581,540	\$ 51,430,861	\$ 30,886,607

2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
\$ 13,491,170	\$ 9,451,793	\$ 10,966,110	\$ 14,175,163	\$ 14,676,684	\$ 15,619,162
4,725,306	3,203,122	1,134,402	631,370	303,051	194,949
(671,043)	8,543,387	12,340,617	12,813,500	13,631,715	12,094,285
\$ 17,545,433	\$ 21,198,302	\$ 24,441,129	\$ 27,620,033	\$ 28,611,450	\$ 27,908,396
\$ 2,372,560	\$ 6,027,693	\$ 11,785,907	\$ 22,747,771	\$ 33,767,723	\$ 38,596,536
10,138,334	2,561,863	4,310,849	10,310,337	1,282,194	1,780,856
2,952,198	11,490,954	11,489,120	9,225,883	17,596,927	15,571,043
\$ 15,463,092	\$ 20,080,510	\$ 27,585,876	\$ 42,283,991	\$ 52,646,844	\$ 55,948,435
\$ 15,863,730	\$ 15,479,486	\$ 22,752,017	\$ 36,922,934	\$ 48,444,407	\$ 54,215,698
14,863,640	5,764,985	5,445,251	10,941,707	1,585,245	1,975,805
2,281,155	20,034,341	23,829,737	22,039,383	31,228,642	27,665,328
\$ 33,008,525	\$ 41,278,812	\$ 52,027,005	\$ 69,904,024	\$ 81,258,294	\$ 83,856,831

Table 2

CITY OF ST. AUGUSTINE, FLORIDA

CHANGES IN NET ASSETS
LAST FOUR FISCAL YEARS
"UNAUDITED"

	2005/06	2006/07	2007/08	2008/09
EXPENSES				
Governmental Activities:				
General Government	\$ 7,016,164	\$ 7,665,655	\$ 8,378,922	\$ 10,029,770
Public Safety	7,157,068	7,823,572	7,948,163	8,279,880
Physical Environment	3,322,937	3,729,585	3,743,697	3,511,790
Transportation	1,203,554	1,254,902	1,249,125	1,328,943
Culture & Recreation	461,982	531,858	506,824	525,927
Interest and Fiscal Charges	1,079,604	387,132	396,709	390,469
Total Governmental Activities Expenses	\$ 20,241,309	\$ 21,392,704	\$ 22,223,440	\$ 24,066,779
Business-type Activities:				
Utility	\$ 10,650,285	\$ 10,731,084	\$ 9,958,306	\$ 10,684,931
Stormwater Drainage	570,123	394,987	390,491	539,034
Solid Waste	3,004,391	3,026,966	2,991,630	2,706,985
Municipal Marina	2,313,342	2,457,325	2,717,157	1,988,206
Heritage Tourism	2,070,087	5,207,489	4,675,944	4,761,529
Total Business-type Activities Expenses	\$ 18,608,228	\$ 21,817,851	\$ 20,733,528	\$ 20,680,685
Total Primary Government Expenses	\$ 38,849,537	\$ 43,210,555	\$ 42,956,968	\$ 44,747,464
PROGRAM REVENUES				
Governmental Activities:				
Charges for Services				
General Government	\$ 3,539,199	\$ 3,571,247	\$ 3,778,531	\$ 4,085,583
Public Safety	2,073,558	1,832,397	1,407,388	1,068,530
Physical Environment	618,272	580,819	466,972	352,280
Transportation	213,418	191,805	154,200	115,821
Culture/Recreation	91,754	89,239	67,669	55,191
Operating Grants and Contributions	80,576	167,212	382,980	396,060
Capital Grants and Contributions	53,941	88,240	171,250	593,720
Total Governmental Activities Program Revenues	\$ 6,670,718	\$ 6,520,959	\$ 6,428,990	\$ 6,667,185
Business-type activities (a):				
Charges for Services				
Utility	\$ 13,246,974	\$ 18,107,334	\$ 11,704,165	\$ 11,511,293
Stormwater Drainage	720,059	736,368	734,328	735,131
Solid Waste	3,043,727	3,172,619	3,151,729	3,274,854
Municipal Marina	2,674,342	2,624,581	2,719,574	2,006,504
Heritage Tourism	2,017,247	2,662,456	2,871,376	3,029,780
Operating Grants and Contributions				
Capital Grants and Contributions	3,455,267	6,705,343	8,187,145	1,937,951
Total Business-type Activities Program Revenues	\$ 25,157,616	\$ 34,008,701	\$ 29,368,317	\$ 22,495,513
Total Primary Government Revenues	\$ 31,828,334	\$ 40,529,660	\$ 35,797,307	\$ 29,162,698

(continued)

NOTES:

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

Table 2

CITY OF ST. AUGUSTINE, FLORIDA

CHANGES IN NET ASSETS
LAST FOUR FISCAL YEARS
"UNAUDITED"

	2005/06	2006/07	2007/08	2008/09
Net (Expense)/Revenue				
Governmental Activities	\$ (13,570,591)	\$ (14,871,745)	\$ (15,794,450)	\$ (17,399,594)
Business-type Activities	6,549,388	12,190,850	8,634,789	1,814,828
Total primary government net expense	<u>\$ (7,021,203)</u>	<u>\$ (2,680,895)</u>	<u>\$ (7,159,661)</u>	<u>\$ (15,584,766)</u>
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Property Taxes	\$ 8,954,263	\$ 11,079,328	\$ 11,055,233	11,399,886
Utility Taxes	679,950	787,037	707,722	695,554
Communication Service Taxes	1,135,339	960,056	894,002	954,119
Franchise Fees	1,257,171	1,582,899	1,231,158	1,464,650
State Revenue Sharing, Unrestricted	562,170	566,485	557,521	548,313
Local Option Gas Taxes	648,709	671,481	611,697	504,738
Local Option Sales Taxes	1,053,943	1,114,883	1,043,333	928,656
Insurance Premium Taxes	572,543	554,581	529,747	396,205
Other Taxes	60,825	91,768	88,454	142,520
Miscellaneous	577,554	585,250	740,018	888,487
Investment Income	1,263,737	965,558	427,186	124,422
Interfund Transfer of Assets (net)	-	168,116	-	-
Transfers	47,214	(1,076,793)	(1,100,204)	(1,351,010)
Total Governmental Activities	<u>\$ 16,813,418</u>	<u>\$ 18,050,649</u>	<u>\$ 16,785,867</u>	<u>\$ 16,696,540</u>
Business-type activities (a):				
Unrestricted Investment Earnings	\$ 1,003,192	\$ 1,598,588	\$ 627,860	\$ 135,753
Interfund Transfer of Assets (net)	-	(168,116)	-	-
Transfers	(47,214)	908,677	1,100,204	1,351,010
Total Business-type Activities	<u>\$ 955,978</u>	<u>\$ 2,507,265</u>	<u>\$ 1,728,064</u>	<u>\$ 1,486,763</u>
Total Primary Government	<u>\$ 17,769,396</u>	<u>\$ 20,557,914</u>	<u>\$ 18,513,931</u>	<u>\$ 18,183,303</u>
Change in Net Assets				
Governmental Activities	\$ 3,242,827	\$ 3,178,904	\$ 991,417	\$ (703,054)
Business-type Activities	7,505,366	14,698,115	10,362,853	3,301,591
Total Primary Government	<u>\$ 10,748,193</u>	<u>\$ 17,877,019</u>	<u>\$ 11,354,270</u>	<u>\$ 2,598,537</u>

NOTES:

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

Table 3

CITY OF ST. AUGUSTINE, FLORIDA

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARSSeptember 30, 2009"UNAUDITED"

	2000	2001	2002	2003	2004
General Fund					
Reserved	\$ 862,740	\$ 923,027	\$ 1,101,805	\$ 1,340,368	\$ 1,790,289
Unreserved	2,749,730	3,540,170	4,401,586	4,942,892	3,488,124
Total General Fund	3,612,470	4,463,197	5,503,391	6,283,260	5,278,413
All Other Governmental Funds					
Reserved	134,980	201,017	415,331	479,522	796,069
Unreserved reported in:					
Capital Projects Fund	577,791	6,922,276	5,471,179	5,050,193	4,400,300
Special Revenue Fund					
Total All Other Governmental Funds	712,771	7,123,293	5,886,510	5,529,715	5,196,369
Total Governmental Funds	\$ 4,325,241	\$ 11,586,490	\$ 11,389,901	\$ 11,812,975	\$ 10,474,782

2005	2006	2007	2008	2009
\$ 1,848,645	\$ 884,631	\$ 796,284	\$ 1,208,861	\$ 1,060,567
7,835,329	11,513,122	11,902,148	12,970,610	11,399,627
9,683,974	12,397,753	12,698,432	14,179,471	12,460,194
3,058,435	2,010,274	1,713,559	608,899	905,501
15,245,090	2,350,969	282,163	117,620	9,022
18,303,525	4,361,243	1,995,722	726,519	914,523
\$ 27,987,499	\$ 16,758,996	\$ 14,694,154	\$ 14,905,990	\$ 13,374,717

Table 4

CITY OF ST. AUGUSTINE, FLORIDA

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

	1999/00	2000/01	2001/02	2002/03
REVENUES				
Ad Valorem Taxes	\$ 3,586,904	\$ 3,989,576	\$ 4,645,101	\$ 5,120,073
Sales and Use Taxes	910,520	928,045	958,092	943,604
Utility Excise Taxes	1,360,752	1,524,213	1,896,688	1,856,050
Licenses, Permits & Fees	1,669,993	1,914,940	1,819,874	1,893,049
Intergovernmental	1,499,937	1,632,769	1,683,833	1,670,364
Fines & Forfeitures	308,038	308,103	353,659	418,844
Interest Earnings	378,915	498,560	280,971	391,343
Administrative Service Charges	2,808,844	2,998,595	3,250,695	3,423,685
Sale of Surplus Assets	14,200	129,445	157,245	-
Other	999,715	872,375	754,286	1,348,335
Total Revenues	13,537,818	14,796,621	15,800,444	17,065,347
EXPENDITURES				
Current:				
General Government	3,740,382	3,593,359	4,853,831	5,529,232
Public Safety	4,517,584	5,370,523	5,456,861	5,783,307
Physical Environment	2,237,880	2,684,639	2,408,870	2,411,853
Transportation	885,616	812,422	808,537	686,899
Culture & Recreation	132,576	217,110	301,988	360,195
Capital Outlay	990,679	1,857,314	-	1,443,463
Debt Service:				
Principal Retirement	266,759	208,125	239,624	247,863
Interest and Fiscal Charges	361,057	498,930	620,959	596,351
Issuance Cost	-	-	-	-
Total Expenditures	13,132,533	15,242,422	14,690,670	17,059,163
Excess (deficiency) of revenues over (under) expenditures	405,285	(445,801)	1,109,774	6,184
Other Financing Sources (Uses)				
Transfers In	2,222,163	5,963,062	1,740,888	2,202,016
Transfers (Out)	(2,194,262)	(5,909,258)	(1,596,154)	(1,840,686)
Long-term Debt Issued	-	11,785,121	-	-
Retirement to Escrow Agent	-	(4,131,875)	-	-
Premium on Long-Term Debt Issued	-	-	-	-
Total Other Financing Sources (Uses)	27,901	7,707,050	144,734	361,330
Net Change in Fund Balances	\$ 433,186	\$ 7,261,249	\$ 1,254,508	\$ 367,514
Debt Service as a percentage of noncapital expenditures	5.45%	5.58%	6.22%	5.72%

2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
---------	---------	---------	---------	---------	---------

\$ 6,025,894	\$ 6,689,649	\$ 8,534,508	\$ 10,581,764	\$ 10,589,451	\$ 10,966,589
1,032,566	1,096,132	1,221,253	1,226,062	1,141,444	900,942
1,760,159	1,842,707	1,815,289	1,747,093	1,601,724	1,649,673
1,178,438	1,433,542	1,886,205	1,790,500	1,983,703	2,199,545
1,841,242	2,063,359	2,134,319	2,310,841	2,195,144	2,091,824
437,704	415,994	408,105	376,423	371,934	294,423
143,938	905,298	1,263,737	965,558	427,186	124,421
3,359,772	3,546,557	3,611,332	3,368,212	2,675,852	2,306,131
-	3,586,529	166,909	-	-	-
2,011,386	2,922,765	2,395,265	3,113,832	3,328,623	4,181,187
17,791,099	24,502,532	23,436,922	25,480,285	24,315,061	24,714,735

5,336,832	5,654,721	6,564,789	7,395,472	7,769,930	8,882,214
5,980,184	6,312,235	6,900,438	7,705,333	7,823,977	8,157,878
2,502,833	2,715,641	3,097,289	3,466,862	3,489,882	3,354,800
797,999	1,115,556	1,069,139	1,144,871	1,152,404	1,102,977
401,789	460,018	459,648	532,658	505,720	525,588
3,511,261	9,335,467	14,809,417	5,496,747	1,560,586	2,167,291
259,426	277,230	285,605	287,627	303,812	313,781
578,366	1,569,121	1,526,314	438,764	396,710	390,469
	356,512	-	-	-	-
19,368,690	27,796,501	34,712,639	26,468,334	23,003,021	24,894,998

(1,577,591)	(3,293,969)	(11,275,717)	(988,049)	1,312,040	(180,263)
4,127,939	6,103,130	6,307,014	5,191,500	2,701,482	4,640,885
(3,888,541)	(6,020,414)	(6,259,800)	(6,268,293)	(3,801,686)	(5,991,895)
-	20,999,525	-	-	-	-
-	(578,198)	-	-	-	-
-	302,643	-	-	-	-
239,398	20,806,686	47,214	(1,076,793)	(1,100,204)	(1,351,010)
\$ (1,338,193)	\$ 17,512,717	\$ (11,228,503)	\$ (2,064,842)	\$ 211,836	\$ (1,531,273)

5.58% 11.36% 10.02% 3.59% 3.38% 3.20%

Table 5

CITY OF ST. AUGUSTINE, FLORIDA

TOTAL ASSESSED VALUATIONS AND TOTAL EXEMPTIONS
LAST TEN FISCAL YEARSSeptember 30, 2009"UNAUDITED"

	2000	2001	2002	2003	2004
Real Property	\$ 452,453,359	\$ 520,688,082	\$ 628,742,076	\$ 728,606,206	\$ 861,761,206
Personal Property	53,862,264	62,402,778	68,205,751	63,426,737	73,963,887
Railroad & Telegraph	2,025,181	2,263,924	2,282,126	2,371,769	2,539,213
Total Assessed Valuations	508,340,804	585,354,784	699,229,953	794,404,712	938,264,306
Homestead Exempt Property (a)	66,826,396	68,326,530	68,138,029	69,563,109	69,803,529
Other Exemptions	224,592,829	276,398,298	305,989,307	355,719,806	419,524,055
Total Exempt Property	291,419,225	344,724,828	374,127,336	425,282,915	489,327,584
Total Just Valuations	\$ 799,760,029	\$ 930,079,612	\$ 1,073,357,289	\$ 1,219,687,627	\$ 1,427,591,890
Direct Rate	7.200	7.000	6.800	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

2005	2006	2007	2008	2009 (b)
\$ 964,366,560	\$ 1,246,909,727	\$ 1,564,575,408	\$ 1,550,350,973	\$ 1,303,221,123
73,456,340	79,796,610	79,538,769	84,760,234	74,772,148
2,631,148	2,694,393	2,724,258	2,350,861	2,404,981
1,040,454,048	1,329,400,730	1,646,838,435	1,637,462,068	1,380,398,252
70,662,166	72,884,446	74,445,529	75,575,856	154,841,251
498,558,761	682,259,040	873,985,077	936,639,130	664,265,961
569,220,927	755,143,486	948,430,606	1,012,214,986	819,107,212
\$ 1,609,674,975	\$ 2,084,544,216	\$ 2,595,269,041	\$ 2,649,677,054	\$ 2,199,505,464
6.600	6.600	6.600	6.313	6.823

Table 6

CITY OF ST. AUGUSTINE, FLORIDA

PROPERTY TAX RATES AND TAX LEVIES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
September 30, 2009
"UNAUDITED"

Fiscal Year Ended	Direct	Overlapping				Total
	City of St. Augustine	St. Johns County	School District	St. Johns River Water Management District	Other	
2000	7.200	6.061	9.198	0.482	0.892	23.833
2001	7.000	6.061	9.107	0.472	0.795	23.435
2002	6.800	6.065	8.607	0.462	0.761	22.695
2003	6.600	6.033	8.802	0.462	0.659	22.556
2004	6.600	5.850	8.285	0.462	0.557	21.754
2005	6.600	5.850	8.226	0.462	0.457	21.595
2006	6.600	5.848	7.849	0.462	0.441	21.200
2007	6.313	5.004	7.721	0.416	0.395	19.848
2008	6.823	5.037	7.642	0.416	0.382	20.300
2009	7.500	5.547	7.801	0.416	0.381	21.645

NOTES:

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

Source: St. Johns County Tax Collector

Table 7

CITY OF ST. AUGUSTINE, FLORIDA

PRINCIPAL TAXPAYERS

September 30, 2009

"UNAUDITED"

Taxpayer	2008/2009			1999/2000		
	Taxable Assessed Value	Rank	Percent of Total Assessment	Taxable Assessed Value	Rank	Percent of Total Assessment
Patris Real Estate LLC	\$ 14,920,288	1	1.29%			
The Flagler Resort, LTD	\$ 14,019,438	2	1.21%	\$ 1,205,340	10	0.24%
Sea Wall Motor Lodge, INC	\$ 7,347,605	3	0.63%			
Target Corporation	\$ 7,275,819	4	0.63%			
Patel, Kantibhai M.	\$ 5,987,160	5	0.52%			
The Allegro Senior Housing, LLC	\$ 5,912,062	6	0.51%	5,586,020	1	1.10%
Conch House Builders LLC	\$ 4,360,905	7	0.38%			
Virtu Cathedral Associates	\$ 4,259,857	8	0.37%	2,622,200	9	0.52%
Gates of St. Johns, LLC	\$ 4,255,380	9	0.37%			
Orthopedic Associates Partners	\$ 4,202,096	10	0.36%			
Home Depot USA, Inc.				4,178,530	2	0.82%
University of St. Augustine Health Services				3,331,080	3	0.66%
Carmel-Olympic Associates ETAL				3,182,050	4	0.63%
St. Johns Investors, LTD Part.				2,920,000	5	0.57%
T.W.C. Ninety-Six, LTD				2,770,097	6	0.54%
W.J. Development Corp.				2,740,210	7	0.54%
Salt Water Properties Corp.				2,707,380	8	0.53%
Other Taxpayers	<u>1,088,487,489</u>		<u>93.75%</u>	<u>477,097,897</u>		<u>93.85%</u>
	<u>\$ 1,161,028,099</u>		<u>100.00%</u>	<u>\$ 508,340,804</u>		<u>100.00%</u>

Source: St. Johns County Property Appraiser's Office

Table 8

CITY OF ST. AUGUSTINE, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
September 30, 2009
"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
2000	3,660,054	3,586,904	98.00%	508,340,804	508,341	100%
2001	4,097,483	3,989,576	97.37%	585,379,784	585,380	100%
2002	4,754,492	4,645,101	97.70%	699,229,953	699,230	100%
2003	5,252,238	5,103,867	97.18%	794,404,712	794,405	100%
2004	6,192,544	6,013,301	97.11%	938,264,306	938,264	100%
2005	6,866,997	6,654,994	96.91%	1,040,454,048	1,040,454	100%
2006	8,774,045	8,517,325	97.07%	1,329,400,730	1,329,401	100%
2007	10,869,134	10,548,105	97.05%	1,646,838,435	1,646,838	100%
2008	11,089,670	10,589,450	95.49%	1,637,462,068	1,637,462	100%
2009	11,172,731	10,743,591	96.16%	1,380,398,252	1,380,398	100%

NOTES:

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

Table 9

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, 2009

"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
2000	11,592	508,341	-	-	-	-	-
2001	12,847	585,355	-	-	-	-	-
2002	13,031	699,230	-	-	-	-	-
2003	13,245	794,405	-	-	-	-	-
2004	13,411	938,264	-	-	-	-	-
2005	13,505	1,040,454	-	-	-	-	-
2006	13,702	1,329,401	-	-	-	-	-
2007	13,912	1,646,838	-	-	-	-	-
2008	13,874	1,637,462	-	-	-	-	-
2009	13,663	1,380,398	-	-	-	-	-

NOTES:

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

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

Table 10

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, 2009

"UNAUDITED"

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
2000	176,625	301,698	478,323	11,514,038	4.15
2001	208,126	446,494	654,620	12,678,053	5.16
2002	239,624	585,739	825,363	13,830,087	5.97
2003	247,863	596,351	844,214	15,247,561	5.54
2004	259,426	578,366	837,792	15,523,495	5.40
2005	277,230	1,569,121	1,846,351	16,597,885	11.12
2006	285,605	1,526,056	1,811,661	18,846,625	9.61
2007	297,167	438,764	735,931	21,058,008	3.49
2008	303,813	389,015	692,828	20,932,846	3.31
2009	313,781	390,469	704,250	21,349,627	3.30

Table 11

CITY OF ST. AUGUSTINE, FLORIDA

UTILITY REVENUE BOND COVERAGE

LAST TEN FISCAL YEARS

September 30, 2008"UNAUDITED"

Fiscal Year Ended	Gross Revenue (a)	Operating Expenses (b)	Net Revenue (c)	Debt Service Requirements	Debt Service Coverage
2000	10,211,418	5,524,528	4,686,890	2,805,539	1.67
2001	9,922,536	5,914,349	4,008,187	2,770,326	1.45
2002	9,494,924	6,006,185	3,488,739	2,772,040	1.26
2003	10,136,328	6,363,700	3,772,628	2,775,212	1.36
2004	11,319,398	6,467,225	4,852,173	3,145,464 (d)	1.54
2005	12,778,639	6,565,120	6,213,519	1,609,044 (d) (e)	3.86
2006	14,299,897	7,467,811	6,832,086	3,188,793 (d)	2.14
2007	19,720,962	7,804,057	11,916,905	3,209,541 (d)	3.71
2008	12,515,380	7,233,245	5,282,135	3,234,726 (d)	1.63
2009	12,148,028	7,104,682	5,043,346	3,254,261 (d)	1.55

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.

Table 12

CITY OF ST. AUGUSTINE, FLORIDA

NET DEBT STATEMENT
 Computation of Direct and Overlapping Debt
September 30, 2009
 "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	\$ -	\$ -	\$ -	\$ 13,095,000
Water and Sewer, Revenue Bonds, 2003	-	-	-	12,268,644
Public Service Tax and Guaranteed Entitlement Revenue Refunding and Improvements Bonds, 2001	-	-	10,925,000	-
Capital Improvement & Reserve Refunding Bonds, Series 2004	-	-	21,459,999	-
Total Direct Debt	\$ -	\$ -	\$ 32,384,999	\$ 25,363,644
St. Johns County				
Water and Sewer Revenue Refunding Bonds, Series 2002A	\$ -	\$ -	\$ -	\$ 840,000
Water and Sewer Revenue Bonds, 1991A	-	-	-	22,526,134
Water and Sewer Revenue Refunding Bonds 1998	-	-	-	1,455,000
Water and Sewer, Revenue Refunding Bonds, Series 1996	-	-	-	2,555,000
Water and Sewer, Revenue Refunding Bonds, Series 1999A	-	-	-	4,575,000
Water and Sewer, Revenue Series 2004	-	-	-	30,887,856
Water and Sewer, Revenue Series 2006	-	-	-	42,495,000
Ponte Vedra Water and Sewer, Revenue Bonds, Series 2006	-	-	-	29,570,000
(continued)				

CITY OF ST. AUGUSTINE, FLORIDA

NET DEBT STATEMENT Computation of Direct and Overlapping Debt

September 30, 2009

"UNAUDITED"

(continued)

Direct Debt/ Overlapping Debt	Certificate of Participation	General Obligation Debt	Non-Self Supporting Revenue Bonds	Self Supporting Revenue Bonds
Ponte Vedra Water and Sewer, Revenue Bonds, Series 2007	-	-	-	30,620,000
City of Gulf Breeze, Florida Local Gov't Loan Program, Series 2004	-	-	-	14,235,000
Solid Waste Disposal Revenue Long-Term Note	-	-	-	3,510,000
Capital Improvement Revenue Bonds, Series 2005	-	-	20,000,000	-
Sales Tax Revenue Bonds, Series 2002	-	-	1,845,000	-
Sales Tax Revenue Bonds, Series 2004	-	-	40,445,000	-
Sales Tax Revenue Bonds, Series 2006	-	-	45,040,000	-
Sales Tax Revenue Bonds, Series 2009	-	-	23,120,000	-
Sales Tax Revenue Bonds, Series 2009A	-	-	10,950,000	-
Community Redevelopment Agency Revenue & Refunding Note, 2006	-	-	5,645,000	-
Transportation Improvement Revenue Bonds, 2006	-	-	28,385,000	-
Transportation Improvement Revenue Bonds, 2003	-	-	28,535,000	-
\$30,000,000 Commercial Paper Program	-	-	1,841,000	-
State Revolving Loan Fund Agreement	-	-	4,514,553	834,357
Board of Public Instruction				
Certificate of Participation	138,795,000	-	-	-
General Obligation Bonds, Series, 2003	-	11,985,000	-	-
Total Overlapping Debt	\$ 138,795,000	\$ 11,985,000	\$ 210,320,553	\$ 184,103,347
Total Direct and Overlapping Debt	\$ 138,795,000	\$ 11,985,000	\$ 242,705,552	\$ 209,466,991

(continued)

CITY OF ST. AUGUSTINE, FLORIDA

NET DEBT STATEMENT Computation of Direct and Overlapping Debt September 30, 2009 "UNAUDITED" (continued)

DEBT RATIOS

Direct and Overlapping General Obligation Debt	\$ 11,985,000
Per Capita	\$ 877
As a Percentage of Taxable Assessed Valuation	0.87%
As a Percentage of Total Just Valuation	0.54%
Direct and Overlapping General Obligation and Non-Self Supporting Revenue Debt and Long-Term Notes Payable	\$ 254,690,552
Per Capita	\$ 18,641
As a Percentage of Taxable Assessed Valuation	18.45%
As a Percentage of Total Just Valuation	11.58%

Table 13

CITY OF ST. AUGUSTINE, FLORIDA

COMPUTATION OF LEGAL DEBT MARGIN

September 30, 2009

"UNAUDITED"

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

Table 14

CITY OF ST. AUGUSTINE, FLORIDA

SUMMARY OF PLEDGED FUNDS
Public Service Tax/Guaranteed Entitlement Bonds
September 30, 2009
"UNAUDITED"

Revenue Source	FY 2004/05	FY 2005/06	FY 2006/07	FY 2007/08	FY 2008/09
Public Service Tax					
Electric	\$ 643,310	\$ 596,575	\$ 711,370	\$ 636,610	\$ 643,040
Communication	1,116,999	1,135,339	960,056	894,002	954,119
Gas	82,398	83,375	75,667	71,111	52,513
Fuel Oil	-	-	-	-	-
Total	\$ 1,842,707	\$ 1,815,289	\$ 1,747,093	\$ 1,601,723	\$ 1,649,672
Florida Revenue Sharing					
Revenue Sharing	\$ 558,311	\$ 562,170	\$ 566,485	\$ 557,521	\$ 548,313
Guaranteed Entitlements					
Local Option Gas Tax	\$ 674,952	\$ 648,709	\$ 671,481	\$ 611,697	\$ 504,738
Total	\$ 674,952	\$ 648,709	\$ 671,481	\$ 611,697	\$ 504,738
Total Pledged Funds	\$ 3,075,970	\$ 3,026,168	\$ 2,985,059	\$ 2,770,942	\$ 2,702,723

Table 15

CITY OF ST. AUGUSTINE, FLORIDA

DEMOGRAPHIC STATISTICS

September 30, 2009

"UNAUDITED"

Year	Population		Per Capita Personal Income	Unemployment Rate
	City of St. Augustine	St. Johns County		
2000	11,592	117,596 (est.)	\$ 37,704	2.4%
2001	12,847	123,135 (est.)	\$ 37,414	3.2%
2002	13,031	123,135 (est.)	\$ 37,173	3.8%
2003	13,245	128,396 (est.)	\$ 37,298	3.8%
2004	13,363	141,900 (est.)	\$ 38,316	3.7%
2005	13,505	149,006 (est.)	\$ 41,713	2.9%
2006	13,702	155,014 (est.)	\$ 43,086	2.7%
2007	13,912	167,453 (est.)	\$ 48,283	2.7%
2008	13,874	176,570 (est.)	\$ 51,217	5.5%
2009	13,663	183,244 (est.)	\$ 48,283	8.2%

Year	Population Projection	
	City of St. Augustine	St. Johns County
2010	Not Available	193,400
2015	Not Available	226,100
Avg Household Size:	Not Available	2.506

Source: City of St. Augustine, Planning & Building Department,
St. Johns County Chamber of Commerce

Table 16

CITY OF ST. AUGUSTINE, FLORIDA
MAJOR EMPLOYERS IN THE ST. AUGUSTINE AREA
September 30, 2009
"UNAUDITED"

Establishment	Product	Approximate Employment	
		2008/2009	1999/2000
St. Johns County School Board	Educational	3,422	2,400
Flagler Hospital	Health Care	1,583	1,000
St. Johns County	County Government	1,416	720
US Army National Guard	Florida National Guard HQ	1,300	475
Northrop Grumman	Aircraft Overhaul & Modification	900	1,050
Florida School for the Deaf and Blind	Educational Institution	767	683
Tree of Life	Health Food Distribution	636	350
Flagler College	Four-Year Liberal Arts College	449	180
Ring Power	Heavy Equipment Sales	445	-
City of St. Augustine	Municipal Government	324	321
Carlisle Interconnect Technologies (Tel	Manufacturer	256	245
Hydro Aluminum	Aluminum Fabrication	254	550
Prosperity Bank	Banking	230	-
Casa Monica Hotel	Resort	188	-
Luhrs Corporation	Boat Manufacturing	-	400

Table 17

CITY OF ST. AUGUSTINE, FLORIDA
SUMMARY OF TEN LARGEST WATER CUSTOMERS
September 30, 2009
"UNAUDITED"

Customer	Usage for Fiscal Year Ended September 30, 2009 (in gallons)
City of St. Augustine	40,940,600
Flagler Hospital	39,677,900
St. Johns County	20,975,200
Flagler College	15,992,900
Florida School for the Deaf & Blind	10,801,600
St. Johns County School Board	11,862,000
Grumman of St. Augustine	10,792,400
St. Johns Welfare Federation	8,106,300
Ponce Hospitality	4,731,500
The Allegro at St. Augustine	4,015,600

Source: City of St. Augustine Customer Service Department

Table 18

CITY OF ST. AUGUSTINE, FLORIDA
HISTORICAL UTILITY CUSTOMERS AND SALES OF THE SYSTEM
LAST TEN FISCAL YEARS
September 30, 2009
"UNAUDITED"

Fiscal Year Ended	Water Customers			Sewer Customers		
	Inside City	Outside City	Total	Inside City	Outside City	Total
2000	5,963	2,134	8,097	5,447	866	6,313
2001	6,244	2,266	8,510	5,904	894	6,798
2002	6,243	2,264	8,507	5,824	907	6,731
2003	6,259	2,535	8,794	5,871	1113	6,984
2004	6,307	2,710	9,017	5,901	1336	7,237
2005	6,528	3,169	9,697	6,151	1336	7,487
2006	6,642	3,594	10,236	6,283	1586	7,869
2007	6,741	3,858	10,599	6,651	1859	8,510
2008	7,000	4,058	11,058	6,674	1998	8,672
2009	7,047	4,183	11,230	6,697	2134	8,831

Source: City of St. Augustine Customer Service Department

Water Sales (Thousands of Gallons)		
Inside City	Outside City	Total
615,186	361,662	976,848
811,297	316,509	1,127,806
758,439	295,888	1,054,327
823,610	222,448	1,046,058
662,489	292,573	955,062
577,828	263,281	841,109
529,264	273,470	802,734
572,648	385,139	957,787
596,147	386,930	983,077
513,033	378,125	891,158

Table 19

CITY OF ST. AUGUSTINE, FLORIDA
WATER AND WASTEWATER TREATMENT PLANTS
SUMMARY OF HISTORICAL DAILY FLOWS
September 30, 2009
"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)
2000	3.071	3.215	3.373	5.500
2001	3.202	3.538	4.570	7.690
2002	3.023	3.813	4.519	6.639
2003	3.264	3.767	4.713	6.580
2004	3.923	4.468	4.679	7.367
2005	2.529	3.333	3.788	5.237
2006	3.000	3.400	3.026	4.100
2007	3.560	4.085	3.624	6.016
2008	3.651	4.601	2.995	10.885
2009	3.388	4.119	3.697	9.639

Source: City of St. Augustine Engineering Department

Table 20

CITY OF ST. AUGUSTINE, FLORIDA

WATER AND SEWER UTILITIES
HISTORICAL RATE STRUCTURESSeptember 30, 2009

"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.
2000	Inside City	3,000	14.08	3.83	19.98	5.00
	Outside City	3,000	17.60	4.79	24.97	6.25
2001	Inside City	3,000	13.54	3.72	18.83	4.75
	Outside City	3,000	16.93	4.65	23.54	5.94
2002	Inside City	3,000	13.54	3.72	18.83	4.75
	Outside City	3,000	16.93	4.65	23.54	5.94
2003	Inside City	3,000	13.54	3.72	18.83	4.75
	Outside City	3,000	16.93	4.65	23.54	5.94
2004	Inside City	3,000	13.93	3.83	19.24	4.85
	Outside City	3,000	17.41	4.79	24.05	6.06
2005	Inside City	3,000	13.93	3.83	19.24	4.85
	Outside City	3,000	17.41	4.79	24.05	6.06
2006	Inside City	3,000	14.17	3.90	19.58	4.93
	Outside City	3,000	17.71	4.87	24.47	6.17
2007	Inside City	3,000	14.45	3.98	19.97	5.03
	Outside City	3,000	18.06	4.98	24.96	6.29
2008	Inside City	3,000	14.83	4.08	20.49	5.16
	Outside City	3,000	18.53	5.11	25.61	6.45
2009	Inside City	3,000	15.42	4.24	21.32	5.37
	Outside City	3,000	19.26	5.31	26.64	6.71

Table 21

CITY OF ST. AUGUSTINE, FLORIDA

BUILDING PERMIT ACTIVITY

LAST TEN FISCAL YEARS

(Value in Thousands)

September 30, 2009

"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
2000	26	2	2,676	8,625	2,277	6,402	19,980
2001	46	130	4,515	6,824	NA	-	11,339
2002	29	30	4,469	1,210	NA	-	5,679
2003	35	17	62,034	39,874	3,081	-	104,989
2004	46	116	7,360	9,304	NA	624	17,288
2005	173	-	38,193	5,821	3,670	509	48,193
2006	30	44	7,220	17,340	NA	3,082	27,642
2007	66	8	12,263	13,953	4,854	498	31,568
2008	176	19	8,267	11,536	741	844	21,388
2009	7	1	4,179	4,224	6,812	2,851	18,066

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, 2009

"UNAUDITED"

Fiscal Year	Commercial Construction (a)		Residential Construction (a)		Bank Deposits (b)
	Number of Units	Value	Number of Units	Value	
2000	11	8,625	28	4,952	1,141,915
2001	9	6,824	46	4,515	1,263,829
2002	3	1,210	59	4,469	1,367,288
2003	5	39,875	42	62,034	1,515,643
2004	6	10,800	46	7,360	1,649,973
2005	29	21,600	77	14,400	1,941,518
2006	24	34,622	74	7,220	2,457,165
2007	262	15,184	571	16,414	2,315,423
2008	349	12,469	505	8,919	1,898,151
2009	309	10,023	559	8,043	2,786,112

NOTES:

(a) Planning and Building Division

(b) Deposits for St. Johns County

Source: www.FDIC.gov

(c) Source: St. Johns County Property Appraiser

Table 23

CITY OF ST. AUGUSTINE, FLORIDA

MISCELLANEOUS STATISTICAL DATA

September 30, 2009

"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	45
Utility Customers:	
Water	11,230
Sewer	8,831
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, 2009

"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**

Table 24

CITY OF ST. AUGUSTINE, FLORIDA

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION
LAST FIVE FISCAL YEARSSeptember 30, 2009"UNAUDITED"

FUNCTION	Full-time Equivalent Employees as of September 30,				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental Activities:					
General Government	72	74	82	83	82
Public Safety	96	98	102	100	102.5
Physical Environment	28	30.5	31	29	26
Transportation	13	13	13	13	13
Culture/Recreation	3	3	3	3	3
Business-Type Activities					
Utilities	62.5	65	66.5	62.5	57.5
Stormwater	1	1	1	1	1
Solid Waste	12	12	12	12	12
Municipal Marina	9.5	10.5	10.5	10.5	10.5
Heritage Tourism	34.5	32	32	35	37

Source: City of St. Augustine Human Resources Department

Table 25

CITY OF ST. AUGUSTINE, FLORIDA

Operating Indicators by Function
 LAST FIVE FISCAL YEARS
September 30, 2009
 "UNAUDITED"

FUNCTION	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Police					
Physical Arrests	1,227	1,205	1,094	1,485	1,712
Traffic Violations	5,449	4,976	2,733	3,016	3,862
Calls for Service	41,419	38,469	37,030	35,660	40,175
Parking Violations (includes those issued by Parking Enforcement)	15,677	14,792	19,724	17,528	13,685
Fire					
Number of calls answered	2,889	3,049	3,193	3,081	3,140
Inspections	450	421	465	408	470
Hydrants Flow Tested	16	58	430	67	546
Highways and Streets					
New Street Pavings (miles)	1	-	1	-	-
Sanitation					
Refuse Collected (tons/day)	38.2	40.3	49.5	54.0	58.5
Recyclables Collected (tons/day)	1.0	1.1	1.2	1.3	1.5
Culture and Recreation					
Field Permits Issued	12	11	12	11	14
Plaza Permits Issued	41	49	49	60	56
Other Event Permits Issued	14	15	15	32	36
Water					
New Connections	614	554	484	482	178
Average Daily Consumption (thousands of gallons)	2,529	3,000	3,560	3,651	3,388
Wastewater					
Average Daily Usage (thousands of gallons)	3,788	3,026	3,624	2,995	3,697

Source: Various City Departments

Table 26

CITY OF ST. AUGUSTINE, FLORIDA

Capital Asset Statistics by Function
LAST FIVE FISCAL YEARS
September 30, 2009
"UNAUDITED"

FUNCTION	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Police					
Stations	1	1	1	1	1
Fire					
Stations	2	2	2	2	2
Vehicles	8	8	8	8	8
Boats	0	0	0	1	1
Highways and Streets					
New Streets (Miles)	1	-	1	-	-
Sanitation					
Collection Trucks	4	4	4	4	6
Water					
New Feet of Water Mains Added	39,597	26,037	17,208	67,355	19,864
Fire hydrants	994	999	1,009	1,009	1,034
Maximum Monthly Average Daily Flow (thousands of gallons)	3,333	3,400	4,085	4,051	4,119
Wastewater					
New Feet of Sanitary Sewer Added	50,604	27,165	10,468	70,275	35,702
New Feet of Storm Sewers Added	-	-	-	-	-
Maximum Monthly Average Daily Flow (thousands of gallons)	5,237	4,100	6,016	10,885	9,639

Source: Various City Departments

Compliance Section

This Section Contains the Following:

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
*Government Auditing Standards***

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

Schedule of Findings and Questioned Costs

Management Letter

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members
of the City Commission
Mr. William Harriss, 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, 2009, which collectively comprise the City of St. Augustine, Florida's basic financial statements and have issued our report thereon dated March 17, 2010. 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. William Harriss, City Manager
City of St. Augustine, Florida
St. Augustine, Florida
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accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of St. Augustine, Florida's financial statements that is more than inconsequential will not be prevented or detected by the City of St. Augustine, Florida's internal control.

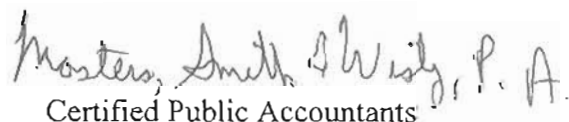
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of St. Augustine's internal control.

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

Compliance

As part of obtaining reasonable assurance about whether the City of St. Augustine, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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


Certified Public Accountants

March 17, 2010

**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. William Harriss, 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, 2009. 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, 2009.

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

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

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

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

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

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


Certified Public Accountants

March 17, 2010

CITY OF ST. AUGUSTINE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2009

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.

Alcazar Window Grant 45.032

Dollar threshold used to distinguish Type A and Type B programs

<u>Federal</u>	<u>State</u>
N/A	\$ 300,000

Auditee qualified as low-risk auditee pursuant to OMB Circular A-133

No

(continued)

CITY OF ST. AUGUSTINE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2009

(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. William Harriss, 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, 2009, and have issued our report thereon dated March 17, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our report on internal control over financial reporting and compliance and other matters, report on compliance with requirements applicable to each major state project and on internal control over compliance, and schedule of findings and questioned costs. Disclosures in those reports, which are dated March 17, 2010, should be considered in conjunction with this management letter.

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

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

**Honorable Mayor and Members
of the City Commission
Mr. William Harriss, City Manager
City of St. Augustine, Florida
St. Augustine, Florida
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- Section 10.554(1)(i)3, Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4, Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5, Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that inconsequential to the determination of financial statement amounts, considering both the quantitative and qualitative factors: (1) violation of laws, regulation. contracts or grant agreements, or abuse that have occurred, or were likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of , the auditors. In connection with our audit, we did not have any findings.
- Section 10.554(1)(i)6, Rules of the Auditor General requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information is disclosed in the notes to the financial statements.
- Section 10.554(1)(i)7.(a), Rules of the Auditor General, requires a statement to be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.(b), Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2009, 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, 2009. In connection with our audit, we determined that these two reports were in agreement.

**Honorable Mayor and Members
of the City Commission
Mr. William Harriss, City Manager
City of St. Augustine, Florida
St. Augustine, Florida
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- Pursuant to Sections 10.554(1)(i)7(c) and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Master Smith & Wist, P. A.
Certified Public Accountants

March 17, 2010

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