

# Comprehensive Annual Financial Report

Fiscal Year Dated September 30, 2012



CITY OF ST. AUGUSTINE, FLORIDA

Throughout 2013, 500 years of history will be celebrated with a series of commemorative events along Florida's Historic Coast – an area that witnessed Juan Ponce de Leon's discovery of Florida and is home to the oldest continuous European settlement in the United States.

Located midway between Jacksonville and Daytona, Florida's Historic Coast remains the only documented location for Juan Ponce de Leon's 1513 voyage of discovery – a voyage that made him the first European to set foot on the shores of what would become the United States (and provided him with the opportunity to name his discovery La Florida).

The only surviving navigational fix from the momentous voyage was taken by his renowned navigator, Anton de Alaminos, at noon on April 2, 1513. It showed his fleet was just off shore from his newly-named La Florida at a position of 30 degrees 8 minutes north latitude. That position is north of today's St. Augustine and just south of Ponte Vedra Beach. Although the exact location of the historic landing is not known, the most contemporary account of the expedition shows that Ponce and his crew came ashore the next day to plant the flag of Spain.

The second major historical landing on Florida's Historic Coast took place on September 8, 1565, when Admiral Pedro Menendez de Aviles came ashore to found the city of St. Augustine as a Spanish military base. Every day since then, there have been people of European descent living and working in St. Augustine.

# **City of St. Augustine, Florida**

## **Comprehensive Annual Financial Report Fiscal Year Ended September 30, 2012**

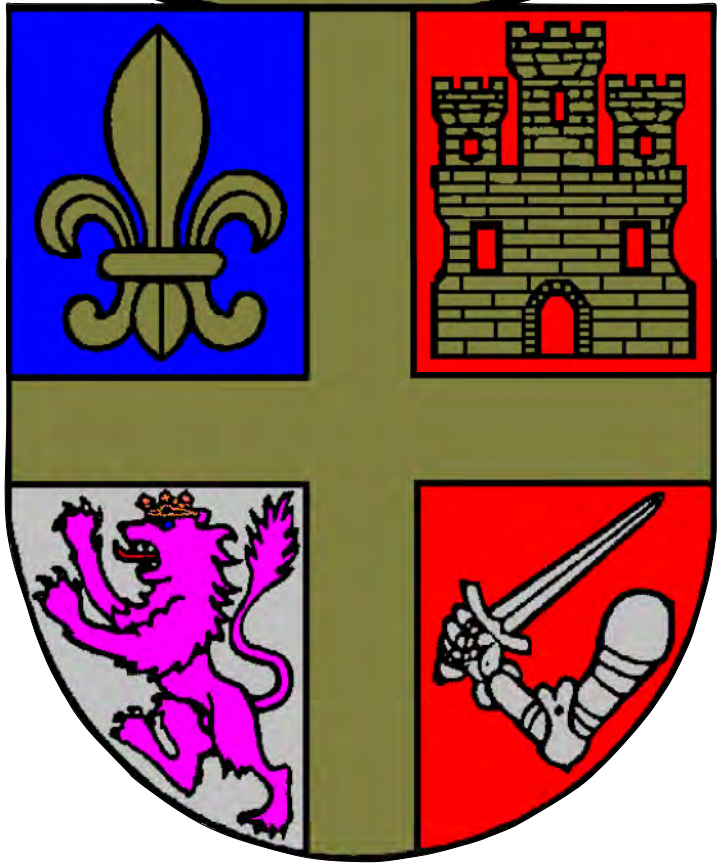
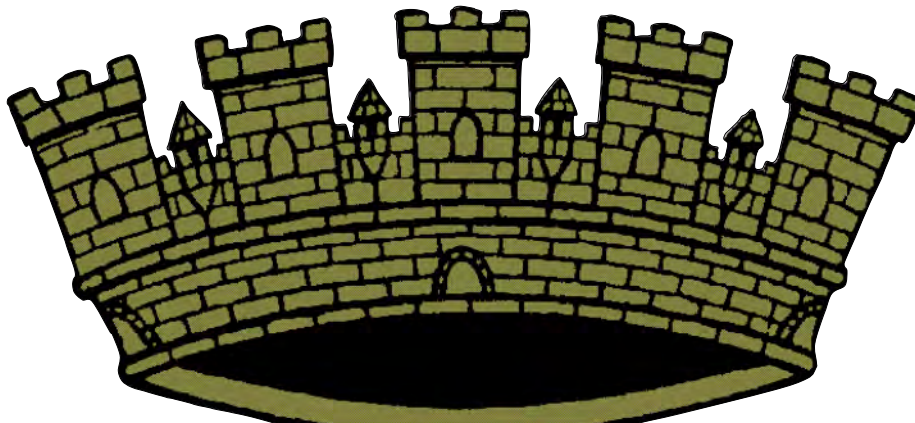
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City Comptroller

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**CITY OF ST. AUGUSTINE, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Year Ended September 30, 2012**

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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 28, 2013

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, 2012, 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.

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**GOVERNMENT PROFILE**

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

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

Florida, with St. Augustine as the capital of East Florida, maintained its territorial status until 1845 when it was admitted to the United States as the 27th state. St. Augustine was briefly under the Confederate flag when Florida seceded from the Union in 1861, but the City was captured by Union forces early during the War Between the States and was occupied during most of the hostilities.

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

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

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



**City of St. Augustine, Florida**  
**Letter of Transmittal**

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The City budget process begins in May and concludes in September with two public hearings. The budgets are prepared by each department and submitted to the budget committee for review. Once the budget is balanced and adopted by the Commission the departments may transfer resources within their own departments as needed and with approval. The legal level of control for budget variations is at the fund level. However, actual spending can exceed the appropriated amount of the fund to the extent revenues exceed the fund's budget.

**ECONOMIC CONDITIONS AND OUTLOOK**

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

Founded by the Spanish 447 years ago, St. Augustine's historical and resort attractions draw millions of visitors every year. Tourism is responsible for over \$700 million annually and 11,350 jobs for St. Johns County. It is estimated over 3 million tourists visit St. Johns County annually with St. Augustine being the principal attraction. St. Johns County estimates that many of these people visit and return home the same day. This type of tourism, short-term and daily visitors, is less affected by downturns in the economy and may even see an increase as people avoid popular high-priced venues.

Reflective of many communities across the state of Florida, the City's revenues have decreased due to the economy, falling real estate values and stagnant new construction. Officials expect ad valorem tax revenues to stabilize and begin to see growth due to new construction and renovation activity. As of January 2013, the City's total taxable value (non-certified) is \$1,072,865,826. This is an increase of 0.8% over last year's adjusted taxable value.

**MAJOR INITIATIVES/PROGRAMS**

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

**450<sup>th</sup> Commemoration**

The St. Augustine 450<sup>th</sup> Commemoration began its three-year linear run (2013 – 2015) in February 2013 with the public opening of *Picasso: Art & Arena*, an exhibition developed in collaboration with the Picasso Foundation/Casa Natal in Malaga, Spain. To date, the show has drawn over 10,000 visitors through a paid-ticket system, free programs for St. Johns County schools, college students and faculty, and special events. Revenues from ticketing and retail systems are exceeding projections. Some 250 million media impressions have been generated for

**City of St. Augustine, Florida**  
**Letter of Transmittal**

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Picasso through the 450<sup>th</sup> marketing and promotions partners, the Visitors and Conventions Bureau (VCB), the Tourist Development Council (TDC) and the St. Johns County Cultural Council.

The Picasso exhibition is in keeping with the general 450<sup>th</sup> strategy to achieve two overarching objectives: destination awareness in telling the important role St. Augustine played in the development of America, and economic development through sustainable tourism.

Events planned for 2013 are designed to meet these goals including the Ponce de Leon 500<sup>th</sup> Anniversary Commemorative events in April: Florida Cabinet meeting in St. Augustine, the U.S. Postal Service's unveiling of the commemorative La Florida stamp for the 500<sup>th</sup>, and the gifting of Ponce de Leon birthplace Baptismal Font to the City and the Cathedral Basilica from Santervas de Campos, Spain.

Other events include, the Nao Victoria Galleon tall ship program at the St. Augustine City Marina, the Ancient City Mosaic exhibition of 450 works of art and expressions of the City's history and culture, the Spanish Food & Wine Festival, Stanley Paris' *World Record Round-The-World Voyage* and digital video interaction with school students, the *New World in the Eyes of Explorers* exhibition, and the Mumford & Sons *Gentlemen of the Road Tour* concert.

Mumford & Sons, as an example, immediately elevated the visibility of St. Augustine worldwide after the band announced the City as a tour stop, and subsequently won Grammy awards. Tickets for the event sold out in one day and hotels, motels, bed & breakfast inns and other lodging sold out in a week. The event takes place in what is historically the slowest time of St. Augustine's tourism season, so economic impact from this event is profound.

Planning and program development continues for the signature years of 2014 and 2015 through the 450<sup>th</sup> offices. Collaborations with the National Museum of the American Indian, the National Park Foundation, the American Latino Heritage Awareness initiative, the 450<sup>th</sup> Federal Commission, "Viva Florida," and "Visit Florida" among other agencies, institutions and organizations are underway.

**Capital Improvement Bond Series 2011**

***Riberia Street Improvements***

During 2012, construction was completed on Phase I of Riberia Street Improvement (King Street to Bridge Street). The project was completed on schedule and within budget. Phase II of the Riberia Street Improvement (Bridge Street to Cerro Street) is over 50% complete with a target completion of summer 2013. This phase is also on schedule and within budget. This project consisted of two lane full depth reconstruction, a new storm drainage system, curb and gutters, sidewalk and new water and sewer pipelines.

### *Utility Improvements*

With proceeds from the 2011 Bond Issue, the City is concentrating on infrastructure repair and replacement; in particular the sewer collection and water distribution systems. The City installed close to two miles of water main replacements in 2011. Sewer system collection repairs/replacements to replace two major lift stations, located on Anastasia Island, were substantially completed with minor manhole refurbishments still underway. With these improvements, the City is reducing costs associated with treatment plant flows. Resources will also be focused towards neighborhood water main replacements in areas where old water mains are reaching service life and exhibiting water quality or water pressure issues. Designs are substantially complete and construction is soon to be underway in a number of streets in the Linconville, Lighthouse Park and Palmer Street areas. Additionally, the Bond will fund a new outfall for the reverse osmosis concentrate into the Sebastian River. Permits for the discharge were awarded and construction design and permitting is currently underway. Construction is anticipated to begin by the end of FY 2013. The benefit of this project will allow moving the concentrate disposal from the Wastewater Treatment Plant and into a surface water body, thus reducing wastewater treatment flows by 300,000 gallons per day.

### *Municipal Marina Breakwater System*

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

A major improvement initiative on the floating dock system commenced in September 2006, with the awarding of a contract to design and engineer a breakwater system located on the north of the current marina. This system will not only help protect the docks from strong winds and tides, but will also add approximately 44 smaller slips to the Marina's inventory. This project began in January of 2012 with the dredging of the Marina. The breakwater construction began in October 2012 and will be complete in April 2013.

### **Water and Sewer Revenue Refunding Bonds, Series 2012**

The City's refinance of the Water and Sewer Revenue Bonds, Series 2003 in December 2012 resulted in \$4,500,000 in new monies for certain capital improvements to the City's water and sewer system. These proceeds are being placed directly toward replacement of aging metal pipes in the distribution system. These water main replacement projects began in January 2013 and will continue through November 2014.

## **Capital Improvement Refunding Revenue Bonds, Series 2013**

The City's refinance of the Capital Improvement and Refunding Revenue Bonds, Series 2004 in February 2013 resulted in \$2,000,000 in new monies for various capital projects including improvements to the Historic Downtown Parking Facility and other municipal capital improvement projects to City facilities and infrastructure.

### **Water and Sewer Infrastructure Improvements**

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

Improvements to the sewer collection and water transmission system continue under an on-going program of replacements and upgrades.

During 2011, a new force main under the San Sebastian River was installed replacing an aging line that was vulnerable to breaks. This work was completed in 2012. With the completion of this project, the Florida Department of Environmental Protection (FDEP) lifted its consent order against the City resulting from a 2009 leak in the old pipeline. The City is no longer under any FDEP consent orders. Lift station maintenance, to include improved motor controls and communications, continues to be a high priority.

In addition to the capital improvement bonds, the City is utilizing operating, and renewal and replacement funding to manage smaller projects that help improve the maintenance and operability of the system. Projects include hydrant maintenance, flushing maintenance, the assessment of valve conditions and the location and performance of unidirectional flushing. These projects will improve the reliability of the system and keep the system flushed, reducing occurrences of sediment or color in the distribution system.

### **Stormwater Infrastructure Improvements**

An update to the City's Stormwater Master Plan is underway with a scheduled completion of December 2013. It has been over 20 years since the plan had been updated. Along with the plan, a review of the utility rate structure is underway. The final master plan is expected to identify a series of pilot projects to complete. Preliminary target areas for improvement are the Treasury Street outfall, Oyster Creek watershed and the Lake Maria Sanchez watershed. A stormwater advisory committee has been formed by local business and community leaders to assist the City with recommendations to address stormwater issues.

### **Riberia Street Bank Stabilization (Riberia Pointe)**

The Riberia Street Bank Stabilization (Riberia Pointe) was completed in 2011 and was released from all FDEP permit obligations in November 2012. The City continues to look for development opportunities for Riberia Pointe.

### **Salt Run Dredging**

The City, in conjunction with the St. Augustine Port, Waterway & Beach District (SAPWBD) and the Florida Inland Navigation District (FIND), has been working on a multiple phased dredging project in Salt Run. Phase 3, totaling \$280,000, was just completed and removed more than 15,000 cubic yards of material from the Conch House Marina to the Lighthouse Boat Ramp. The City has entered into another inter-local agreement with the SAPWBD, with the City applying for a \$210,000 FIND grant, to begin Phase 4 of this project, which will begin in the winter of 2014.

### **San Sebastian River Dredging**

The City, partnering with the SAPWBD, has received all of the permits needed to dredge the San Sebastian River, and is currently waiting on a funding source to proceed further with this project. For Phase 1, the SAPWBD has agreed to contribute \$100,000 while the City is applying to FIND for an additional \$100,000 in grant money. The entire dredging project should take 3-4 years to complete, removing a total of 38,000 cubic yards of dredge material.

### **Sea Wall Project**

The City's Avenida Menendez Seawall, located south of the Bridge of Lions, extends approximately 1,200 feet south of the City Marina to the National Guard Headquarters adjacent to St. Francis Street. The seawall is over 170 years old and has been damaged numerous times during nor'easters and hurricane events. It is constructed of coquina and its ability to protect the City's bayfront from storms, flooding and high-tide events is compromised both by its design and degradation over the years.

Tropical Storm Faye's (2008) additional damage opened the door for qualification for the Federal Emergency Management Agency's (FEMA) Flood Mitigation Assistance Grant program. This program allowed the agency to award a grant for the project to the Florida Department of Emergency Management (FDEM), who in turn made the funding available to the City in 2011. The City has been awarded \$4.743 million (75% matching grant) in federal funding to construct a new seawall located 12-feet water-ward of the existing wall, encapsulate and protect the historic structure and construct a new 12-foot sidewalk promenade. The construction began in April 2012 and is expected to be completed by August 2013.

### **A1A Safety Improvement**

In fiscal year 2012, the final phases of the safety improvements along State Road A1A, near the Castillo de San Marcos, and funded via a congressional earmark, were substantially completed. These improvements included the reconstruction of Fort Alley with a coquina concrete finish, a new signalized pedestrian crossing at Fort Alley that is 16 feet wide and constructed with historic street brick pavers, the widening of the crossing to the Castillo de San Marcos to 16 feet and reconstruction of the crossing with historic street brick pavers, a new sidewalk in front of the Castillo de San Marcos with new, historic street lighting, and upgrading the pedestrian crossings to the Castillo de San Marcos to be ADA compliant. Additionally, the City has recently been awarded a planning and implementation Transit-in-Parks grant to further enhance pedestrian movement in the downtown area around the Castillo de San Marcos.

### **Radio System Conversion**

The FCC mandated that all users on the VHF channel 150 spectrum convert to narrow banding by January 1, 2013. At that time, the public safety officials of the City of St. Augustine and St. Johns County decided to migrate toward the 800 MHz P25 system in order to provide emergency personnel with advanced coverage, reliability, and interoperability with multiple agencies and jurisdictions.

The St. Johns County Commission agreed and approved the construction of the P25 system, which included 11 antennae sites throughout the county that were built to withstand a category 5 hurricane. The construction began two years ago and is now complete. The complete system, including radios for public safety personnel in the City and County, was purchased through a St. Johns County Bond. The cutover commenced in March 2013.

The City had the choice to convert the entire system over to narrow banding or switch over to the 800 MHz P25 system and have interoperability with public safety personnel. The City Commission agreed with this fundamental idea and approved the appropriation of a one-time withdrawal from reserves to cover the cost of the upgrade to the 800 MHz P25 system.

### **Galimore Swimming Pool**

The City of St. Augustine has decided to remove the old pool at the Willie Galimore center and replace it with a brand new community pool with 5 lap lanes. The pool will be open each year from Memorial Day weekend through Labor Day and will be operated by the YMCA. Other improvements planned for the center include adding a catering kitchen and storage room to the north side of the large meeting room, improving the lighting and acoustics in that room, and adding a sizeable window that overlooks the new swimming pool. These additional renovations will start in August of 2013 and be complete by November 2013.

## **Colonial Spanish Quarter**

On January 27, 2012, the City of St. Augustine and the University of Florida (UF) issued an Invitation to Negotiate to solicit written proposals from qualified firms or individuals interested in entering into a public/private partnership with the City and UF to manage, operate, maintain, develop and commercially enhance the Colonial Spanish Quarter (the “Quarter”).

Located at 33 St. George Street, the Quarter is a two-block living history museum which includes 15 buildings ranging from a two-story colonial period house to a thatched “choza”, a retail store, a period tavern and centrally located restrooms. While the Quarter properties are owned by the State of Florida, UF is the managing agency for the State, meaning that the University has use of the property and is responsible for its use, maintenance, and operations. The City and UF’s principal objective was to develop a viable public/private partnership to successfully operate the Quarter while continuing its designation as the official signature interpretive program in the downtown historic district.

Following the negotiation process, the public/private partnership was memorialized by a contract between UF and Colonial Quarter, LLC in June, 2012 with the new private partner assuming all operations as of July 1, 2012.

The scope of the contract includes renovation, management and operation of all current resources of the Quarter including retail operations and the tavern(s) on the basis of profit/loss with a commission to be paid to the University. As a result of this contract, the City no longer bears the expense of staffing and managing the Quarter or of maintaining the public restroom facilities located on St. George Street, adjacent to the Quarter

## **Visitor Information Center (VIC) Renovations**

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

## **Economic Development**

### *Historic Downtown*

The historic downtown of the City has continued to experience positive development activity. New construction at 1 St. George Street has begun and is anticipated to continue

over the next two years, providing for a relatively large commercial complex at the north end of the historic downtown area.

Numerous buildings have been renovated in the historic downtown area this past year, providing homes for new businesses such as MoJo's Bar-B-Q, which is now located in a large building that sat vacant for many years. Six commercial buildings are scheduled for total redevelopment along the southern section of Spanish Street and along the bayfront. Flagler College has also been active in the historic downtown area constructing a new administration building and preparing for the construction of a new communications center. Currently, very few empty spaces exist in the historic downtown area.

### ***San Sebastian Project and Distillery***

The San Sebastian project is currently bank owned, post foreclosure, and has a lot of interest by the development community. If placed on the market, this could generate further development opportunities in the near future. In addition, the old ice plant building, located south of the San Sebastian project, which has sat vacant for many years, is currently under construction and renovation for the development of a distillery, retail space and restaurant with bar, demonstrating the viability of the area.

### ***Lincolnton Development Activity***

Prior to the recession, numerous people invested in the Lincolnton area anticipating that the area would transition into a historic area near the downtown core and become the trendy place to live. Property values in Lincolnton became overinflated and collapsed during the recession, leaving numerous properties boarded up and under attended. This past year, however, Lincolnton has experienced the construction of a several new homes with a number of older homes being renovated. The City Commission initiated a Community Redevelopment Area for the Lincolnton neighborhood with anticipation that the property values in the area will increase. The Lift Up Lincolnton initiative of the City may be the kick-start of the once anticipated transition for the Lincolnton area.

### ***Anastasia Island***

Projects on Anastasia Island include the construction of a new Mellow Mushroom restaurant, the proposed expansion of the Alligator Farm across Old Quarry Road for a popular zip line adventure feature, and a few commercial redevelopment projects.

### ***State Road 312 Corridor***

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



***Islander Townhomes***

The one-time condominium project, converted to townhome project, has been completely permitted. All 72 residential units will be completed and occupied within a matter of months.

***Plantation Island Drive South (PIDS)***

This commercial corridor is actively being pursued for development. A commercial building, completed and never occupied, is being totally redeveloped for a medical laboratory, and a three-unit commercial building, with a pharmacy. In addition, a medical complex and strip commercial center along PIDS are in the preliminary planning stages.

***U.S. 1/Lewis Speedway***

Projects in the U.S. 1/Lewis Speedway area are some of the most active projects in the City with regard to permitting.

***Flagler Development (Flagler Crossing)***

With the increase in development activity in the general area of the St. Johns County Courthouse, it is anticipated that Flagler Crossing and associated developments, as permitted before the recession, will begin to see activity.

***Madeira***

Madeira is a 750 unit residential development, with companion commercial development along U.S. 1 that has experienced recent activity with regard to the residential portion of the project. Over the past year, two national builders have been constructing homes and there currently there are approximately 20 new homes under construction or that have been recently completed. Continued development activity is anticipated.

***Old Sebastian Point***

This 80 unit residential development off Lewis Speedway was one of the first residential developments to surface from the foreclosure market. Currently, approximately 30 homes have been constructed with others being prepared for permitting. Given the growth experienced in the project over the past year, it is not unreasonable to expect that the development could be fully permitted and developed within the next three years, adding an additional 80 residential units to the tax base.

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## **CHALLENGES AND CONCERNS**

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

### **Budget and Growth Concerns**

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

### **Utility and Stormwater Infrastructure**

In the second half of 2012, the City saw an increase in permit applications for utility connections and construction in general. These projects are a combination of redevelopment/remodeling and many inquiries of new subdivision. Based on the money being invested in development projects and new construction starts, the City is encouraged that the economy is beginning to recover.

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

In 2012, the City received a 50/50 cost share award from the St. Johns River Water Management District for water conservation and began work on this project. The project includes updating the City's antiquated utility billing system and integrating the billing/metering data with the Utility's Geographic Information System. Once the water demand is geographically based, the City will be better positioned for evaluating usage, finding losses, and exploring rate structures that encourage conservation.

### **West Augustine Community Redevelopment Area (CRA)**

The West Augustine CRA is located within the City's Utility Service Area. During FY2009/10, the City and St. Johns County entered into an Inter-local Agreement to address concerns made by the CRA to provide sewer expansion. To fulfill the City's role in the Inter-local Agreement, in 2010 the City completed the West Augustine Master Sewer Plan. The Master Plan identified \$15 million of improvements that would provide sewer to all areas of the CRA.

Another provision of the Inter-local Agreement is to find financing mechanisms that will fund the sewer expansion, and address and solve the connection fee policy issue. Work is continuing between both agencies towards developing strategies to fund sewer expansion and to address connection fees to provide economic development to the blighted CRA.

**City of St. Augustine, Florida**  
**Letter of Transmittal**

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Such mechanisms include applications for grants or low cost loans with Community Development Block Grants (CDBG), State Revolving Loan Fund (SRF) and USDA Rural Small Community Grants. In 2011, the City applied for and received pre-construction funding from the Florida Department of Environmental Protection State Revolving Loan Fund for \$1.86 million. Contracts were issued to Black & Veatch consultants to prepare the preconstruction documents and facilities plan required by the FDEP prior to moving into final design and construction phases. As of end of FY12, the consultant was 75% complete with the facilities plan. The City and County, through this pre-construction process will continue to work toward resolving a connection policy.

**Pedestrian Way-Finding and Bicycle Safety**

Downtown St. Augustine draws millions of visitors each year and is primarily oriented towards pedestrians. The North Florida Transportation Planning Organization (TPO), the Paul S. Sarbanes “Transit in Parks” grant program, and the TPO funded St. Augustine Mobility Institute have worked on various plans to enhance pedestrian and bicycle movement.

One way that the City plans to enhance this movement is with the use of a pedestrian way-finding system. Funds from the Capital Improvement Bond Series 2011 will be used for this implementation which is scheduled to begin in the upcoming fiscal year.

The North Florida TPO has produced a Bicycle Plan that the City is also in the process of implementing. The addition of bicycle racks throughout the City, shared-lane markings, or “sharrows”, and the education of motorists, bicyclists and pedestrians are some of the ways that the City hopes to raise awareness and facilitate safe movement in and through downtown.

**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.

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**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, 2012, for the City are as follows:

<b>Outstanding Bond Issue</b>	<b>Balance</b>
Water and Sewer Revenue, 2005	\$ 6,415,000
Water and Sewer Revenue, 2003	14,093,831
Public Service Tax and Guaranteed Entitlement, 2011B	10,010,000
Public Service Tax and Guaranteed Entitlement, 2004	20,510,000
Public Service Tax and Guaranteed Entitlement, 2011	16,215,000
<b>Total Outstanding Bond Issues</b>	<b>\$ 67,243,831</b>

The table below shows the City’s debt service coverage for the Utility Fund for the year ended September 30, 2012.

<b>Fiscal Year Ended</b>	<b>Gross Revenue</b>	<b>Operating Expenses</b>	<b>Net Revenue</b>	<b>Debt Service Requirements</b>	<b>Debt Service Coverage</b>
2012	12,293,699	7,586,408	4,707,291	3,344,052	1.41

**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, 2011. This is the 20<sup>th</sup> consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement

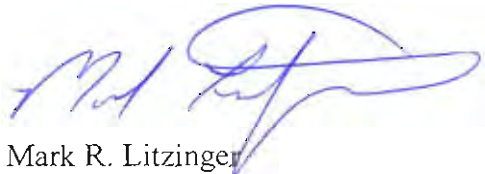
Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

**ACKNOWLEDGEMENTS**

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

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

Respectfully submitted,



Mark R. Litzinger  
City Comptroller

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of St. Augustine  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2011

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.



*Christopher P. Morinell*

President

*Jeffrey R. Emer*

Executive Director

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# **Principal City Officials**



# City of St. Augustine

## **Comprehensive Annual Financial Report For the Year Ended September 30th, 2012**

### **Principal City Officials**

#### **City Commission**

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

#### **City Staff**

City Manager.....	John Regan
City Attorney.....	Ronald Brown
City Clerk.....	Alison Ratkovic
Assistant City Manager.....	Timothy Burchfield
City Comptroller.....	Mark Litzinger
Police Chief.....	Loran Lueders
Fire Chief.....	Michael Arnold
Director, General Services.....	James Piggott
Director, Planning & Building.....	Mark Knight
Director, Public Affairs.....	Paul Williamson
Director, Public Works.....	Martha Graham
Director, St. Augustine 450th Commemoration.....	Dana Ste Claire

### **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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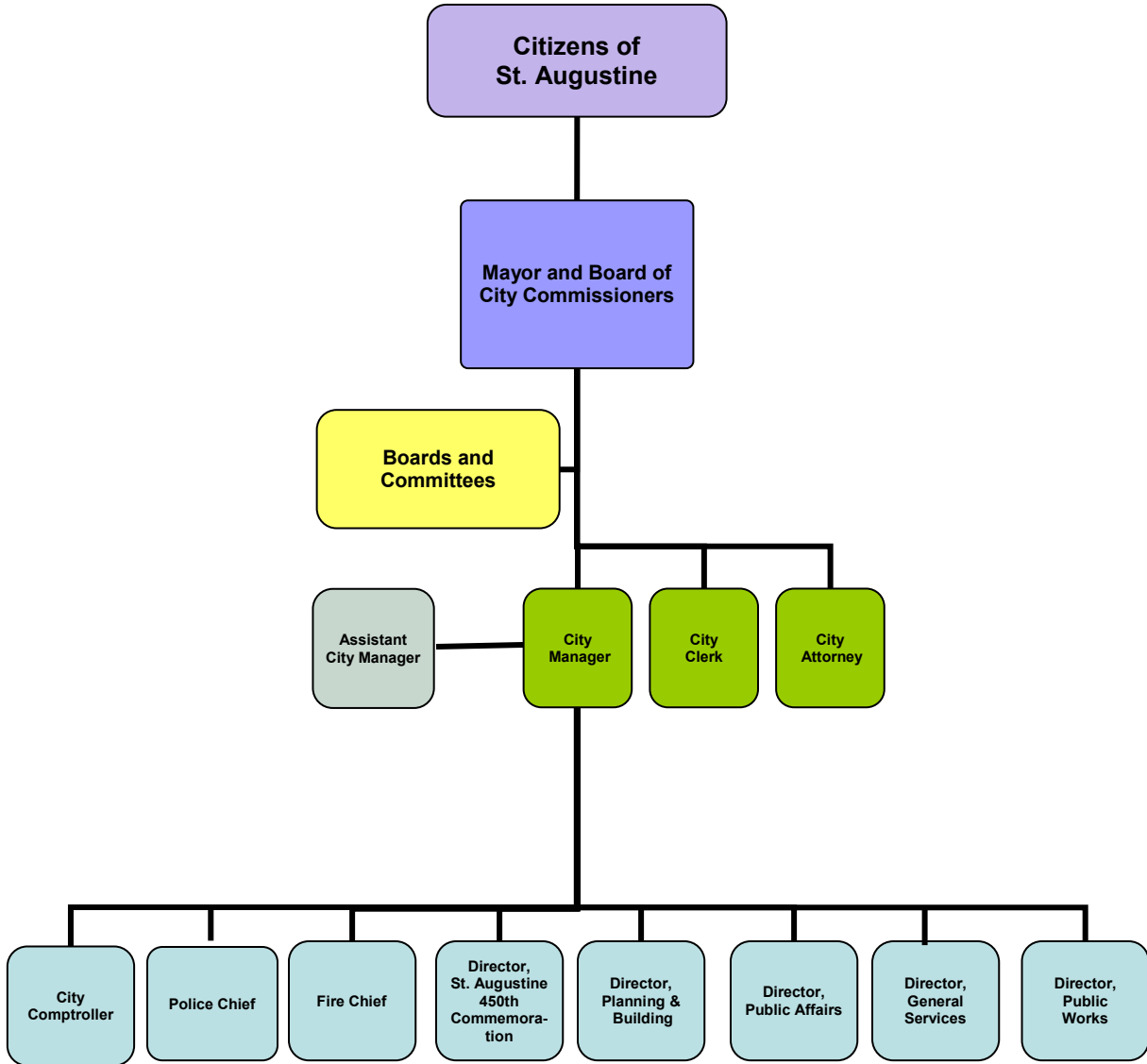
# **Organizational Chart**



# City of St. Augustine

## Comprehensive Annual Financial Report For the Year Ended September 30th, 2012

### 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**

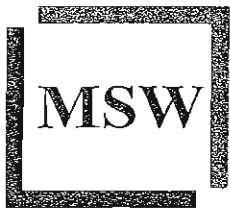
**Combining Statements**

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



# **Independent Auditors' Report**





**Masters, Smith & Wisby, P.A.**  
ACCOUNTANTS & BUSINESS ADVISORS

Steven D. Rawlins, CPA  
Gary M. Huggett, CPA  
Jeffrey F. Scales, CPA  
Jeffrey M. Jacobs, CPA

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Augustine, Florida, (the City) as of and for the year September 30, 2012, 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's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an

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

audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining financial statements and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining financial statements and the schedule of expenditures of federal awards and state financial assistance is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Mostey, Smith & Wisly, P.A.*  
Certified Public Accountants

March 29, 2013

# **Management Discussion & Analysis**





## Management Discussion and Analysis

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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 43.

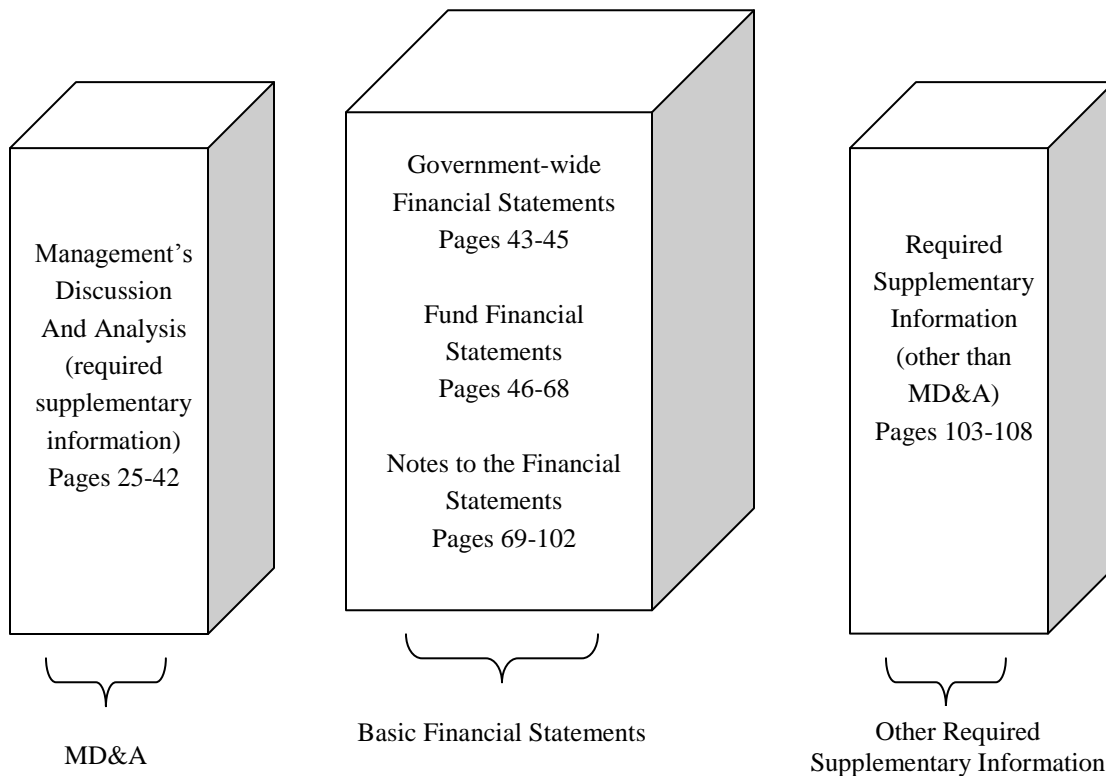
### Financial Highlights

- The City's assets at the close of the most recent fiscal year exceeded its liabilities (reported as net assets) by \$91,242,931. Of this amount, \$20,438,985 (unrestricted net assets) can be used to meet the government's ongoing obligations to citizens and creditors. The City's net assets increased by \$3,459,621 (or 3.94%) from the previous year, as restated.
- Governmental net assets decreased by \$86,241 (or 0.32%) for the current fiscal year and governmental unrestricted net assets were equal to \$10,209,941.
- Business-type net assets increased by \$3,545,862 (or 5.85%). Business-type unrestricted net assets were equal to \$10,229,044.
- The governmental fund activities revenue increased by \$964,359 (or 14.045%). The current year's activities produced a decrease in net assets of \$86,241 compared to the previous year's decrease of \$1,420,870.
- The business-type activities operating revenue increased by \$2,281,811 (or 10.36%). Capital Grants and Contributions account for majority of this increase. The current year's activities produced an increase in net assets of \$3,545,862 compared to the previous year's increase of \$2,430,298.
- The City's total debt decreased by a net \$2,063,137 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 43-45 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.

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**City of St. Augustine, Florida  
Management Discussion and Analysis  
For the year ended September 30, 2012**

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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 Visitor Information Center 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 \$91,242,931 as of September 30, 2012. A portion of the City's net assets of \$63,035,714 (or 68.36%), 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.

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**City of St. Augustine, Florida**  
**Management Discussion and Analysis**  
**For the year ended September 30, 2012**

Restricted net assets of the City in the amount of \$7,768,232 are reported in both governmental and business-type activities. These net assets have limits on their use that are externally imposed.

Unrestricted net assets of the City in the amount of \$21,100,296 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.

**Summary of Net Assets as of September 30th, 2012, with comparative data for 2011**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 27,809,741	\$ 28,589,959	\$ 16,481,643	\$ 18,604,824	\$ 44,291,384	\$ 47,194,783
Capital Assets	25,303,561	24,552,591	96,138,997	90,694,540	121,442,558	115,247,131
<b>Total Assets</b>	<b>53,113,302</b>	<b>53,142,550</b>	<b>112,620,640</b>	<b>109,299,364</b>	<b>165,733,942</b>	<b>162,441,914</b>
Current and Other Liabilities	2,906,159	2,764,388 *	4,341,021	2,587,248	7,247,180	5,351,636 *
Long-term Debt Outstanding	23,120,355	23,205,133	44,123,476	46,101,835	67,243,831	69,306,968
<b>Total Liabilities</b>	<b>26,026,514</b>	<b>25,969,521 *</b>	<b>48,464,497</b>	<b>48,689,083</b>	<b>74,491,011</b>	<b>74,658,604 *</b>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	11,255,991	15,080,613 *	51,779,723	48,685,820	63,035,714	63,766,433
Restricted	5,620,856	741,252	2,147,376	2,866,119	7,768,232	3,607,371
Unrestricted	10,209,941	11,351,164 *	10,229,044	9,058,342	20,438,985	20,409,506 *
<b>Total Net Assets</b>	<b>\$ 27,086,788</b>	<b>\$ 27,173,029 *</b>	<b>\$ 64,156,143</b>	<b>\$ 60,610,281</b>	<b>\$ 91,242,931</b>	<b>\$ 87,783,310 *</b>

\* As restated, see Footnote below.

\* The City restated its 2011 Current and Other Liabilities, Total Liabilities, Net Assets Invested in Capital Assets, Net of Related Debt and Total Net Assets for Governmental Activities to correct an error in the amount of Deferred Charges—Deceased Bond Cost that was reported. See Note 12 in the Notes to the Financial Statements.

**City of St. Augustine, Florida**  
**Management Discussion and Analysis**  
**For the year ended September 30, 2012**

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

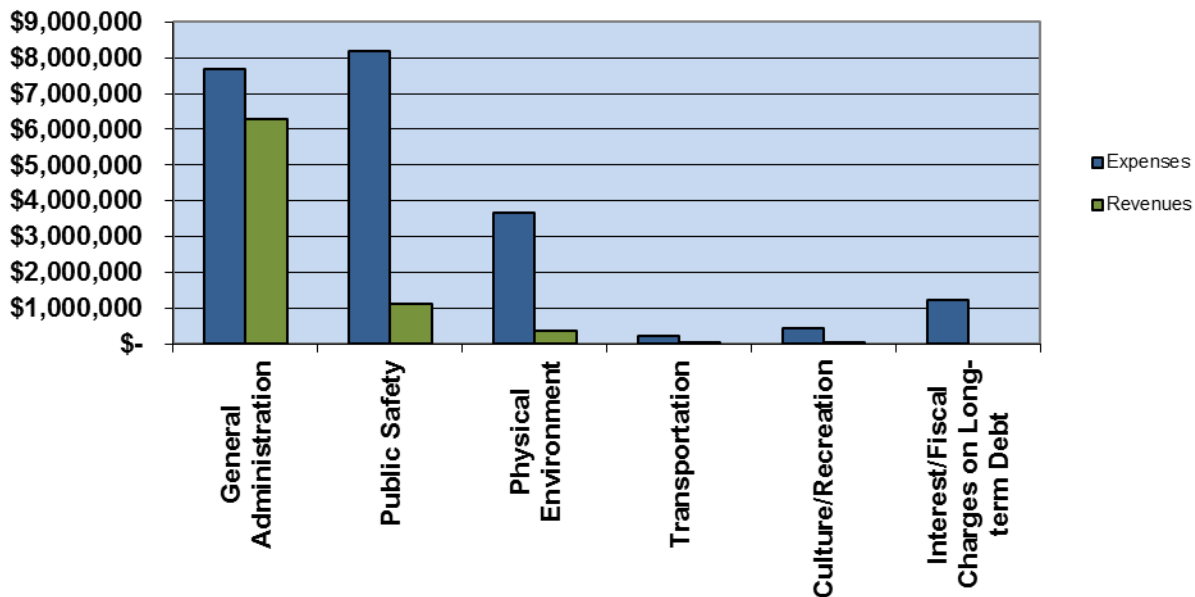
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 6,741	\$ 6,028	\$ 22,150	\$ 21,617	\$ 28,891	\$ 27,645
Operating Grants and Contributions	27	72	-	-	27	72
Capital Grants and Contributions	1,062	765	2,163	415	3,225	1,180
General Revenues:						
Taxes	12,311	13,188	-	-	12,311	13,188
Fees	1,448	1,534	-	-	1,448	1,534
Revenue Sharing	549	548	-	-	549	548
Investment Income	30	26	82	42	112	68
Miscellaneous	667	1,473	-	-	667	1,473
<b>Total Revenues</b>	<b>22,835</b>	<b>23,634</b>	<b>24,395</b>	<b>22,074</b>	<b>47,230</b>	<b>45,708</b>
<b>Program Expenses Including</b>						
<b>Indirect Expenses</b>						
General Administration	8,713	9,515	-	-	8,713	9,515
Public Safety	8,179	8,218	-	-	8,179	8,218
Physical Environment	3,679	3,835	-	-	3,679	3,835
Transportation	214	214	-	-	214	214
Culture/Recreation	446	521	-	-	446	521
Interest/Fiscal Charges on Long-term Debt	1,223	816	-	-	1,223	816
Utilities	-	-	11,471	10,725	11,471	10,725
Stormwater	-	-	554	356	554	356
Solid Waste	-	-	2,970	2,849	2,970	2,849
Municipal Marina	-	-	2,410	2,587	2,410	2,587
Visitor Information Center	-	-	3,911	3,221	3,911	3,221
Heritage Tourism	-	-	-	1,842	-	1,842
<b>Total Expenses</b>	<b>22,454</b>	<b>23,119</b>	<b>21,316</b>	<b>21,580</b>	<b>43,770</b>	<b>44,699</b>
<b>Increase in Net Assets Before Transfers</b>	<b>381</b>	<b>515</b>	<b>3,079</b>	<b>494</b>	<b>3,460</b>	<b>1,009</b>
Transfers	(467)	(1,936)	467	1,936	-	-
<b>Increase in Net Assets</b>	<b>(86)</b>	<b>(1,421)</b>	<b>3,546</b>	<b>2,430</b>	<b>3,460</b>	<b>1,009</b>
<b>Net Assets - Beginning, as Previously Rep</b>	<b>26,063</b>	<b>27,484</b>	<b>60,610</b>	<b>58,180</b>	<b>86,673</b>	<b>85,664</b>
<b>Prior Period Adjustment</b>	<b>1,110</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,110</b>	<b>-</b>
<b>Net Assets - Beginning, as Restated</b>	<b>27,173</b>	<b>-</b>	<b>60,610</b>	<b>-</b>	<b>87,783</b>	<b>-</b>
<b>Net Assets - Ending</b>	<b>\$ 27,087</b>	<b>\$ 26,063</b>	<b>\$ 64,156</b>	<b>\$ 60,610</b>	<b>\$ 91,243</b>	<b>\$ 86,673</b>

**Governmental Activities**

Governmental activities caused a slight decreased in the City’s net assets of \$86,241. Governmental activities decreased the City’s fund balance by \$993,793. The key element of this decrease was the use of reserve funds for one-time expenditures in the capital projects fund.

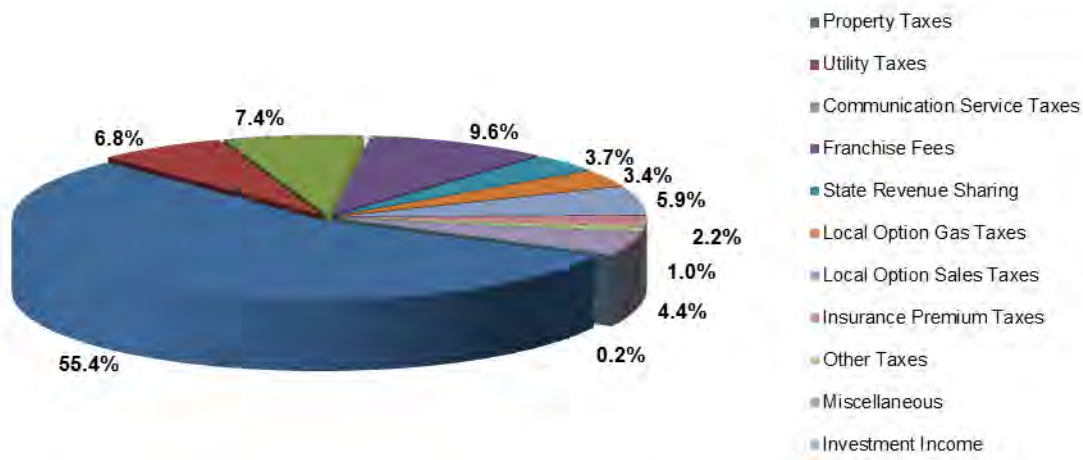
Program revenues are revenues that can be assigned or are attributable to a specific program. These revenues account for \$7,830,114 (or 34.3%) of total governmental activities revenue. The chart below shows governmental activities by program with their respective expenses and revenues.

**Program Expenses and Revenues - Governmental Activities**



General revenues are revenues that fail to meet the criteria of program specific revenues. General revenues account for \$15,005,453 (or 65.7%) of total governmental activities revenue. The chart below shows total general revenues by category.

### General Revenues - Governmental Activities



### *Business-type Activities*

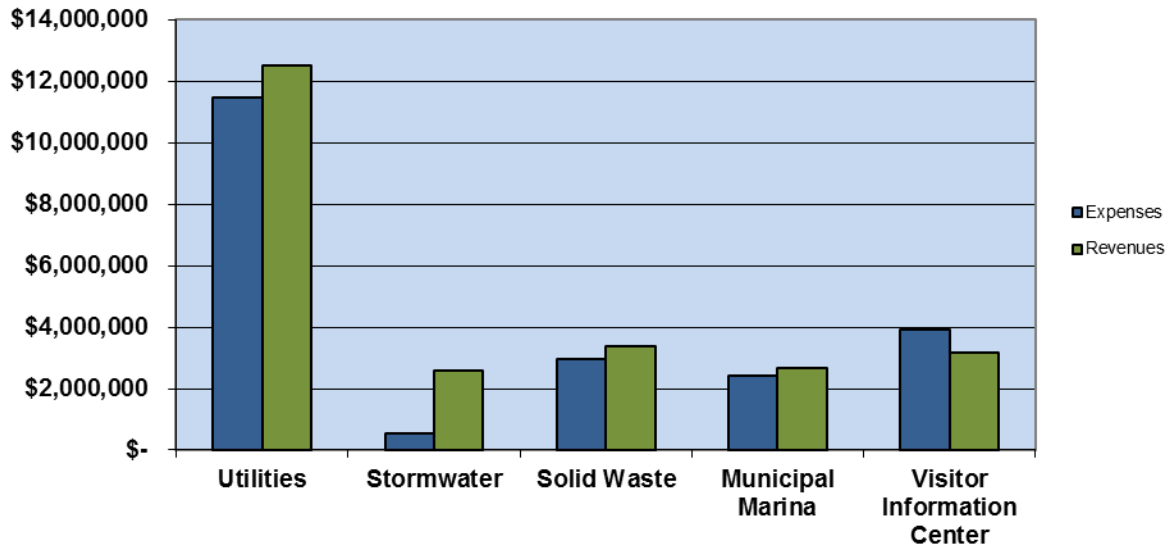
Business-type activities increased the City’s net assets by \$3,545,862. Key elements of this increase are as follows:

- The business-type activities that are primarily driven by growth and development added \$3,141,930 to net assets. The majority of this addition can be attributed to charges for services and capital grants.
- The business-type activities that are primarily driven by the economy and tourism experienced an increase in net assets of \$403,932. This is primarily attributed to a change in the business model of the Visitor Information Center Fund.

Program revenues are revenues that can be assigned or are attributable to a specific program. These revenues account for \$24,313,638 (or 99.66%) of total business-type activities revenue. The chart below shows business-type activities by program with their respective expenses and revenues.

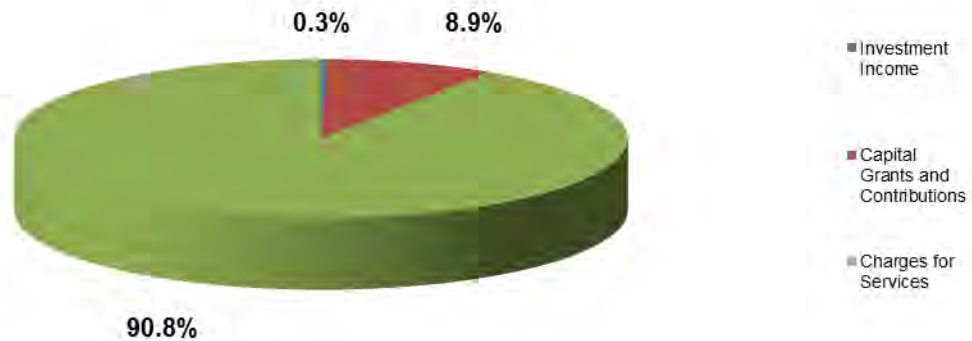


**Program Expenses and Revenues - Business-type Activities**



Total revenues for business-type activities amounted to \$24,395,646. 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 \$25,716,635, a decrease of \$993,793 from the previous fiscal year. The key element of this decrease was the use of reserve funds for one-time expenditures in the capital projects fund.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$7,193,586 while the total fund balance was \$25,652,892. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to the total fund expenditures.

The fund balance of the City's General Fund decreased by \$269,697 from the previous fiscal year. Although revenues exceeded expenditures for the year by \$1,834,417, transfers of \$2,212,903 were made to other governmental funds as follows:

- Net transfers to the Debt Service Fund of \$934,489 were made to pay the debt service on general long-term debt.
- A transfer of \$1,081,639 was made to the Capital Projects Fund for the current year's projects.

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.

The Capital Projects Fund is used to report major capital acquisitions and construction separately from ongoing operating activities.

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 \$63,743. The fund balance increased by \$118 over the previous year. This increase is due to interest earned on the Anderson and Woodman Trust Funds throughout the year.

City of St. Augustine, Florida  
Management Discussion and Analysis  
For the year ended September 30, 2012

**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, 2012**

(in thousands)

	Utility	Storm Water Drainage	Solid Waste	Municipal Marina	Visitor Information Center	Total Proprietary
<b>Net Assets - Beginning</b>	\$ 52,385	\$ 6,128	\$ 3,054	\$ 1,060	\$ (2,017)	\$ 60,610
<b>Change in Net Assets</b>	1,001	1,815	326	125	279	3,546
<b>Net Assets - Ending</b>	\$ 53,386	\$ 7,943	\$ 3,380	\$ 1,185	\$ (1,738)	\$ 64,156

**Net Assets As of September 30, 2012**

	Utility	Storm Water Drainage	Solid Waste	Municipal Marina	Visitor Information Center *	Total Proprietary
<b>Invested in Capital Assets, Net of Related Debt</b>	\$ 44,798	\$ 7,483	\$ 1,210	\$ 1,360	\$ (3,071)	\$ 51,780
<b>Restricted</b>	1,905	-	-	-	243	2,148
<b>Unrestricted</b>	6,683	460	2,170	(175)	1,090	10,228
<b>Total Net Assets</b>	\$ 53,386	\$ 7,943	\$ 3,380	\$ 1,185	\$ (1,738)	\$ 64,156

\* The Heritage Tourism Fund was combined with the Visitor Information Center Fund in 2012

**City of St. Augustine, Florida  
Management Discussion and Analysis  
For the year ended September 30, 2012**

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Cumulatively, the proprietary funds had a \$3,545,862 increase in net assets. Key factors pertaining to this increase are as follows:

- The Utility Fund had a \$1,001,563 increase in net assets from the previous year. The fund had an operating income of \$2,085,946 due to a continued reduction in operating expenses and an increase in fee revenue due to an increase in new construction.
- Of the increase in proprietary funds, \$1,814,738 can be attributed to the Stormwater Fund. This fund received \$1,829,356 in capital grants that are being used for infrastructure projects.
- The Solid Waste Fund experienced an increase in net assets of \$325,629. This amount can be attributed to the continued reduction in operating expenditures.
- The Municipal Marina Fund had an increase in net assets of \$125,063. This fund received \$169,952 in capital grants that are being used for infrastructure projects.
- The Visitor Information Center Fund experienced an increase in net assets of \$278,869. The fund has an operating income of \$233,405 due to the new business model of the Visitor Information Center Fund.

***General Fund Budgetary Highlights***

There are no material differences between the original budget and the final amended budget for appropriations (expenditures) in the General Fund. There were no material budgetary changes to the General Fund budgets and all budgetary policies and controls were adhered to throughout the year. (See budget to actual comparison on page 53.)

City of St. Augustine, Florida  
Management Discussion and Analysis  
For the year ended September 30, 2012

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**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, 2012, amounts to \$121,442,558 (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 5.4%.

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 5,958,730	\$ 5,958,730	\$ 1,145,803	\$ 1,145,803	\$ 7,104,533	\$ 7,104,533
Buildings	9,379,195	9,497,370	35,740,592	35,546,768	45,119,787	45,044,138
Infrastructure	7,342,759	5,897,138	51,711,761	44,089,824	59,054,520	49,986,962
Machinery	1,295,815	1,095,742	1,723,353	1,752,936	3,019,168	2,848,678
Total	23,976,499	22,448,980	90,321,509	82,535,331	114,298,008	104,984,311
Work in Progress	1,327,062	2,103,611	5,817,488	8,159,209	7,144,550	10,262,820
Total	<u>\$ 25,303,561</u>	<u>\$ 24,552,591</u>	<u>\$ 96,138,997</u>	<u>\$ 90,694,540</u>	<u>\$ 121,442,558</u>	<u>\$ 115,247,131</u>

The following reconciliation summarizes the change in capital assets, which is presented in detail on pages 79-80 of the Notes to the Financial Statements.

	Governmental Activities	Business-type Activities	Total
Beginning Balance	\$ 24,552,591	\$ 90,694,540	\$ 115,247,131
Additions	2,950,326	11,713,256	14,663,582
Retirement	(787,812)	(127,558)	(915,370)
CWIP	(776,549)	(2,341,722)	(3,118,271)
Other	-	-	-
Depreciation	(634,995)	(3,799,519)	(4,434,514)
Ending Balance	<u>\$ 25,303,561</u>	<u>\$ 96,138,997</u>	<u>\$ 121,442,558</u>

**City of St. Augustine, Florida**  
**Management Discussion and Analysis**  
**For the year ended September 30, 2012**

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

Fire Station Repairs	\$ 16,587
Valencia Street Survey & Rehab	153,588
FDOT Traffic Engineering Safety Study	1,156,888
Chlorine Conversion	28,752
Covino Ave Watermain Replacement	67,061
Drinking Water Facilities Plan	16,999
Hibiscus Street Sewer Repairs	8,004
Lighthouse Area Watermain	40,522
Lincolnvile Watermain Improvements	130,936
LRPO Concentrate Disposal Permitting	117,678
Marina Improvements	48,032
North City Watermain	34,688
Palmer/Masters Drive Watermain Replacement	40,429
Riberia Street Phase II Utility	1,015,116
Riberia Street Phase II Stormwater	1,468,609
Sea Wall Rehab	1,882,534
Sewer Rehab Project, I&I	519,254
Sodium Hypochlorite Expansion	28,687
US 1 Watermain	1,750
Valencia Street Rehab	49,517
VIC Expansion & Renovation	284,218
Volusia Street Watermain	34,701
Total	<u><u>\$ 7,144,550</u></u>

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

Fire Truck, Aerial	\$ 490,620
Fire Truck, Rescue Pumper	285,077
Marina Dredging	376,208
LED Lighting-VIC Garage	326,665
Pump Stations-Arrondonda, Coquina	752,828
Riberia Street, Phase 1 - Stormwater	2,357,187
Riberia Street, Phase 1 - Utilities	1,006,168
Riberia Street Waste Disposal Closure	731,158
Salt Run Dredging	1,011,476
San Sebastian River Force Main	353,984
Stormwater/Baffle Box Project	301,341
Wastewater Improvements	2,415,815
Well field Expansion	2,193,374
	<u><u>\$ 12,601,901</u></u>

City of St. Augustine, Florida  
Management Discussion and Analysis  
For the year ended September 30, 2012

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***Long-Term Debt***

At the end of fiscal year 2012, the City had total debt outstanding of \$67,243,831. All of this debt is secured solely by specified revenue sources. More detail on the long-term debt is presented on pages 82-87 of the Notes to the Financial Statements.

**Outstanding Debt at Year-end**

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	<u>2012</u>	<u>2011</u>
<b>Governmental:</b>		
Revenue Bonds	\$ 23,120,355	\$ 23,205,133
<b>Business Type:</b>		
Water & Sewer Revenue Bonds	20,508,832	22,191,968
Municipal Marina Revenue Bonds	598,495	691,971
Visitor Information Center Revenue Bonds	23,016,149	23,217,896
<b>Total</b>	<b><u>\$ 67,243,831</u></b>	<b><u>\$ 69,306,968</u></b>

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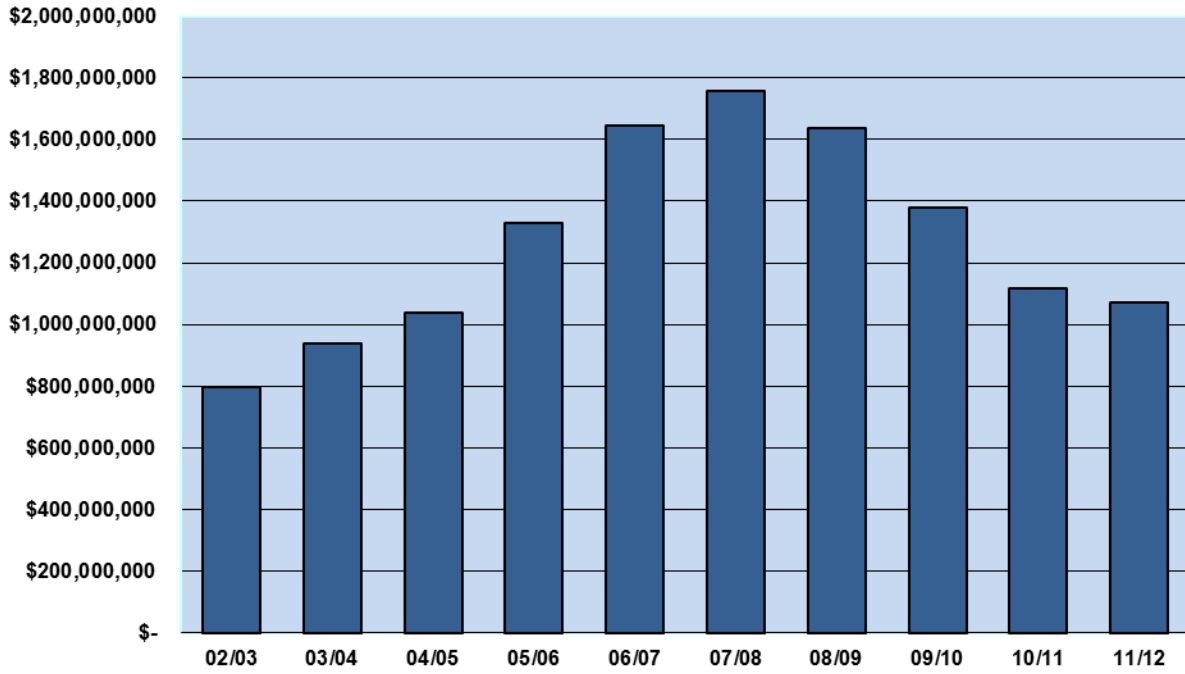
**Economic Factors**

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 stabilized.

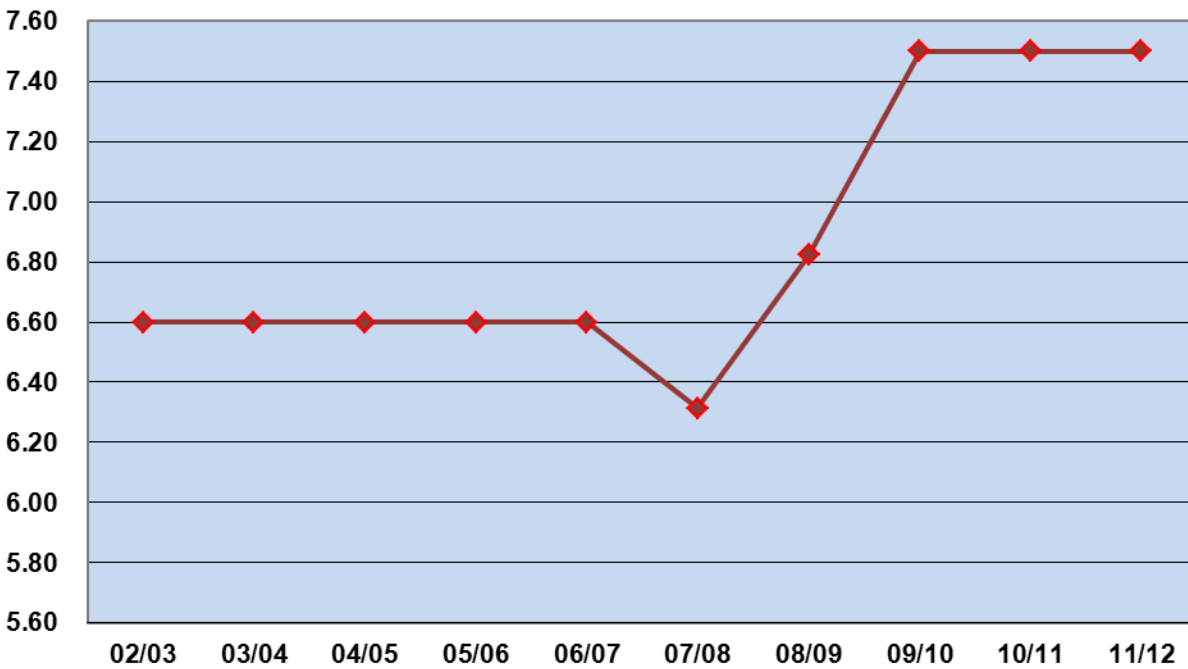
The City regularly competes with the County for growth and expansion of services in an attempt to offset cost and lower customer fees. The level of taxes, fees and charges for services will have a bearing on the City's specific competitive ability to annex additional land into its corporate limits and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

City of St. Augustine, Florida  
Management Discussion and Analysis  
For the year ended September 30, 2012

**City of St. Augustine Total Taxable Value**



**Property Tax Rate Comparison**





## **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, 2012**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 10,564,037	\$ 25,090,514	\$ 35,654,551
Receivables (Net)	1,212,872	2,558,965	3,771,837
Due from Other Governments	6,072	-	6,072
Internal Balances	14,289,170	(14,289,170)	-
Inventories	603,023	250,524	853,547
Prepaid Items	7,762	-	7,762
Net Pension Assets	632,640	-	632,640
Restricted Assets:			
Cash and Cash Equivalents	118,300	2,147,376	2,265,676
Capital Assets:			
Non-Depreciable	7,285,792	6,963,291	14,249,083
Depreciable (Net)	18,017,769	89,175,706	107,193,475
Deferred Charges	375,865	723,434	1,099,299
<b>Total Assets</b>	<b>53,113,302</b>	<b>112,620,640</b>	<b>165,733,942</b>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	938,260	3,091,424	4,029,684
Deposits	-	344,575	344,575
Unearned Revenue	146,341	86,286	232,627
<b>Non-Current Liabilities:</b>			
Due Within One Year:			
Compensated Absences	77,786	40,056	117,842
Bonds Payable	438,049	1,679,533	2,117,582
Deferred Charges - Deceased Bond Cost	(47,137)	(3,334)	(50,471)
Due in More Than One Year			
Net Retiree Healthcare Obligation	451,262	-	451,262
Net Pension Obligation	102,556	-	102,556
Compensated Absences	1,851,266	542,882	2,394,148
Bonds Payable	22,682,306	42,443,943	65,126,249
Deferred Charges - Deceased Bond Cost	(614,175)	239,132	(375,043)
<b>Total Liabilities</b>	<b>26,026,514</b>	<b>48,464,497</b>	<b>74,491,011</b>
<b>NET ASSETS</b>			
Invested in Capital Assets (Net of Related Debt)	11,255,991	51,779,723	63,035,714
Restricted for:			
Expendable			
Capital Projects	4,884,491	-	4,884,491
Renewal and Replacement	-	1,821,362	1,821,362
Other	61,837	326,014	387,851
Non-Expendable			
Permanent Fund	63,743	-	63,743
Other	610,785	-	610,785
Unrestricted	10,209,941	10,229,044	20,438,985
<b>Total Net Assets</b>	<b>\$ 27,086,788</b>	<b>\$ 64,156,143</b>	<b>\$ 91,242,931</b>

See accompanying notes to basic financial statements

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Statement of Activities**  
**For Year Ended September 30, 2012**

FUNCTION/PROGRAM ACTIVITIES	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
<b>Governmental Activities:</b>				
General Government	\$ 8,713,330	\$ 5,226,638	\$ -	\$ 1,061,708
Public Safety	8,178,719	1,097,949	27,454	
Physical Environment	3,678,979	352,946	-	-
Transportation	214,453	20,574	-	-
Culture/Recreation	446,608	42,846	-	-
Interest/Fiscal Charges on Long-term Debt	1,222,551	-	-	-
<b>Total Governmental Activities</b>	<b>22,454,640</b>	<b>6,740,952</b>	<b>27,454</b>	<b>1,061,708</b>
<b>Business-type Activities:</b>				
Utilities	11,471,416	12,363,531	-	164,065
Stormwater	554,668	750,157	-	1,829,356
Solid Waste	2,969,917	3,366,865	-	-
Municipal Marina	2,409,752	2,481,804	-	169,952
Visitor Information Center	3,911,199	3,187,908	-	-
Heritage Tourism	-	-	-	-
<b>Total Business-type Activities</b>	<b>21,316,952</b>	<b>22,150,265</b>	<b>-</b>	<b>2,163,373</b>
<b>Total Primary Government</b>	<b>\$ 43,771,592</b>	<b>\$ 28,891,217</b>	<b>\$ 27,454</b>	<b>\$ 3,225,081</b>

**General Revenues:**

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

**Transfers**

**Total General Revenues and Transfers**

**Change in Net Assets**

**Net Assets - Beginning of Year, as Previously Reported**

**Prior Period Adjustment**

**Net Assets--Beginning of Year, Restated**

**Net Assets - End of Year**

*See accompanying notes to basic financial statements*

**Net (Expense) Revenue and  
Changes in Net Assets  
Primary Government**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (2,424,984)	\$ -	\$ (2,424,984)
(7,053,316)	-	(7,053,316)
(3,326,033)	-	(3,326,033)
(193,879)	-	(193,879)
(403,762)	-	(403,762)
(1,222,551)	-	(1,222,551)
<b>(14,624,526)</b>	<b>-</b>	<b>(14,624,526)</b>
-	1,056,180	1,056,180
-	2,024,845	2,024,845
-	396,948	396,948
-	242,004	242,004
-	(723,291)	(723,291)
-	-	-
<b>-</b>	<b>2,996,686</b>	<b>2,996,686</b>
<b>(14,624,526)</b>	<b>2,996,686</b>	<b>(11,627,840)</b>
8,308,786	-	8,308,786
1,014,901	-	1,014,901
1,108,214	-	1,108,214
1,447,746	-	1,447,746
549,061	-	549,061
516,976	-	516,976
879,913	-	879,913
329,522	-	329,522
153,441	-	153,441
661,297	-	661,297
35,596	82,008	117,604
(467,168)	467,168	-
<b>14,538,285</b>	<b>549,176</b>	<b>15,087,461</b>
<b>(86,241)</b>	<b>3,545,862</b>	<b>3,459,621</b>
<b>26,062,955</b>	<b>60,610,281</b>	<b>86,673,236</b>
<b>1,110,074</b>	<b>-</b>	<b>1,110,074</b>
<b>27,173,029</b>	<b>60,610,281</b>	<b>87,783,310</b>
<b>\$ 27,086,788</b>	<b>\$ 64,156,143</b>	<b>\$ 91,242,931</b>

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2012**

	General	Debt Service	Special Revenue
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 9,352,424	\$ -	\$ -
Receivables (Net of Allowance for Uncollectibles)	1,212,872	-	-
Due from Other Funds	15,479,480	-	-
Due from Other Governments	6,072	-	-
Inventories, At Cost	603,023	-	-
Prepaid Expenditures	7,762	-	-
Restricted Assets:			
Cash and Cash Equivalents	-	-	-
<b>Total Assets</b>	<b>\$ 26,661,633</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 835,511	\$ -	\$ -
Unearned Revenue	146,341	-	-
Accrued Expenditures	26,889	-	-
Due to Other Funds	-	-	-
<b>Total Liabilities</b>	<b>1,008,741</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>			
Nonspendable:			
Inventories	603,023	-	-
Prepaid Expenditures	7,762	-	-
Trust Funds	-	-	-
Restricted for:			
Police Education/Confiscation/Donations	61,837	-	-
Bond Projects	15,479,170	-	-
Committed:	1,881,954	-	-
Assigned:	425,560	-	-
Unassigned:	7,193,586	-	-
<b>Total Fund Balances</b>	<b>25,652,892</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 26,661,633</b>	<b>\$ -</b>	<b>\$ -</b>

*See accompanying notes to basic financial statements*



<b>Capital Projects</b>	<b>Permanent</b>	<b>Total Governmental</b>
\$ 1,211,559	\$ 54	\$ 10,564,037
-	-	1,212,872
-	-	15,479,480
-	-	6,072
-	-	603,023
-	-	7,762
54,301	63,999	118,300
<b>\$ 1,265,860</b>	<b>\$ 64,053</b>	<b>\$ 27,991,546</b>

\$ 75,860	\$ -	\$ 911,371
-	-	146,341
-	-	26,889
1,190,000	310	1,190,310
<b>1,265,860</b>	<b>310</b>	<b>2,274,911</b>

-	-	603,023
-	-	7,762
-	63,743	63,743
-	-	61,837
-	-	15,479,170
-	-	1,881,954
-	-	425,560
-	-	7,193,586
-	<b>63,743</b>	<b>25,716,635</b>
<b>\$ 1,265,860</b>	<b>\$ 64,053</b>	<b>\$ 27,991,546</b>

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**September 30, 2012**

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**Total Governmental Fund Balances** \$ 25,716,635

*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	46,774,384	
Less accumulated depreciation	(21,470,823)	
	25,303,561	
		25,303,561

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	(22,083,178)	
Compensated absences	(1,929,052)	
	(24,012,230)	

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

Net pension assets (obligations)	530,084	
Net retiree healthcare assets (obligations)	(451,262)	
	78,822	

**Net Assets of Governmental Activities** **\$ 27,086,788**

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*See accompanying notes to basic financial statements*

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**CITY OF ST. AUGUSTINE, FLORIDA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2012**

	General	Debt Service	Special Revenue
<b>REVENUES</b>			
Ad Valorem Taxes	\$ 8,088,994	\$ -	\$ -
Sales, Use and Gas Taxes	846,498	-	-
Utility and Communications Service Taxes	2,123,115	-	-
Grants	1,089,162	-	-
Intergovernmental	1,605,008	-	219,792
Franchise Fees	1,447,746	-	-
Licenses, Permits and Other Fees	3,218,885	-	-
Fines and Forfeitures	256,665	-	-
Administrative Overhead Charges	1,979,089	-	-
Investment Income	30,337	2,407	1,496
Miscellaneous	1,927,225	-	-
<b>Total Revenues</b>	<b>22,612,724</b>	<b>2,407</b>	<b>221,288</b>
<b>EXPENDITURES</b>			
Current Operating:			
General Government	6,863,118	-	175
Public Safety	8,160,380	-	-
Physical Environment	3,677,011	-	-
Transportation	213,598	-	-
Culture/Recreation	446,285	-	-
Capital Outlay	1,259,773	-	-
Debt Service:			
Principal Retirement	-	335,177	-
Bond Issuance Costs	158,142	-	-
Interest and Other	-	1,222,551	-
<b>Total Expenditures</b>	<b>20,778,307</b>	<b>1,557,728</b>	<b>175</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>1,834,417</b>	<b>(1,555,321)</b>	<b>221,113</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	2,096,057	1,555,322	262,287
Transfers (Out)	(4,308,960)	(620,833)	(532,627)
Issuance of Refunding Bonds	6,971,120		
Bonds Refunded	(6,720,721)		
Premium Paid on Bonds Refunded	(67,206)	-	-
Discount on Issuance of Refunding Bonds	(74,404)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(2,104,114)</b>	<b>934,489</b>	<b>(270,340)</b>
<b>Net Change in Fund Balances</b>	<b>(269,697)</b>	<b>(620,832)</b>	<b>(49,227)</b>
<b>Fund Balances - Beginning</b>	<b>25,922,589</b>	<b>620,832</b>	<b>49,227</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 25,652,892</b>	<b>\$ -</b>	<b>\$ -</b>

*See accompanying notes to basic financial statements*

<b>Capital Projects</b>	<b>Permanent</b>	<b>Total Governmental</b>
\$ -	\$ -	\$ 8,088,994
-	-	846,498
-	-	2,123,115
-	-	1,089,162
-	-	1,824,800
-	-	1,447,746
-	-	3,218,885
-	-	256,665
-	-	1,979,089
1,185	171	35,596
-	-	1,927,225
<b>1,185</b>	<b>171</b>	<b>22,837,775</b>
113,611	-	6,976,904
-	-	8,160,380
-	-	3,677,011
-	-	213,598
-	-	446,285
1,023,368	-	2,283,141
-	-	335,177
-	-	158,142
-	-	1,222,551
<b>1,136,979</b>	<b>-</b>	<b>23,473,189</b>
<b>(1,135,794)</b>	<b>171</b>	<b>(635,414)</b>
1,081,639	-	4,995,305
-	(53)	(5,462,473)
-	-	6,971,120
-	-	(6,720,721)
-	-	(67,206)
-	-	(74,404)
<b>1,081,639</b>	<b>(53)</b>	<b>(358,379)</b>
(54,155)	118	(993,793)
54,155	63,625	26,710,428
<b>\$ -</b>	<b>\$ 63,743</b>	<b>\$ 25,716,635</b>

**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, 2012**

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**Net Change in Fund Balances - Total Governmental Funds** \$ (993,793)

*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	2,283,141	
Less: current year depreciation and amortization	<u>(1,503,169)</u>	779,972

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

Cost of capital assets sold or retired net	<u>(29,002)</u>	(29,002)
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Borrowing and repayment of bond principal is either a revenue or an expenditure in the governmental funds, the borrowing and repayment of principal either increases or reduces long-term liabilities in the statement of net assets.

Issuance of new debt	(6,971,120)	
Discount on long term debt	74,404	
Premium on refunded bond	67,206	
Amortization of discount and premium	(35,334)	
Bond issuance costs	158,142	
Amortization of bond costs	(13,486)	
Principal payments and retirement of debt	<u>7,055,898</u>	335,710

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

Net pension asset (obligation)	(124,384)	
Net retiree healthcare asset (obligation)	<u>(122,095)</u>	(246,479)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in long-term compensated absences	<u>67,351</u>	67,351
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**Change in Net Assets of Governmental Activities** \$ (86,241)

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*See accompanying notes to basic financial statements*

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2012**

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 11,196,810	\$ 11,196,810	\$ 11,058,607	\$ (138,203)
Intergovernmental	1,684,553	1,684,553	2,694,170	1,009,617
Licenses, Permits and Fees	4,235,905	4,534,205	4,666,631	132,426
Fines and Forfeitures	267,700	267,700	256,665	(11,035)
Administrative Service Charges	1,979,090	1,979,090	1,979,089	(1)
Investment Income	23,076	23,076	30,337	7,261
Miscellaneous	1,605,604	1,659,623	1,927,225	267,602
<b>Total Revenues</b>	<b>20,992,738</b>	<b>21,345,057</b>	<b>22,612,724</b>	<b>1,267,667</b>
<b>EXPENDITURES</b>				
Current Operating:				
General Government	6,533,417	6,953,833	6,863,118	90,715
Public Safety	8,152,232	8,226,970	8,160,380	66,590
Physical Environment	3,823,501	3,773,501	3,677,011	96,490
Transportation	213,560	258,560	213,598	44,962
Culture/Recreation	463,615	463,615	446,285	17,330
Capital Outlay	491,577	639,291	1,259,773	(620,482)
Debt Service:				
Bond Issuance Costs	-	-	158,142	(158,142)
<b>Total Expenditures</b>	<b>19,677,902</b>	<b>20,315,770</b>	<b>20,778,307</b>	<b>(462,537)</b>
<b>Excess of Revenues Over Expenditures</b>	<b>1,314,836</b>	<b>1,029,287</b>	<b>1,834,417</b>	<b>805,130</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,601,507	1,681,185	2,096,057	(414,872)
Transfers (Out)	(2,916,343)	(2,938,021)	(4,308,960)	(1,370,939)
Issuance of Refunding Bonds	-	-	6,971,120	6,971,120
Bonds Refunded	-	-	(6,720,721)	(6,720,721)
Premium Paid on Bonds Refunded	-	-	(67,206)	(67,206)
Discount on Issuance of Refunding Bonds	-	-	(74,404)	(74,404)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,314,836)</b>	<b>(1,256,836)</b>	<b>(2,104,114)</b>	<b>(1,677,022)</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(227,549)</b>	<b>(269,697)</b>	<b>(871,892)</b>
<b>Fund Balances - Beginning</b>	<b>25,922,589</b>	<b>25,922,589</b>	<b>25,922,589</b>	<b>-</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 25,922,589</b>	<b>\$ 25,695,040</b>	<b>\$ 25,652,892</b>	<b>\$ (871,892)</b>

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, 2012**

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 199,899	\$ 199,899	\$ 219,792	\$ 19,893
Investment Income	-	-	1,496	1,496
<b>Total Revenues</b>	<b>199,899</b>	<b>199,899</b>	<b>221,288</b>	<b>21,389</b>
<b>EXPENDITURES</b>				
Current Operating:				
General Government	-	-	175	(175)
Capital Outlay	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>175</b>	<b>(175)</b>
<b>Excess of Revenues Over Expenditures</b>	<b>199,899</b>	<b>199,899</b>	<b>221,113</b>	<b>21,214</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	312,343	312,343	262,287	(50,056)
Transfers (Out)	(512,242)	(512,242)	(532,627)	(20,385)
<b>Total Other Financing Sources (Uses)</b>	<b>(199,899)</b>	<b>(199,899)</b>	<b>(270,340)</b>	<b>(70,441)</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>(49,227)</b>	<b>(49,227)</b>
<b>Fund Balances - Beginning</b>	<b>49,227</b>	<b>49,227</b>	<b>49,227</b>	<b>-</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 49,227</b>	<b>\$ 49,227</b>	<b>\$ -</b>	<b>\$ (49,227)</b>

*See accompanying notes to basic financial statements*



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**CITY OF ST. AUGUSTINE, FLORIDA**  
**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2012**

	Utility	Stormwater Drainage	Solid Waste
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 15,255,225	\$ 4,927,246	\$ 1,762,447
Accounts Receivable (Net)	1,640,700	327,976	380,333
Due from Other Funds	-	-	208,000
Deferred Charges, Current Portion	37,302	-	-
Inventories, at Cost	25,694	-	-
Total Current Assets	<u>16,958,921</u>	<u>5,255,222</u>	<u>2,350,780</u>
<b>Non-Current Assets:</b>			
<b>Restricted Assets</b>			
Cash and Cash Equivalents	1,904,641	-	-
Total Restricted Assets	<u>1,904,641</u>	<u>-</u>	<u>-</u>
<b>Other Assets:</b>			
Deferred Charges, Less Current Portion	285,127	-	-
<b>Property, Plant and Equipment:</b>			
Land and Improvements	1,145,803	-	-
Buildings and Structures	31,018,649	-	333,163
Infrastructure	71,470,046	4,477,408	51,154
Machinery and Equipment	2,856,291	284,337	2,669,934
Construction in Progress	2,134,095	3,351,142	-
Accumulated Depreciation	(43,198,576)	(630,332)	(1,844,771)
Net Property, Plant and Equipment:	<u>65,426,308</u>	<u>7,482,555</u>	<u>1,209,480</u>
Total Non-Current Assets	<u>67,616,076</u>	<u>7,482,555</u>	<u>1,209,480</u>
<b>Total Assets</b>	<b><u>\$ 84,574,997</u></b>	<b><u>\$ 12,737,777</u></b>	<b><u>\$ 3,560,260</u></b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable and Accrued Expenses	\$ 1,898,448	\$ 999,258	\$ 87,819
Customer Deposits	344,317	-	-
Revenue Bonds Payable, Current Portion	1,197,582	-	-
Deferred Charges - Defeased Bonds, Current Portion	10,148	-	-
Unearned Revenues - Other	81	85,763	-
Due to Other Funds	8,021,125	3,688,875	-
Compensated Absences, Current Portion	13,651	1,105	7,087
Total Current Liabilities	<u>11,485,352</u>	<u>4,775,001</u>	<u>94,906</u>
<i>(Continued)</i>			

See accompanying notes to basic financial statements

<b>Municipal Marina</b>	<b>Visitor Information Center</b>	<b>Total Proprietary</b>
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\$ 2,152,062	\$ 993,534	\$ 25,090,514
189,012	20,944	2,558,965
-	1,400,000	1,608,000
5,886	17,282	60,470
101,370	123,460	250,524
<b>2,448,330</b>	<b>2,555,220</b>	<b>29,568,473</b>

-	242,735	2,147,376
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-	242,735	2,147,376
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31,326	346,511	662,964
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-	-	1,145,803
2,921,408	24,663,009	58,936,229
2,033,708	1,351,926	79,384,242
132,747	12,221	5,955,530
48,031	284,220	5,817,488
(3,211,686)	(6,214,930)	(55,100,295)

1,924,208	20,096,446	96,138,997
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1,955,534	20,685,692	98,949,337
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<b>\$ 4,403,864</b>	<b>\$ 23,240,912</b>	<b>\$ 128,517,810</b>
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\$ 62,165	\$ 43,734	\$ 3,091,424
-	258	\$ 344,575
160,859	321,092	\$ 1,679,533
(7,603)	(5,879)	\$ (3,334)
442	-	\$ 86,286
2,517,441	1,669,729	\$ 15,897,170
3,523	14,690	\$ 40,056

2,736,827	2,043,624	21,135,710
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**CITY OF ST. AUGUSTINE, FLORIDA**  
**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2012**  
(Continued)

	Utility	Stormwater Drainage	Solid Waste
<b>LIABILITIES</b>			
<b>Non-Current Liabilities:</b>			
Revenue Bonds Payable, Less Current Portion	19,311,250	-	-
Deferred Charges - Defeased Bonds, Less Current Portion	108,993	-	-
Compensated Absences, Less Current Portion	283,147	19,384	85,828
Total Non-Current Liabilities	19,703,390	19,384	85,828
<b>Total Liabilities</b>	<b>\$ 31,188,742</b>	<b>\$ 4,794,385</b>	<b>\$ 180,734</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	44,798,335	7,482,555	1,209,480
Restricted			
Renewal and Replacement	1,578,627	-	-
Other	326,014	-	-
Unrestricted	6,683,279	460,837	2,170,046
<b>Total Net Assets</b>	<b>\$ 53,386,255</b>	<b>\$ 7,943,392</b>	<b>\$ 3,379,526</b>

*See accompanying notes to basic financial statements*

<b>Municipal Marina</b>	<b>Visitor Information Center</b>	<b>Total Proprietary</b>
437,636	22,695,057	42,443,943
(26,918)	157,057	239,132
71,508	83,015	542,882
482,226	22,935,129	43,225,957
<b>\$ 3,219,053</b>	<b>\$ 24,978,753</b>	<b>\$ 64,361,667</b>

1,360,234	(3,070,881)	51,779,723
-	242,735	1,821,362
-	-	326,014
(175,423)	1,090,305	10,229,044
<b>\$ 1,184,811</b>	<b>\$ (1,737,841)</b>	<b>\$ 64,156,143</b>

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**September 30, 2012**

	Utility	Stormwater Drainage	Solid Waste
<b>OPERATING REVENUES</b>			
User Charges	\$ 11,243,161	\$ -	\$ 3,346,971
Fees	1,074,449	750,157	19,705
Rental	-	-	-
Other	-	-	-
<b>Total Operating Revenues</b>	<b>12,317,610</b>	<b>750,157</b>	<b>3,366,676</b>
<b>OPERATING EXPENSES</b>			
Salaries, Wages and Employee Benefits	3,193,508	184,493	897,313
Utilities	741,816	950	6,865
Supplies and Materials	865,119	4,524	198,883
Contractual Services	602,935	155,387	1,159,404
Repairs and Maintenance	668,672	11,273	129,420
Cost of Goods Sold	-	-	-
Other	127,786	5,629	6,542
Administrative Overhead Charges	1,386,572	121,264	309,560
Depreciation and Amortization	2,645,256	71,148	228,929
<b>Total Operating Expenses</b>	<b>10,231,664</b>	<b>554,668</b>	<b>2,936,916</b>
<b>Operating Income (Loss)</b>	<b>2,085,946</b>	<b>195,489</b>	<b>429,760</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment Income	56,517	13,229	2,233
Interest Expense and Fiscal Charges	(1,239,752)	-	-
Gain on Sale of Capital Assets	15,215	-	189
Other	30,706	-	(33,001)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(1,137,314)</b>	<b>13,229</b>	<b>(30,579)</b>
<b>Income Before Contributions and Transfers</b>	<b>948,632</b>	<b>208,718</b>	<b>399,181</b>
<b>Capital Contributions</b>	164,065	1,829,356	-
<b>Transfers In</b>	814,240	-	15,000
<b>Transfers (Out)</b>	(925,374)	(223,336)	(88,552)
<b>Change in Net Assets</b>	<b>1,001,563</b>	<b>1,814,738</b>	<b>325,629</b>
<b>Net Assets - Beginning</b>	<b>52,384,692</b>	<b>6,128,654</b>	<b>3,053,897</b>
<b>Net Assets - Ending</b>	<b>\$ 53,386,255</b>	<b>\$ 7,943,392</b>	<b>\$ 3,379,526</b>

See accompanying notes to basic financial statements

<b>Municipal Marina</b>	<b>Visitor Information Center</b>	<b>Total Proprietary</b>
\$ 2,423,717	\$ 1,015,350	\$ 18,029,199
-	1,945,500	3,789,811
32,335	52,756	85,091
25,752	-	25,752
<b>2,481,804</b>	<b>3,013,606</b>	<b>21,929,853</b>
522,632	893,575	5,691,521
86,513	160,273	996,417
14,646	34,953	1,118,125
3,378	237,078	2,158,182
71,188	72,537	953,090
1,310,015	407,544	1,717,559
104,586	28,493	273,036
82,735	78,958	1,979,089
173,317	866,790	3,985,440
<b>2,369,010</b>	<b>2,780,201</b>	<b>18,872,459</b>
<b>112,794</b>	<b>233,405</b>	<b>3,057,394</b>
7,386	2,643	82,008
(40,742)	(1,130,998)	(2,411,492)
-	2,000	17,404
-	172,302	170,007
<b>(33,356)</b>	<b>(954,053)</b>	<b>(2,142,073)</b>
<b>79,438</b>	<b>(720,648)</b>	<b>915,321</b>
169,952	-	2,163,373
27,031	1,220,515	2,076,786
(151,358)	(220,998)	(1,609,618)
<b>125,063</b>	<b>278,869</b>	<b>3,545,862</b>
<b>1,059,748</b>	<b>(2,016,710)</b>	<b>60,610,281</b>
<b>\$ 1,184,811</b>	<b>\$ (1,737,841)</b>	<b>\$ 64,156,143</b>

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**September 30, 2012**

	Utility	Stormwater Drainage	Solid Waste
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
<b>Cash Flows from Operating Activities:</b>			
Received from Customers	\$ 12,051,854	\$ 981,400	\$ 3,325,730
Payment to Suppliers for Goods and Services	(3,554,692)	(301,987)	(1,796,044)
Paid to Employees	(3,193,508)	(184,493)	(897,313)
Paid to Customers for Deposit Refunds	-	-	-
Other revenues (expenses)	30,706	-	(33,001)
<b>Net Cash Flows from Operating Activities</b>	<b>5,334,360</b>	<b>494,920</b>	<b>599,372</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Principal Paid on Outstanding Bond Issues	(2,320,000)	-	-
Interest Paid on Outstanding Bond Issues	(411,828)	-	-
Acquisition and Construction of Capital Assets	(3,963,324)	(3,167,355)	(184,559)
Proceeds from sale of assets	15,215	-	189
Bond Premium Payment	-	-	-
Bond Borrowings	-	-	-
Bond Costs	-	-	-
Capital Contributions and Grants	164,065	1,829,356	-
<b>Net Cash Flows from Capital and Related Financing Activities</b>	<b>(6,515,872)</b>	<b>(1,337,999)</b>	<b>(184,370)</b>
<b>Cash Flows from Investing Activities:</b>			
Investment Income	56,517	13,229	2,233
<b>Net Cash Flows from Investing Activities</b>	<b>56,517</b>	<b>13,229</b>	<b>2,233</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Receipts Under Interfund Loan Agreements	-	-	-
Payments Under Interfund Loan Agreements	-	-	-
Transfers from Other Funds	814,240	-	15,000
Transfers (to) Other Funds	(925,374)	(223,336)	(88,552)
<b>Net Cash Flows from Non-Capital Financing Activities</b>	<b>(111,134)</b>	<b>(223,336)</b>	<b>(73,552)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(1,236,129)</b>	<b>(1,053,186)</b>	<b>343,683</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>18,395,995</b>	<b>5,980,432</b>	<b>1,418,764</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 17,159,866</b>	<b>\$ 4,927,246</b>	<b>\$ 1,762,447</b>

*(Continued)*

*See accompanying notes to basic financial statements*



<b>Municipal Marina</b>	<b>Visitor Information Center</b>	<b>Total Proprietary</b>
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\$ 2,293,234	\$ 2,939,253	\$ 21,591,471
(1,688,873)	(1,033,957)	\$ (8,375,553)
(522,632)	(893,575)	\$ (5,691,521)
-	-	\$ -
-	172,302	\$ 170,007

<b>81,729</b>	<b>1,184,023</b>	<b>7,694,404</b>
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(119,257)	(300,564)	(2,739,821)
(34,062)	(1,128,532)	(1,574,422)
(424,238)	(635,011)	(8,374,487)
-	2,000	17,404
(6,920)	(26,523)	(33,443)
17,691	69,878	87,569
(16,283)	(58,659)	(74,942)
169,952	-	2,163,373

<b>(413,117)</b>	<b>(2,077,411)</b>	<b>(10,528,769)</b>
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7,386	2,643	82,008
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<b>7,386</b>	<b>2,643</b>	<b>82,008</b>
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17,441	61,729	79,170
-	-	-
27,031	1,220,515	2,076,786
(151,358)	(220,998)	(1,609,618)

<b>(106,886)</b>	<b>1,061,246</b>	<b>546,338</b>
------------------	------------------	----------------

<b>(430,888)</b>	<b>170,501</b>	<b>(2,206,020)</b>
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<b>2,582,950</b>	<b>1,065,768</b>	<b>29,443,909</b>
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<b>\$ 2,152,062</b>	<b>\$ 1,236,269</b>	<b>\$ 27,237,890</b>
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**CITY OF ST. AUGUSTINE, FLORIDA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**September 30, 2012**  
(Continued)

	Utility	Stormwater Drainage	Solid Waste
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Net Operating Income</b>	<b>\$ 2,085,946</b>	<b>\$ 195,489</b>	<b>\$ 429,760</b>
<b>Adjustments to Reconcile Net Operating Income to Net Cash Flows from Operating Activities:</b>			
Depreciation and Amortization	2,645,256	71,148	228,929
Provision for Uncollectible Accounts	50,473	4,302	15,740
Other revenues (expenses)	30,706	-	(33,001)
<b>Changes in Operating Assets and Liabilities:</b>			
Accounts Receivable	(290,008)	145,480	(40,946)
Inventories	124,606	-	-
Accounts Payable and Compensated Absences	663,129	(7,262)	(1,110)
Deposits Payable	24,171	-	-
Deferred Revenues	81	85,763	-
Total Adjustments	<b>3,248,414</b>	<b>299,431</b>	<b>169,612</b>
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 5,334,360</b>	<b>\$ 494,920</b>	<b>\$ 599,372</b>

**Non-Cash Transactions (transactions/amounts not included in the Statement of Cash Flows):**

Amortization of deferred charges, defeased bonds and accredited interest expense of \$834,070.

Invoices for capital acquisitions included in accounts payable at year end totaling \$997,047.

Bond principle payments paid through refinancing totaling \$3,334,278.

Bond borrowings of \$37,029 which were offset by an original issue discount.

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*See accompanying notes to basic financial statements*

<b>Municipal Marina</b>	<b>Visitor Information Center</b>	<b>Total Proprietary</b>
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**\$ 112,794    \$ 233,405    \$ 3,057,394**

173,317            866,790            3,985,440

-                    -                    70,515

-                    172,302            170,007

-

(189,012)            (12,149)            (386,635)

3,282                42,803                170,691

(19,094)            (56,924)            578,739

-                    (764)                23,407

442                  (61,440)            24,846

**(31,065)            950,618            4,637,010**

**\$ 81,729    \$ 1,184,023    \$ 7,694,404**

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**September 30, 2012**

		<b>Employee Retirement Funds</b>
<b>ASSETS</b>		
Cash and Short-Term Investments	\$	1,982,538
Receivables:		
Member Contributions		19,689
City Contributions		68,089
Interest and Dividends		174,978
Broker-dealers		42,550
Due from State		26,924
<b>Total Receivables</b>		<b>332,230</b>
Prepaid Expense		583
Investments, at Fair Value:		
U.S. Government Obligations Fund		5,560,556
U.S. Stock Fund		23,403,464
Mutual Fund - International Equity		2,151,487
Bond and Mortgage Fund		10,545,368
International Exchange Fund		828,626
Real Estate Fund		2,270,998
<b>Total Investments</b>		<b>44,760,499</b>
<b>Total Assets</b>		<b>47,075,850</b>
<b>LIABILITIES</b>		
Expenses Payable		128,100
<b>Total Liabilities</b>		<b>128,100</b>
<b>NET ASSETS</b>		
<b>Held in Trust for Pension Benefits and Other Purposes</b>	<b>\$</b>	<b>46,947,750</b>

*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, 2012**

	<b>Employee Retirement Funds</b>
<b>ADDITIONS</b>	
<b>Contributions:</b>	
Members	\$ 562,456
City	1,884,374
State Insurance Premium Tax from General Fund	329,522
<b>Total Contributions</b>	<b>2,776,352</b>
<b>Investment Income:</b>	
Net Decrease in Fair Value of Investments	4,257,058
Interest and Dividends on Investments	1,402,897
<b>Total Investment Income</b>	<b>5,659,955</b>
<b>Less Investment Expenses</b>	<b>262,989</b>
<b>Net Income from Investing Activities</b>	<b>5,396,966</b>
<b>Total Additions</b>	<b>8,173,318</b>
<b>DEDUCTIONS</b>	
Benefit Payments	2,850,569
Drop Payments	206,562
Termination Payments	134,605
Administrative Expenses	90,295
<b>Total Deductions</b>	<b>3,282,031</b>
<b>Net Change in Assets</b>	<b>4,891,287</b>
<b>Net Assets - Beginning</b>	<b>42,056,463</b>
<b>NET ASSETS - ENDING</b>	<b>\$ 46,947,750</b>

*See accompanying notes to basic financial statements*

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**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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

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

**A. Financial Reporting Entity**

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

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

**B. Government-wide and Fund Financial Statements**

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

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

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

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

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

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

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

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

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

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

The City reports the following funds:

**Major Governmental Funds**

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

**a. General Fund**

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

**b. Special Revenue Fund**

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



**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

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

**c. Capital Project Fund**

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

**d. Debt Service Fund**

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

**e. Permanent Fund**

The Permanent Fund includes the Anderson and Woodman Trust Funds and accounts for assets held by the City as a trustee for individuals.

**Major Proprietary Funds**

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

**a. Utility Fund**

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

**b. Stormwater Drainage Fund**

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

**c. Solid Waste Fund**

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

**d. Municipal Marina Fund**

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

**e. Visitor Information Center**

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

**Fiduciary Funds**

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

**a. General Employees' Pension Plan**

The General Employees' Pension Plan accounts for the contributions of the general employees and the City, along with the benefits paid to the retired participants of the plan.

**b. Police Officers' Pension Plan**

The Police Officers' Pension Plan accounts for the contributions of the police officer employees, the City and the State of Florida, along with the benefits paid to the retired participants of the plan.

**c. Firefighters' Pension Plan**

The Firefighters' Pension Plan accounts for the contributions of the firefighter employees, the City and the State of Florida, along with benefits paid to the retired participants of the plan.

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

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

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

**D. Cash and Cash Equivalents**

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

**E. Investments**

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

**F. Receivables and Allowance for Uncollectible Accounts**

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

**G. Inventories**

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

**H. Prepaid Items**

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

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

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

**I. Restricted Assets**

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

**J. Capital Assets**

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

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

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

Buildings	10-50 years
Furniture and Other Equipment	2-10 years
Infrastructure & Improvements	10-40 years

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

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

**K. Deferred Charges**

Deferred charges represent the remaining costs associated with issuing various bonds. These costs are being amortized using the straight-line method over the related life of the respective bond issues. Unamortized bond costs at September 30, 2012 are as follows:

	Original Cost	Accumulated Amortization	Unamortized Costs
Beginning of the year	\$ 1,335,854	\$ (397,791)	\$ 938,063
Current year additions	236,834	(75,598)	161,236
End of year	<u>\$ 1,572,688</u>	<u>\$ (473,389)</u>	<u>\$ 1,099,299</u>

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

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

**L. Compensated Absences**

Annual vacation leave is accumulated in the following manner:

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

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

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

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

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

**M. Other Post-Employment Benefits (OPEB)**

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

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

**N. Long-Term Obligations**

In the government-wide financial statements, governmental long-term debt and other governmental long-term obligations are reported as liabilities in the governmental activities column of the Statement of Net Assets. 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, 2012 are as follows:

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

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

	<u>Original Cost</u>	<u>Accumulated Amortization</u>	<u>Unamortized Costs</u>
Beginning of year	\$ 2,136,328	\$ (1,687,355)	\$ 448,973
Current year additions	212,083	(235,542)	(23,459)
End of year	<u>\$ 2,348,411</u>	<u>\$ (1,922,897)</u>	<u>\$ 425,514</u>

**P. Fund Balance Classifications**

**Reserves**

In fiscal year 2011, the City Commission implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* by adopting a fund balance policy. GASB No. 54 provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. This policy establishes the Commission as the body authorized to assign amounts to these categories. The following classifications describe the relative strength of the spending constraints.

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

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

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

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

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

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

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

**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.

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

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

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

**R. Expenditures**

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

**NOTE 2. DEPOSITS AND INVESTMENTS:**

**A. Cash and Cash Equivalents**

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

At September 30, 2012, the carrying amount of cash on hand was \$765,277 and the related bank balance was \$1,188,059. Monies, which are placed on deposit with financial institutions in the form of demand deposit accounts, are defined as Public Deposits and as such are secured as provided for in Chapter 280, Florida Statutes. Financial institutions, which meet the requirements for this chapter, can be designated as qualified public depositories eligible to receive Public Deposits. This chapter also created the Public Deposit Security Trust Fund to facilitate the recovery of administrative penalties resulting from the default or insolvency of any qualified Public Depository and the subsequent payment of any losses to Public Depositors. When Public Deposits are made in accordance with this statute, no Public Depositor shall be liable for any loss thereof. Thus, all deposits at year-end are insured or collateralized with securities pursuant to Chapter 280, Florida Statutes.

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

The State Board consists of the Local Government Surplus Trust Fund (Florida PRIME) and the Fund B Surplus Funds Trust Fund (Fund B). The Florida PRIME is currently considered a SEC 2a7-like fund, thus the account balance should also be considered the fair value of the investment. Florida PRIME is rated by Standard & Poor's and currently has a rating of AAAM. The Florida PRIME balance of \$30,969,235 had a weighted average of 39 days to maturity as of September 30, 2012. 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 \$666,129 and had a weighted average life of 4.5 years as of September 30, 2012. A government money market account with a qualified public depository was established by the City in 2008. This account is fully collateralized and held a balance of \$1,413,809 as of September 30, 2012. A second account with a qualified public depository was established by the City in 2009. This account is fully collateralized and held a balance of \$4,029,856 as of September 30, 2012.

**B. Investments – General Pension Plan**

Interest Rate Risk

The General Pension Plan Investment Policy limits interest rate risk by limiting the fixed-income portfolio duration to less than 135% of the market index duration, including investments in government issues, corporate bonds with an average rating of A or higher and/or Government National Mortgage Association pooled

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

**NOTE 2. DEPOSITS AND INVESTMENTS: (continued)**

obligations. There may be exceptional circumstances indicating the use of longer maturities, but these exceptions should be few. As of September 30, 2012, the General Employee's Pension Plan had the following investments and maturities:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>			
		<b>Less Than 1</b>	<b>Between 1 and 5</b>	<b>Between 6 and 10</b>	<b>More Than 10</b>
U.S. Treasury Obligations	\$ 49,172	\$ -	\$ -	\$ -	\$ 49,172
U.S. Government Agencies	1,842,829	-	-	373,264	1,469,565
Corporate & Foreign Bonds	5,160,063	126,253	2,139,880	1,638,579	1,255,351
Municipal Obligations	197,831	-	50,505	43,658	103,668
Common Equity Securities	12,956,323	12,956,323	-	-	-
Equity Mutual Funds	2,151,487	2,151,487	-	-	-
Real Estate	1,141,772	-	-	-	1,141,772
	<u>\$ 23,499,477</u>	<u>\$ 15,234,063</u>	<u>\$ 2,190,385</u>	<u>\$ 2,055,501</u>	<u>\$ 4,019,528</u>

Credit Risk and Concentration of Credit Risk

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

Foreign Currency

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

**C. Investments – Police Pension Plan**

Interest Rate Risk

The Police Pension Plan Investment Policy limits fixed income securities to 135% of the duration of the market index, including investments in government issues, corporate bonds having an average quality rating of A or higher and/or securities issued by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia. There may be exceptional circumstances indicating the use of longer maturities, but these exceptions should be few. As of September 30, 2012, the Police Officer's Pension Plan had the following investments and maturities:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>			
		<b>Less Than 1</b>	<b>Between 1 and 5</b>	<b>Between 6 and 10</b>	<b>More Than 10</b>
U.S. Government Agencies	\$ 1,847,860	\$ -	\$ 86,518	\$ 37,793	\$ 1,723,549
Corporate & Foreign Bonds	3,505,735	632,659	738,706	1,072,699	1,061,671
Municipal Obligations	35,915	-	-	-	35,915
Common Equity Securities	5,956,142	5,956,142	-	-	-
Real Estate	1,129,226	-	-	-	1,129,226
	<u>\$ 12,474,878</u>	<u>\$ 6,588,801</u>	<u>\$ 825,224</u>	<u>\$ 1,110,492</u>	<u>\$ 3,950,361</u>

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

**NOTE 2. DEPOSITS AND INVESTMENTS: (continued)**

Credit Risk and Concentration of Credit Risk

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

Foreign Currency

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

**D. Investments – Firefighter Pension Plan**

Interest Rate Risk

The Firefighter Pension Plan Investment Policy limits all investments in corporate fixed income securities to those that hold a rating of investment grade or higher. There is no limit imposed on investment in fixed income securities issued directly by the U.S. Government. The Plan limits the effective duration of its investment portfolio through the adoption of the Merrill Lynch Government/Corporate Bond Index bench mark. It is expected that the average duration of the total fixed income portfolio will not exceed 150% of the duration of the Index. As of September 30, 2012, the Firefighter Pension Plan held the following fixed income investments:

<b>Investment Type</b>	<b>% of Fund</b>	<b>Fair Value</b>	<b>Rating</b>	<b>Effective Duration</b>
US Government Agencies	40.0%	\$ 1,586,949	AA	10.0-15.0
Corporate Bonds	34.7%	1,377,216	A	11.0
Domestic fixed income investment fund	11.5%	456,967	BBB-A	2.0-5.0
International bonds	1.1%	45,387	BBB-A	1.0
Temporary Investment Funds	12.6%	501,485	AAA	Daily
	<u>100%</u>	<u>\$ 3,968,004</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, 2012**

**NOTE 3. ACCOUNTS RECEIVABLE:**

Receivables at September 30, 2012, consist of the following:

	<b>Governmental Activities</b>			<b>Total</b>
	<b>General</b>	<b>Capital Projects</b>	<b>Business-Type Activities</b>	
Utility Taxes	\$ 86,996	\$ -	\$ -	\$ 86,996
Accounts	243,416		2,234,795	2,478,211
Intergovernmental	882,460		394,686	1,277,146
Gross Receivables	1,212,872	-	2,629,481	3,842,353
Less: Allowance for Uncollectibles	-	-	70,516	70,516
<b>Total Receivables</b>	<b>\$ 1,212,872</b>	<b>\$ -</b>	<b>\$ 2,558,965</b>	<b>\$ 3,771,837</b>

**NOTE 4. CAPITAL ASSETS:**

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2012:

**Governmental Activities**

	<b>Balance 10/1/2011</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 9/30/2012</b>
<b>Capital Assets Not Being Depreciated:</b>				
Land and Land Improvements	\$ 5,958,730	\$ -	\$ -	\$ 5,958,730
Construction in Progress	2,103,611	908,207	1,684,756	1,327,062
<b>Total Capital Assets     Not Being Depreciated</b>	<b>8,062,341</b>	<b>908,207</b>	<b>1,684,756</b>	<b>7,285,792</b>
<b>Other Capital Assets:</b>				
Buildings	18,148,354	294,288	-	18,442,642
Infrastructure	12,034,199	1,814,910	-	13,849,109
Furniture and Other Equipment	7,143,525	841,128	787,812	7,196,841
<b>Total Other</b>	<b>37,326,078</b>	<b>2,950,326</b>	<b>787,812</b>	<b>39,488,592</b>
<b>Less Accumulated Depreciation For:</b>				
Buildings	8,650,984	412,463	-	9,063,447
Infrastructure	6,137,061	369,289	-	6,506,350
Furniture and Other Equipment	6,047,783	612,053	758,810	5,901,026
<b>Total Accumulated Depreciation</b>	<b>20,835,828</b>	<b>1,393,805</b>	<b>758,810</b>	<b>21,470,823</b>
Other Capital Assets, Net	16,490,250	1,556,521	29,002	18,017,769
<b>TOTALS</b>	<b>\$ 24,552,591</b>	<b>\$ 2,464,728</b>	<b>\$ 1,713,758</b>	<b>\$ 25,303,561</b>

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

**NOTE 4. CAPITAL ASSETS:** (continued)

Construction in progress is composed of the following at September 30, 2012:

Fire Station Repairs	\$ 16,587
Valencia Street Survey & Rehab	153,588
FDOT Traffic Engineering Safety Study	1,156,887
Total	\$ 1,327,062

**Business-Type Activities**

	<b>Balance 10/1/2011</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 9/30/2012</b>
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,145,803	\$ -	\$ -	\$ 1,145,803
Construction in Progress	8,159,210	5,348,241	7,689,963	5,817,488
Total Capital Assets				
Not Being Depreciated	9,305,013	5,348,241	7,689,963	6,963,291
Other Capital Assets:				
Buildings	56,427,446	2,508,783	-	58,936,229
Infrastructure	70,566,116	8,818,126	-	79,384,242
Furniture and Other Equipment	5,696,741	386,347	127,558	5,955,530
Total Other	132,690,303	11,713,256	127,558	144,276,001
Less Accumulated Depreciation For:				
Buildings	20,880,679	1,294,111	-	22,174,790
Infrastructure	26,476,257	2,249,291	-	28,725,548
Furniture and Other Equipment	3,943,840	380,657	124,540	4,199,957
Total Accumulated Depreciation	51,300,776	3,924,059	124,540	55,100,295
Other Capital Assets, Net	81,389,527	7,789,197	3,018	89,175,706
<b>TOTALS</b>	<b>\$ 90,694,540</b>	<b>\$ 13,137,438</b>	<b>\$ 7,692,981</b>	<b>\$ 96,138,997</b>

Depreciation was allocated to Business-Type Activities as follows:

Utility Fund	\$ 2,643,775
Stormwater Drainage Fund	68,134
Solid Waste Fund	196,211
Municipal Marina Fund	168,648
Visitor Information Center	847,291
Total	\$ 3,924,059

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

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**NOTE 4. CAPITAL ASSETS:** (Continued)

Construction in progress is composed of the following at September 30, 2012:

Chlorine Conversion	\$ 28,752
Covino Ave Watermain Replacement	67,061
Drinking Water Facilities Plan	16,999
Hibiscus Street Sewer Repairs	8,004
Lighthouse Area Watermain	40,522
Lincolnville Watermain Improvements	130,936
LRPO Concentrate Disposal Permitting	117,678
Marina Improvements	48,032
North City Watermain	34,688
Palmer/Masters Drive Watermain Replacement	40,429
Riberia Street Phase II Utility	1,015,116
Riberia Street Phase II Stormwater	1,468,609
Sea Wall Rehab	1,882,534
Sewer Rehab Project, I&I	519,254
Sodium Hypochlorite Expansion	28,687
US 1 Watermain	1,750
Valencia Street Rehab	49,517
VIC Expansion & Renovation	284,220
Volusia Street Watermain	34,700
Total	<u><u>\$ 5,817,488</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, 2012, will not materially affect the financial condition of the City. Therefore, the financial statements contain no provision for estimated claims.

At September 30, 2012, the City had outstanding commitments of approximately \$6,006,200 relating to construction contracts.

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

**NOTE 6. LONG-TERM DEBT:**

**Governmental Funds**

**Capital Improvement Refunding Revenue Bonds, Series 2011B:**

On December 28, 2012, the City issued Capital Improvement Refunding Revenue Bonds totaling \$10,440,000. The Bonds are being issued for the purpose of (i) currently refunding all of the City's outstanding Public Service Tax and Guaranteed Entitlement Revenue Refunding and Improvement Bonds, Series 2001, and (ii) paying certain costs of issuance incurred with respect thereto, including the premium for a Municipal Bond Insurance Policy. The proceeds of the Refunded Bonds were used to finance (i) the current refunding of the City's outstanding Public Service Tax and Guaranteed Entitlement Revenue Refunding and Improvement Bonds, Series 1992, (ii) the acquisition, relocation, construction and/or equipping of a parking garage, a fire station and related facilities on different sites of the City and other capital projects of the City, (iii) the capitalization of interest on a portion of the Refunding Bonds, (iv) the purchase of a surety bond to fund the Reserve Account relating to the Refunded Bonds, and (v) the cost of issuance with respect to the Refunded Bonds. This issuance results in a \$814,718 difference in cash flow requirements with a present value economic gain of \$574,623.

Principal payments are due annually on October 1, and interest payments (2.0% to 3.25%) are due semi-annually on April 1 and October 1. The annual requirement to amortize long-term bonded debt outstanding as of September 30, 2012 is as follows:

<b>Bond Year Ended</b>	<b>Capital Improvement Refunding Revenue Bonds</b>	
	<b>Series 2011B</b>	
<b>October 1</b>	<b>Principal</b>	<b>Interest</b>
2013	\$ 385,843	\$ 217,959
2014	392,404	210,262
2015	398,944	202,439
2016	408,731	194,491
2017	294,263	186,355
2018-2022	1,591,694	820,927
2023-2027	1,882,613	526,262
2028-2032	1,330,870	118,207
	<b>\$ 6,685,362</b>	<b>\$ 2,476,902</b>

**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

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

**NOTE 6. LONG-TERM DEBT** (Continued)

available to make the payments required by the Resolution, but only after provision has been made by the City for payment of services and programs which are for essential public purposes affecting the health, welfare and safety of 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, 2012 is as follows:

<b>Bond Year Ended October 1</b>	<b>Capital Improvements &amp; Current Refunding Series 2004</b>	
	<b>Principal</b>	<b>Interest</b>
2013	\$ 52,607	\$ 8,176
2014	54,201	6,072
2015	55,790	4,175
2016	57,396	2,152
	<u>\$ 219,994</u>	<u>\$ 20,575</u>

**Capital Improvement Revenue Bonds, Series 2011:**

On April 5, 2011, the City issued Capital Improvement Revenue Bonds, Series 2011, totaling \$16,215,000 for the purpose of (i) financing the acquisition, construction and equipping a portion of the costs of various capital projects located within the City, including without limitation, water and sewer capital projects, stormwater capital projects, transportation capital projects, municipal marina improvements and other municipal capital projects on file with the City and (ii) paying certain costs of issuance incurred with respect thereto.

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

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

<b>Bond Year Ended October 1</b>	<b>Capital Improvement Revenue Bonds Series 2011</b>	
	<b>Principal</b>	<b>Interest</b>
2013	\$ -	\$ 932,362
2014	-	932,363
2015	-	932,362
2016	-	932,363
2017	-	932,362
Thereafter	16,215,000	19,788,338
	<u>\$ 16,215,000</u>	<u>\$ 24,450,150</u>

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

**NOTE 6. LONG-TERM DEBT:** (Continued)

**Enterprise Funds**

**Water and Sewer Revenue Refunding Bonds, Series 2005:**

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

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

Principal payments are due annually on October 1, and interest payments are due semi-annually on April 1 and October 1. The annual requirement to amortize bonded debt outstanding as of September 30, 2012 is as follows:

<b>Bond Year Ended</b>	<b>Water &amp; Sewer Fund</b>	
	<b>Revenue Bonds, Series 2005</b>	
<b>October 1</b>	<b>Principal</b>	<b>Interest</b>
2013	\$ 545,000	\$ 273,188
2014	570,000	247,063
2015	590,000	227,113
2016	615,000	201,050
2017	650,000	170,300
2018-2021	3,445,000	413,800
	<b>\$ 6,415,000</b>	<b>\$ 1,532,514</b>

**Water and Sewer Revenue Bonds, Series 2003:**

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

1. The entire revenue of the System will be deposited upon receipt into a trust fund entitled the "Revenue Fund".
2. The disposition of revenue from the "Revenue Fund" shall be to pay the cost of operation and maintenance as a first priority, with all other expenditures prioritized in the following order:
  - a. Deposits to the Debt Service Fund
  - b. Deposits to the Renewal and Replacement Account
  - c. Any other lawful purpose

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

**NOTE 6. LONG-TERM DEBT:** (Continued)

3. Funds are considered trust funds and are to be secured in the same manner as public deposits. (See Note 2).
4. The City will maintain the System in good condition, operate in an efficient and economical manner, maintain proper records, cause an independent audit within 120 days of fiscal year-end, not dispose of any necessary parts of the System, maintain adequate insurance, not furnish free service, require all structures to be connected to the System and employ consulting engineers to review the overall operations of the System on an ongoing basis.
5. The City will not issue additional obligations without first having an independent certified public accountant verify that coverage requirements of 125% are being met and that the City is not in default under the bond resolution.
6. The City can provide for the defeasance of the bonds by making necessary provisions for the payment of principal, interest and premium.

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

<b>Bond Year Ended</b>	<b>Water and Sewer Fund</b>	
<b>October 1</b>	<b>Capital Appreciation Bonds, Series 2003</b>	
	<b>Principal</b>	<b>Interest</b>
2013	\$ 1,351,161	\$ 673,839
2014	1,269,533	755,467
2015	1,193,697	831,303
2016	1,118,914	906,086
2017	1,054,073	970,927
2018-2021	3,376,476	4,138,524
	9,363,854	\$ 8,276,146
Accredited interest	4,729,978	
Balance September 30, 2012	\$ 14,093,832	

**Capital Improvement Refunding Revenue Bonds, Series 2011B:**

On December 28, 2012, the City issued Capital Improvement Refunding Revenue Bonds totaling \$10,440,000. The Bonds are being issued for the purpose of (i) currently refunding all of the City's outstanding Public Service Tax and Guaranteed Entitlement Revenue Refunding and Improvement Bonds, Series 2001, and (ii) paying certain costs of issuance incurred with respect thereto, including the premium for a Municipal Bond Insurance Policy. The proceeds of the Refunded Bonds were used to finance (i) the current refunding of the City's outstanding Public Service Tax and Guaranteed Entitlement Revenue Refunding and Improvement Bonds, Series 1992, (ii) the acquisition, relocation, construction and/or equipping of a parking garage, a fire station and related facilities on different sites of the City and other capital projects of the City, (iii) the capitalization of interest on a portion of the Refunding Bonds, (iv) the purchase of a surety bond to fund the Reserve Account relating to the Refunded Bonds, and (v) the cost of issuance with respect to the Refunded Bonds. This issuance results in a \$814,718 difference in cash flow requirements with a present value economic gain of \$574,623.

Principal payments are due annually on October 1, and interest payments (2.0% to 3.25%) are due semi-annually on April 1 and October 1. The annual requirement to amortize long-term bonded debt outstanding as of September 30, 2012 is as follows:

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

**NOTE 6. LONG-TERM DEBT: (Continued)**

<b>Bond Year Ended October 1</b>	<b>Municipal Marina Capital Improvement Refunding Revenue Bonds, Series 2011B</b>	
	<b>Principal</b>	<b>Interest</b>
	2013	\$ 134,511
2014	142,832	15,487
2015	152,539	11,006
2016	168,613	5,953
	<u>\$ 598,495</u>	<u>\$ 51,958</u>

<b>Bond Year Ended October 1</b>	<b>Visitor Information Center Capital Improvement Refunding Revenue Bonds, Series 2011B</b>	
	<b>Principal</b>	<b>Interest</b>
	2013	\$ 59,645
2014	54,765	89,001
2015	48,517	89,505
2016	37,656	90,506
2017	145,737	92,295
2018-2022	788,306	406,574
2023-2027	932,387	260,637
2028-2030	659,130	58,543
	<u>\$ 2,726,143</u>	<u>\$ 1,175,940</u>

**Capital Improvement and Refunding Revenue Bonds, Series 2004:**

On October 14, 2004, the City Issued Capital Improvement and Refunding Revenue Bonds totaling \$22,155,000 to refund the 1995 Series Revenue Bonds and construct a parking garage and other capital improvements for the City. Payment of maturing principal and interest (2.00 percent to 5.00 percent) on these bonds is provided for in the Debt Service Fund. Principal payments are due annually on October 1, and interest payments are due semi-annually on April 1 and October 1. The annual requirement to amortize bonded debt outstanding as of September 30, 2012, is as follows:

<b>Bond Year Ended October 1</b>	<b>Visitor Information Center Capital Improvement &amp; Revenue Refunding Bonds, Series 2004</b>	
	<b>Principal</b>	<b>Interest</b>
	2013	\$ 287,393
2014	300,799	963,522
2015	309,205	952,994
2016	322,609	941,785
2017	580,000	929,687
2018-2022	3,260,000	4,267,551
2023-2027	4,150,000	3,385,875
2028-2032	6,855,000	2,211,675
2033-2034	4,225,000	319,500
	<u>\$ 20,290,006</u>	<u>\$ 14,947,607</u>



**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

**NOTE 7. CHANGES IN LONG-TERM DEBT:**

During the year ended September 30, 2012 the following changes occurred in the City's long-term obligations:

**Primary Government  
Governmental Activities**

	<b>Balance 10/1/2011</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 9/30/2012</b>	<b>Current Portion</b>
<b>General Long-Term Debt &amp; Obligations</b>					
Capital Improvement and Refunding Revenue Bonds	\$ 23,205,133	\$ 6,971,120	\$ 7,055,898	\$ 23,120,355	\$ 438,049
Accrued Compensated Absences	1,996,403	1,001,787	1,069,138	1,929,052	77,786
Total General Long-Term Obligations	<u>25,201,536</u>	<u>7,972,907</u>	<u>8,125,036</u>	<u>25,049,407</u>	<u>515,835</u>
<b>Proprietary Fund Long-Term Obligations</b>					
Accrued Compensated Absences	622,382	-	39,444	582,938	40,056
Water and Sewer Revenue Bonds	22,191,968	636,864	2,320,000	20,508,832	545,000
Capital Improvement and Refunding Revenue Bonds	23,909,867	124,598	419,821	23,614,644	1,134,533
Total Proprietary Fund Long-Term Obligations	<u>46,724,217</u>	<u>761,462</u>	<u>2,779,265</u>	<u>44,706,414</u>	<u>1,719,589</u>
Total Long-Term Debt & Obligations	<u>\$ 71,925,753</u>	<u>\$ 8,734,369</u>	<u>\$ 10,904,301</u>	<u>\$ 69,755,821</u>	<u>\$ 2,235,424</u>

**NOTE 8. INTERFUND RECEIVABLES, PAYMENTS, AND TRANSFERS:**

A. At September 30, 2012, interfund payments and transfers are as follows:

<b>Fund Type/Fund</b>	<b>Transfers-in</b>	<b>Transfers-out</b>
<b>GOVERNMENTAL FUNDS</b>		
General Fund	\$ 2,096,057	\$ 4,308,960
Community Redevelopment Agency Fund	262,287	532,627
Debt Service Fund	1,555,322	620,833
Capital Projects Fund	1,081,639	-
Permanent Fund	-	53
<b>PROPRIETARY FUNDS</b>		
Utility Fund	814,240	925,374
Stormwater Fund	-	223,336
Solid Waste Fund	15,000	88,552
Municipal Marina Fund	27,031	151,358
Visitor Information Center	1,220,515	220,998
	<u>\$ 7,072,091</u>	<u>\$ 7,072,091</u>

**CITY OF ST. AUGUSTINE, FLORIDA**  
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**September 30, 2012**

**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>
<b>GOVERNMENTAL FUNDS</b>		
General Fund	\$ 1,979,089	\$ -
<b>PROPRIETARY FUNDS</b>		
Utility Fund	-	1,386,572
Stormwater Fund	-	121,264
Solid Waste Fund	-	309,560
Municipal Marina Fund	-	82,735
Visitor Information Center	-	78,958
	<u>\$ 1,979,089</u>	<u>\$ 1,979,089</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, 2012, interfund receivables are as follows:

<u>Fund Type/Fund</u>	<u>Due to</u>	<u>Due from</u>
<b>GOVERNMENTAL FUNDS</b>		
General Fund	\$ -	\$ 15,479,480
Capital Projects Fund	1,190,000	
Permanent Fund	310	-
<b>PROPRIETARY FUNDS</b>		
Utility Fund	8,021,125	-
Stormwater Fund	3,688,875	-
Solid Waste Fund	-	208,000
Municipal Marina Fund	2,517,441	-
Visitor Information Center	1,669,729	1,400,000
	<u>\$ 17,087,480</u>	<u>\$ 17,087,480</u>

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

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

**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:

<b>Year Ending September 30</b>	<b>Amount</b>
2013	\$ 1,061,067
2014	1,092,899
2015	1,125,686
2016	1,159,457
2017	1,194,240
Total future minimum rentals	\$ 5,633,349

**NOTE 10. EMPLOYEE BENEFITS:**

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

**A. General Employees' Retirement System:**

**1. Plan Description:**

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

Any full-time City employee (those who work 40 or more hours per week), other than regular members of the Police and Fire Departments of the City, is eligible to become a member of this System. The City Manager may elect not to participate in the System. As of September 30, 2012, the System had 212 active participants, 116 retirees/beneficiaries and 13 vested terminated participants and 60 with refunds pending. The total payroll for eligible employees covered by this System was \$8,123,234.

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

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
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**NOTE 10. EMPLOYEE BENEFITS:** (Continued)

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

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

Members with ten or more years of service who have attained age and service conditions for normal retirement but are within five years of the earliest normal retirement date may elect to have their terminated benefits calculated as if the member had retired at an eligible normal retirement date up to five years earlier on or after February 13, 2006. Benefits that would have been payable are accumulated at interest to date of termination and paid or rolled over in a single sum, and payments are made directly to the member thereafter.

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

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

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

**2. Summary of Accounting Policies:**

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

- a. Basis of Accounting - The financial statements of the System are prepared using the accrual basis of accounting in conformity with Generally Accepted Accounting Principles. Under this basis, revenue is recognized in the period earned, expenses are recognized in the period the obligation is incurred, and employee and employer contributions are recognized as revenue in the period in which the employee services are performed.
- b. Valuation of Investments – Investments are reported at fair value as provided by the System's asset manager, Salem Trust Company. The summary of investments at September 30, 2012, is as follows:

	<u>Cost Value</u>	<u>Market Value</u>
US Treasury Obligations & Government Agencies	N/A	\$ 1,892,001
Corporate & Foreign Bonds	N/A	5,160,063
Municipal Obligations	N/A	197,831
Equity Securities	N/A	12,956,323
Equity Mutual Funds	N/A	2,151,487
Real Estate Fund	N/A	1,141,772
		\$ 23,499,477

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

**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 15.46 percent.

The following is funded status information for the plan as of October 1, 2012, the most recent actuarial valuation date (in thousands):

	(1)	(2)	(3)	(4)	(5)	(6)
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) Entry Age</b>	<b>Unfunded AAL (UAAL) (2)-(1)</b>	<b>Funded Ratio (1)/(2)</b>	<b>Covered Payroll</b>	<b>UAAL as a % of Covered Payroll [(2)-(1)/(5)]</b>
9/30/2012	\$ 24,961	\$ 35,346	\$ 10,385	70.62%	\$ 8,136	127.64%

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 2012, the City's annual pension cost was \$1,503,039. The City's actual contribution was \$1,461,196. The annual required contribution for the current year was determined as part of the October 1, 2011, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions in the October 1, 2011, valuations included (a) 7.75% investment rate of return; (b) projected salary increases of 0%; and (c) 3.25% rate of inflation. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined by adjusting the expected values of assets as of any valuation date by a portion of the cumulative differences of the market value of assets and the expected actuarial value of assets. Each difference is fully recognized over a period not to exceed five years. The unfunded actuarial liability is being amortized over 15 years as a level percentage of projected payroll on a closed basis.

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

**NOTE 10. EMPLOYEE BENEFITS:** (Continued)

**Three-Year Trend Information**

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension (Asset)</b>
9/30/2010	\$1,250,914	96%	(549,216)
9/30/2011	\$1,375,766	85%	(349,598)
9/30/2012	\$1,503,039	97%	(307,755)

<b>Fiscal Year Ended September 30, 2012</b>	<b>Annual</b>
Annual Required City Contribution (ARC)	\$ 1,481,755
Interest on NPO	(27,094)
Adjustment to ARC	48,378
Annual Pension Cost	1,503,039
Contributions Made	1,461,196
Decrease in NPO	41,843
NPO Beginning of Year	(349,598)
NPO End of Year	\$ (307,755)

**5. Concentrations:**

Salem Trust, Sawgrass Asset Management, Tradewinds, Europacific Growth, Vanguard Total International Stock, Principal U.S. Property and Integrity Management Fixed Income currently hold investments of the system which consist of a bond and mortgage account, U.S. stock account, international stock account and a real estate account. The value of assets managed by these companies and their relation to the net assets of the plan as of September 30, 2012 is as follows:

	<b>Market Value</b>	<b>Percent of Net Assets</b>
Domestic Equity Securities	\$ 12,956,323	50%
International Equity Securities	2,151,487	8%
Real Estate	1,141,772	5%
Fixed Income Securities	7,249,895	32%
Cash & Short term Investments	901,367	5%
	<u>\$ 24,400,844</u>	

**B. Police Officers' Retirement System**

**1. Plan Description:**

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

Any police officer who is a regular member of the police department of the City of St. Augustine is a member of this retirement system. As of September 30, 2012, the System had 48 active participants, 21 retirees/beneficiaries, 4 disabled participants and 7 vested/terminated participants. The total payroll for eligible employees covered by this System was \$2,273,934.

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

**NOTE 10. EMPLOYEE BENEFITS:** (Continued)

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

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

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

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

**2. Summary of Accounting Policies:**

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

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

	Cost Value	Fair Value
Corporate and Municipal Bonds	N/A	\$ 3,505,735
Real Estate	N/A	1,129,226
Governmental Obligations	N/A	1,883,775
Stocks	N/A	5,956,142
		\$ 12,474,878

**3. Funding Policy, Contributions, Status and Progress:**

The St. Augustine Police Officers' Retirement System is funded under the provisions of Article X, Section 10.03, St. Augustine Code and Chapter 185.07, Florida Statutes. Funding arrangements include contributions by retirement system members, the City of St. Augustine, percentage of casualty insurance premiums collected on property located within the corporate limits of the City of St. Augustine, accretions to the fund by way of

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
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**NOTE 10. EMPLOYEE BENEFITS:** (Continued)

interest on bank deposits or otherwise, and any other source of income authorized by law to increase the retirement fund. At September 30, 2012, contributions by retirement system members are based on 5.5 percent of compensation while the City of St. Augustine contributes a minimum of 2.5 percent of compensation. Previously, retirement system members contributed four percent of fixed monthly compensation. The Board of Trustees for the Plan anticipates the above funding methods will result in all members' benefits being fully provided for by the time of their retirement. Effective October 1, 1993, the member contributions were changed from after tax compensation to pre-tax compensation.

Administrative costs are funded by City and member contributions.

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. The City made an actuarial contribution of 13.73 percent during the fiscal year ended September 30, 2012, in addition to the ordinance-required contribution of 1.5 percent.

The following is funded status information for the plan as of September 30, 2012, the most recent actuarial valuation date (in thousands):

	(1)	(2)	(3)	(4)	(5)	(6)
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) Entry Age</b>	<b>Unfunded AAL (UAAL) (2)-(1)</b>	<b>Funded Ratio (1)/(2)</b>	<b>Covered Payroll</b>	<b>UAAL as a % of Covered Payroll [(2)-(1)/(5)]</b>
9/30/2012	\$ 13,243	\$ 14,280	\$ 1,037	92.74%	\$ 2,238	46.34%

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 2012, the City's annual pension cost was \$607,066. The actual contribution was \$544,445. The annual required contribution for the current year was determined as part of the October 1, 2011, actuarial valuation using the Individual Entry Age Actuarial Cost Method. The actuarial assumptions in the October 1, 2011, valuations included (a) 7.75% investment rate of return; (b) projected salary increases of 0%; and (c) 3.25% 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**

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation (Asset)</b>
9/30/2010	\$394,821	83%	(35,736)
9/30/2011	\$506,651	85%	39,935
9/30/2012	\$607,066	90%	102,556



**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

**NOTE 10. EMPLOYEE BENEFITS:** (Continued)

<b>Fiscal Year Ended</b> <b>September 30, 2012</b>	<b>Annual</b>
Annual Required City Contribution (ARC)	\$ 608,954
Interest on NPO	3,095
Adjustment to ARC	(4,983)
Annual Pension Cost	607,066
Contributions Made	(544,445)
Decrease in NPO	62,621
NPO Beginning of Year	39,935
NPO End of Year	<u>\$ 102,556</u>

**5. Concentrations:**

As of September 30, 2012, the Plan had no investments that exceeded five percent of the Plan's net assets as of that date.

**C. Firefighters' Retirement System:**

**1. Plan Description:**

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

Any City full-time firefighter and retired firefighter is eligible to become a member of this System. As of September 30, 2012, the System had 32 active participants (7 vested, 25 nonvested), 22 retirees/beneficiaries, and 1 DROP participant. The total payroll for employees covered by this System for the year ended September 30, 2012 was \$1,511,934.

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

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

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

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

**NOTE 10. EMPLOYEE BENEFITS:** (Continued)

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

**2. Summary of Accounting Policies:**

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

- a. Basis of Accounting - The financial statements of the System are prepared using the accrual basis of accounting in conformity with Generally Accepted Accounting Principles. Under this basis, revenue is recognized in the period earned, expenses are recognized in the period the obligation is incurred, and employee and employer contributions are recognized as revenue in the period in which the employee services are performed.
- b. Valuation of Investments – Investments are reported at fair value as provided by the Fund’s investment manager Fifth Third Bank. Fifth Third arrives at fair value through the use of broker and pricing services. The summary of investments at September 30, 2012, is as follows:

	<b>Cost Value</b>	<b>Fair Value</b>
Corporate and Government Bonds	\$ 3,261,409	\$ 3,466,519
International exchange traded fund	805,565	828,626
Common Stock & Short Term Investments	4,002,384	4,992,484
	<b>\$ 8,069,358</b>	<b>\$ 9,287,629</b>

**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 \$162,273.

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 8.64 percent during the Fiscal Year ended September 30, 2012, 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, 2012, the most recent actuarial valuation date (in thousands):

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

**NOTE 10. EMPLOYEE BENEFITS:** (Continued)

	(1)	(2)	(3)	(4)	(5)	(6)
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) Entry Age</b>	<b>Unfunded AAL (UAAL) (2)-(1)</b>	<b>Funded Ratio (1)/(2)</b>	<b>Covered Payroll</b>	<b>UAAL as a % of Covered Payroll [(2)-(1)/(5)]</b>
10/1/2012	\$ 8,583	\$ 8,399	\$ (184)	102.19%	\$ 1,512	-12.17%

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 2012, the City's annual pension cost was \$288,203. The City's actual contribution was \$268,282. The annual required contribution for the current year was determined as part of the October 1, 2012, actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions in the October 1, 2012 valuations included (a) 7.5% investment rate of return; (b) projected salary increases of 4.5 -6.5% per year; and (c) 3% rate of inflation.

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

**Three-Year Trend Information**

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
9/30/2010	318,719	97%	(370,880)
9/30/2011	284,315	91%	(344,805)
9/30/2012	288,203	93%	(324,885)

<b>Fiscal Year Ended September 30, 2012</b>	<b>Annual</b>
Annual Required City Contribution (ARC)	\$ 268,282
Interest on NPO	(25,860)
Adjustment to ARC	45,781
Annual Pension Cost	288,203
Contributions Made	(268,283)
Decrease in NPO	19,920
NPO Beginning of Year	(344,805)
NPO End of Year	\$ (324,885)

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

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**NOTE 10. EMPLOYEE BENEFITS:** (Continued)

**5. Concentrations:**

As of September 30, 2012, the Plan had no investments that exceeded five percent of the Plan's net assets as of that date.

**D. Other Post-Employment Benefits (OPEB):**

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

Based on Governmental Accounting Standards Board (GASB) approval of Statement Nos. 43 and 45 which set forth the guidelines and a future implementation timetable for reporting and disclosure of Other Post-Employment Benefits (OPEB), the City had an actuary calculate future funding requirements using an appropriate actuarial cost method. The valuation was performed as of September 30, 2012 and covers subsidies for medical insurance benefits. The City has elected to implement the provisions of GASB Statement No. 45 prospectively. The City's annual OPEB cost for the Plan is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The projected unit credit cost method was used to determine all liabilities, with the liability for each active employee assumed to accrue over the working lifetime based on elapsed time from the date of hire until retirement.

**1. Plan Description:**

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

Under certain conditions, eligible individuals also include spouses and dependent children. As of September 30, 2012, there were 299 future retirees, 16 retired and disabled participants receiving benefits, 1 spouse receiving benefits and 1 other dependent receiving benefits for a total of 317 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 \$233,091 for the year ended September 30, 2012. The ultimate implicit and explicit subsidies which are provided over time are financed directly by general assets of the City, which are invested in short-term fixed income instruments according to its current investment policy. The City selected an interest discount rate of 4.50% per annum, which is the long range expected return on such short-term fixed income instruments, to calculate the present values and costs of the OPEB. This is consistent with GASB Statement No. 45 guidance. Significant Actuarial Assumptions and methods used to estimate the OPEB liability are as follows:

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

**NOTE 10. EMPLOYEE BENEFITS:** (Continued)

Valuation date.....	September 30, 2012
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
Inflation rate.....	5%
Projected salary increases.....	0%
Post-retirement benefit increases.....	0%

Assumed healthcare cost trend rates:

<u>Fiscal Year Ending</u>	<u>Percent Increase</u>
2012 .....	7.00%
2013 .....	6.00%
2014 - Thereafter .....	5.00%

**3. Actuarial Methods:**

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

**4. Annual OPEB Cost and Net OPEB Obligation:**

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize the actuarial liabilities (or funding excess) over a period not to exceed 30 years. The amortization periods used are closed. The City's annual OPEB cost for the fiscal year was \$233,091.

The City's annual OPEB cost and the net OPEB obligation for the fiscal year ended September 30, 2012 is as follows:

Annual Required City Contribution (ARC)	\$ 238,486
Interest on Plan Obligation	14,812
Adjustment to ARC	(20,208)
Annual Plan Retiree Cost	233,090
Contributions Made	(110,995)
Increase in Plan Obligation	122,095
Plan Obligation Beginning of Year	329,167
Plan Obligation End of Year	<u>\$ 451,262</u>

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

**NOTE 10. EMPLOYEE BENEFITS:** (Continued)

The City's percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended September 30, 2012 is as follows:

Fiscal Year Ending	Annual City Retiree Cost	City* Contributions	Percentage of Cost Contributed	Net Obligation (Asset)
9/30/2012	\$ 233,091	\$ 110,995	48%	\$ 451,262

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

The 2012 contribution represented 48% of the annual required contribution. The actuarial valuation for the Plan was done as of September 30, 2012. As of September 30, 2012, the most recent actuarial valuation date, the Plan was unfunded. The actuarial accrued liability for benefits was \$1,818,106, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,818,106. The covered payroll was \$12,829,445, and the ratio of the UAAL to the covered payroll was 14.17%.

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

**NOTE 11. 457 TAX-DEFERRED COMPENSATION PLAN:**

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

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

**NOTE 12. FUND RECLASSIFICATION**

The Heritage Tourism Fund was combined with the Visitor Information Center Fund in Fiscal Year 2012. This reclassification was made for operational purposes and amounts previously reported in the Heritage Tourism Fund have now been combined with the Visitor Information Center Fund's beginning balances.

**NOTE 13. PRIOR PERIOD RESTATEMENT**

In Fiscal Year 2011, we erroneously showed "Deferred Charges – Defeased Bond Cost" as a credit balance instead of a debit balance on the Statement of Net Assets. This resulted in a restatement of Net Assets – Beginning of Year of \$1,110,074.

**NOTE 14. SUBSEQUENT EVENT**

Subsequent to year-end the City issued a bond for \$15,930,000 to provide funds to (i) advance refund the City's outstanding Water and Sewer Revenue Bonds, Series 2003, which mature on and after October 1, 2014 and \$485,000 maturity value of such bonds which mature on October 1, 2013; (ii) finance the cost of certain capital improvements

**CITY OF ST. AUGUSTINE, FLORIDA**  
**Notes to the Financial Statements**  
**September 30, 2012**

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**NOTE 14. SUBSEQUENT EVENT:** (Continued)

to the City's Water and Sewer System; and (iii) pay certain costs of issuance incurred with respect thereto, including a municipal bond insurance policy premium, and a reserve fund insurance policy premium.

Subsequent to year-end the City also issued a bond for \$20,645,000 which will be used for the purpose of (i) advance refunding a portion of the City's outstanding Capital Improvement and Refunding Revenue Bonds, Series 2004; (ii) financing the acquisition, construction and equipping of a portion of the costs of various capital projects located within the City, including without limitation, the Historic Downtown Parking Facility and other municipal capital improvement projects to City facilities and infrastructure on file with the City; and (iii) paying certain costs of issuance incurred with respect thereto.

In February 2013, the City Commission adopted a Resolution establishing a stabilization arrangement. This Resolution is in compliance with the Governmental Accounting Standards Board's issued Statement No. 54, *Fund Balance Report and Governmental Fund Type Definitions*. It establishes a minimum Committed Fund Balance in the General Fund Reserve in an amount equal to no less than 33.33% percent (four months') of the City's budgeted general operating revenues as the emergency reserve level.

Management has evaluated subsequent events through March 29, 2013, the date the financial statements were available to be issued, and has determined that no subsequent events have occurred that would require adjustment to or disclosure in the financial statements other than discussed above.

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**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)
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) Entry Age</b>	<b>Unfunded AAL (UAAL) (2)-(1)</b>	<b>Funded Ratio (1)/(2)</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll [(2)-(1)/(5)]</b>
<b>General Pension:</b>						
9/30/2012	\$ 24,961	\$ 35,346	\$ 10,385	70.62%	\$ 8,136	127.64%
9/30/2011	25,072	33,935	8,863	73.88%	8,288	106.94%
9/30/2010	24,932	31,861	6,929	78.25%	9,118	75.99%
9/30/2009	23,817	29,574	5,757	80.53%	9,501	60.59%
9/30/2008	23,258	27,153	3,895	85.66%	9,357	41.63%
9/30/2007	22,172	25,909	3,737	85.58%	9,000	41.52%
9/30/2006	20,135	22,726	2,591	88.60%	8,004	32.37%
9/30/2005	18,481	19,674	1,193	93.94%	7,073	16.87%
9/30/2004	17,076	17,874	798	95.54%	7,069	11.29%
9/30/2003	15,835	15,374	(461)	103.00%	7,072	0.00%
<b>Police Pension:</b>						
9/30/2012	13,243	14,280	1,037	92.74%	2,238	46.34%
9/30/2011	13,299	13,823	524	96.21%	2,280	22.98%
9/30/2010	13,078	13,980	902	93.55%	2,566	35.15%
9/30/2009	12,759	13,428	669	95.01%	2,780	24.08%
9/30/2008	12,951	13,473	522	96.13%	2,495	20.92%
9/30/2007	12,424	12,544	120	99.04%	2,576	4.66%
9/30/2006	11,383	11,846	463	96.09%	2,287	20.23%
9/30/2005	10,566	11,052	486	95.60%	2,273	21.40%
9/30/2004	10,267	9,774	(493)	-105.04%	2,044	-24.12%
9/30/2003	10,013	11,295	1,281	88.65%	2,015	63.59%
<b>Fire Pension:</b>						
9/30/2012	8,583	8,399	(184)	102.19%	1,512	-12.17%
9/30/2011	8,139	7,909	(230)	102.91%	1,349	-17.05%
9/30/2010	8,390	8,207	(183)	102.23%	1,234	-14.83%
9/30/2009	8,301	8,123	(178)	102.19%	1,518	-11.73%
9/30/2008	8,222	8,031	(191)	102.38%	1,413	-13.52%
9/30/2007	8,089	9,377	1,288	86.27%	1,310	98.30%
9/30/2006	7,428	8,771	1,343	84.69%	930	144.46%
9/30/2005	6,904	8,311	1,408	83.06%	843	166.90%
9/30/2004	6,608	7,868	1,260	83.99%	925	136.22%
9/30/2003	6,458	7,747	1,289	83.36%	941	136.98%

**CITY OF ST. AUGUSTINE, FLORIDA**

**General, Police, and Fire Employees' Pension Plans**

**Required Supplementary Information**

**Schedule of Employer Contributions and Other Contributing Entities**

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

2012	\$ 1,503,039	\$ 1,461,196	\$ -	97.22%
2011	1,375,766	1,176,148	-	85.49%
2010	1,250,914	1,206,532	-	96.45%
2009	1,157,224	1,192,706	-	103.07%
2008	909,542	1,039,614	-	114.30%
2007	631,069	828,381	-	131.27%
2006	597,699	679,414	-	113.67%
2005	448,795	457,095	-	101.85%
2004	365,948	388,902	-	106.27%
2003	469,150	509,417	-	108.58%

**Police Pension:**

2012	607,066	544,445	-	89.68%
2011	504,989	430,980	-	85.34%
2010	394,821	326,733	-	82.75%
2009	407,169	346,738	-	85.16%
2008	415,753	381,564	-	91.78%
2007	469,050	372,637	-	79.45%
2006	454,343	215,128	271,723	107.15%
2005	302,097	56,415	246,906	100.41%
2004	222,781	52,448	212,619	118.98%
2003	217,351	52,942	208,567	120.32%

**Fire Pension:**

2012	268,282	168,349	99,934	100.00%
2011	258,240	152,842	105,398	100.00%
2010	309,347	202,533	106,814	100.00%
2009	237,355	153,176	106,814	109.54%
2008	310,329	106,364	268,679	120.85%
2007	250,034	104,222	252,226	142.56%
2006	239,014	91,576	212,014	127.02%
2005	198,791	59,614	169,201	115.10%
2004	152,714	34,859	151,978	122.34%
2003	134,387	22,851	140,928	121.87%

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

**CITY OF ST. AUGUSTINE, FLORIDA**

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

	<b>General Employees' Pension Plan</b>	<b>Police Officers' Pension Plan</b>	<b>Firefighters' Pension Plan</b>
<b>Valuation Date</b>	30-Sep-12	30-Sep-12	30-Sep-12
<b>Actuarial Cost Method</b>	Individual Entry Age	Individual Entry Age	Frozen Entry Age
<b>Amortization Method</b>	Level Percentage (closed) of Projected Payroll	Level Percentage (closed) of Projected Payroll	Level Percentage of pay, closed
<b>Remaining Amortization Period</b>	Weighted Average of 15 Years	Weighted Average of 15 Years	Weighted Average of 28 Years
<b>Asset Valuation Method</b>	5 Year Weighted Average of Difference Between Market & Expected Market	5 Year Weighted Average of Difference Between Market & Expected Market	4 Year Smoothing
<b>Actuarial Assumptions:</b>			
<b>Investment Rate of Return</b>	7.75% Annually	7.75% Annually	7.5% Annually
<b>Projected Salary Increases</b>	0%	0%	6.5% Annually
<b>Cost of Living Adjustments</b>	none	Up to 3% Annually	none

**CITY OF ST. AUGUSTINE, FLORIDA**

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

	(1)	(2)	(3)	(4)	(5)	(6)
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) Entry Age</b>	<b>Unfunded AAL (UAAL) (2)-(1)</b>	<b>Funded Ratio (1)/(2)</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll [(2)-(1)/(5)]</b>
9/30/2012	\$ -	\$ 1,818	\$ 1,818	0.00%	\$ 12,829	14.17%
9/30/2011	-	2,311	2,311	0.00%	13,926	16.59%
9/30/2010	-	2,235	2,235	0.00%	13,391	16.69%
9/30/2009	-	2,169	2,169	0.00%	12,876	16.85%

**CITY OF ST. AUGUSTINE, FLORIDA**

**Other Post-Employment Benefits  
Required Supplementary Information  
Schedule of Employer Contributions and Other Contributing Entities**

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<b>Year Ended September 30</b>	<b>Annual Required Contribution</b>	<b>* City Contribution</b>	<b>Percentage Contributed</b>
2012	\$ 233,090	\$ 110,995	47.62%
2011	224,288	134,757	60.08%
2010	216,180	111,198	51.44%
2009	208,983	74,329	35.57%

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

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# **Combining Statements**



**CITY OF ST. AUGUSTINE, FLORIDA**

**Combining Statement of Fiduciary Net Assets  
Fiduciary Funds  
September 30, 2012**

	<b>General Employees' Pension Fund</b>	<b>Police Officers' Pension Fund</b>	<b>Firefighters' Pension Fund</b>	<b>Total Employee Retirement Funds</b>
<b>ASSETS</b>				
Cash and Short-term Investments	\$ 901,367	\$ 579,686	\$ 501,485	\$ 1,982,538
Receivables:				
Member Contributions	13,355	5,200	1,134	19,689
City Contributions	51,744	13,924	2,421	68,089
Interest and Dividends	93,136	55,677	26,165	174,978
Broker-dealers	-	-	42,550	42,550
Due from State	-	-	26,924	26,924
<b>Total Receivables</b>	<b>158,235</b>	<b>74,801</b>	<b>99,194</b>	<b>332,230</b>
Prepaid Expense	-	-	583	583
Investments, at Fair Value:				
U.S. Government Obligations Fund	2,089,832	1,883,775	1,586,949	5,560,556
U.S. Stock Fund	12,956,323	5,956,142	4,490,999	23,403,464
Mutual Funds - International Equity	2,151,487	-	-	2,151,487
Bond and Mortgage Fund	5,160,063	3,505,735	1,879,570	10,545,368
International Exchange Fund	-	-	828,626	828,626
Real Estate Fund	1,141,772	1,129,226	-	2,270,998
<b>Total Investments</b>	<b>23,499,477</b>	<b>12,474,878</b>	<b>8,786,144</b>	<b>44,760,499</b>
<b>Total Assets</b>	<b>24,559,079</b>	<b>13,129,365</b>	<b>9,387,406</b>	<b>47,075,850</b>
<b>LIABILITIES</b>				
Expenses Payable	31,751	25,402	70,947	128,100
<b>Total Liabilities</b>	<b>31,751</b>	<b>25,402</b>	<b>70,947</b>	<b>128,100</b>
<b>NET ASSETS</b>				
<b>Held in Trust for Pension Benefits</b>	<b>\$ 24,527,328</b>	<b>\$ 13,103,963</b>	<b>\$ 9,316,459</b>	<b>\$ 46,947,750</b>

**CITY OF ST. AUGUSTINE, FLORIDA**

**Combining Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended September 30, 2012**

	<b>General Employees' Pension Fund</b>	<b>Police Officers' Pension Fund</b>	<b>Firefighters' Pension Fund</b>	<b>Total Employee Retirement Funds</b>
<b>ADDITIONS</b>				
<b>Contributions</b>				
Members	\$ 351,360	\$ 135,117	\$ 75,979	\$ 562,456
City	1,360,098	361,866	162,410	1,884,374
State Insurance Premium Tax, from General Fund	-	167,250	162,272	329,522
<b>Total Contributions</b>	<b>1,711,458</b>	<b>664,233</b>	<b>400,661</b>	<b>2,776,352</b>
<b>Investment Income</b>				
Net Increase (Decrease) in Fair Value of Investments	2,027,290	974,539	1,255,229	4,257,058
Interest and Dividends on Investments	621,142	388,621	393,134	1,402,897
<b>Total Investment Income</b>	<b>2,648,432</b>	<b>1,363,160</b>	<b>1,648,363</b>	<b>5,659,955</b>
<b>Less Investment Expenses</b>	<b>148,738</b>	<b>71,379</b>	<b>42,872</b>	<b>262,989</b>
<b>Net Investment Income</b>	<b>2,499,694</b>	<b>1,291,781</b>	<b>1,605,491</b>	<b>5,396,966</b>
<b>Total Additions</b>	<b>4,211,152</b>	<b>1,956,014</b>	<b>2,006,152</b>	<b>8,173,318</b>
<b>DEDUCTIONS</b>				
Benefit Payments	1,762,553	579,401	508,615	2,850,569
Drop Payments	-	206,562	-	206,562
Termination Payments	104,754	21,790	8,061	134,605
Administrative Expenses	28,668	38,707	22,920	90,295
<b>Total Deductions</b>	<b>1,895,975</b>	<b>846,460</b>	<b>539,596</b>	<b>3,282,031</b>
<b>Net Change in Assets</b>	<b>2,315,177</b>	<b>1,109,554</b>	<b>1,466,556</b>	<b>4,891,287</b>
<b>Net Assets - Beginning</b>	<b>22,212,151</b>	<b>11,994,409</b>	<b>7,849,903</b>	<b>42,056,463</b>
<b>NET ASSETS - ENDING</b>	<b>\$ 24,527,328</b>	<b>\$ 13,103,963</b>	<b>\$ 9,316,459</b>	<b>\$ 46,947,750</b>

**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, 2012**

Federal Agency or Federal Program	CFDA Number	Contract Number	Federal Expenditures
Department of Justice- JAG Grant			
E-Ticket Program	16.738	2012-JAGC-STJO-1-C4-037	27,783
Meth Lab Equipment Program	N/A		5,222
			33,005
Federal Transportation Agency	N/A	FL-04-0136	133,115
Federal Emergency Management Agency			
Seawall Mitigation	97.029	FMA-PJ-04-FL-2010-002	1,408,518
Assistance to Firefighters (AFG)	97.044	2012-MI-3007RG-10000000-4101-D	25,178
			1,433,696
Federal Transit Authority	N/A	P12PA30122	250,000
Federal Dept of Transportation			
Pedestrian Safety Study	20.205	LAP 403920-3-58-01	623,864
Department of Community Affairs	14.228	CDBG 11DB-L4-04-65-02-N 24	270,986
Florida Department of Environmental Protection			
Riberia Street Phase I	66.460	C9-99451510-0	149,853
<b>Total Expenditures of Federal Awards</b>			<b>\$ 2,894,519</b>
State Agency	CFSA Number	Contract Number	State Expenditures
Department of State			
Dredging of Marina Boat Basin	N/A	SJ-SA-11-45	\$ 165,618
Florida Department of Environmental Protection			
Clean Vessel Act	N/A	CVA 11-632, MV075	4,335
St. Johns River Water Management District	N/A	27262	41,605
Florida Department of Agriculture and Consumer Services (Urban Street & Tree Remediation)	N/A	17977	6,000
Port and Waterway District--Derelict Vessels	N/A	ICW-SA-01-01	18,000
<b>Total Expenditures of State Financial Assistance</b>			<b>\$ 235,558</b>

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# **STATISTICAL SECTION**



## Statistical Section

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

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	<b>114</b>
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over	
<b>Revenue Capacity</b>	<b>122</b>
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes.	
<b>Debt Capacity</b>	<b>127</b>
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.	
<b>Demographic and Economic Information</b>	<b>135</b>
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.	
<b>Operating Information</b>	<b>137</b>
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

**CITY OF ST. AUGUSTINE, FLORIDA**

**NET ASSETS BY COMPONENT  
LAST TEN FISCAL YEARS  
"UNAUDITED"**

	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>
<b><u>Governmental Activities</u></b>				
Invested in Capital Assets, net of related debt	\$ 10,744,342	\$ 13,491,170	\$ 9,451,793	\$ 10,966,110
Restricted	5,365,938	4,725,306	3,203,122	1,134,402
Unrestricted	1,087,186	(671,043)	8,543,387	12,340,617
<b>Total governmental activities net assets</b>	<b>\$ 17,197,466</b>	<b>\$ 17,545,433</b>	<b>\$ 21,198,302</b>	<b>\$ 24,441,129</b>
<b><u>Business-type activities</u></b>				
Invested in Capital Assets, net of related debt	\$ 2,194,130	\$ 2,372,560	\$ 6,027,693	\$ 11,785,907
Restricted	2,262,668	10,138,334	2,561,863	4,310,849
Unrestricted	9,232,343	2,952,198	11,490,954	11,489,120
<b>Total business-type activities net assets</b>	<b>\$ 13,689,141</b>	<b>\$ 15,463,092</b>	<b>\$ 20,080,510</b>	<b>\$ 27,585,876</b>
<b><u>Primary Government</u></b>				
Invested in Capital Assets, net of related debt	\$ 12,938,472	\$ 15,863,730	\$ 15,479,486	\$ 22,752,017
Restricted	7,628,606	14,863,640	5,764,985	5,445,251
Unrestricted	10,319,529	2,281,155	20,034,341	23,829,737
<b>Total primary government net assets</b>	<b>\$ 30,886,607</b>	<b>\$ 33,008,525</b>	<b>\$ 41,278,812</b>	<b>\$ 52,027,005</b>

2006/07	2007/08	2008/09 *	2009/10	2010/11 *	2011/12
\$ 14,175,163	\$ 14,676,684	\$ 15,619,162	\$ 16,449,454	\$ 14,525,576	\$ 11,255,991
631,370	303,051	194,949	239,423	741,252	5,620,856
12,813,500	13,631,715	12,094,285	10,794,948	11,906,201	10,209,941
<u>\$ 27,620,033</u>	<u>\$ 28,611,450</u>	<u>\$ 27,908,396</u>	<u>\$ 27,483,825</u>	<u>\$ 27,173,029</u>	<u>\$ 27,086,788</u>
\$ 22,747,771	\$ 33,767,723	\$ 38,596,536	\$ 41,464,233	\$ 48,685,820	\$ 51,779,723
10,310,337	1,282,194	1,780,856	2,128,544	2,866,119	2,147,376
9,225,883	17,596,927	15,081,493	14,587,206	9,058,342	10,229,044
<u>\$ 42,283,991</u>	<u>\$ 52,646,844</u>	<u>\$ 55,458,885</u>	<u>\$ 58,179,983</u>	<u>\$ 60,610,281</u>	<u>\$ 64,156,143</u>
\$ 36,922,934	\$ 48,444,407	\$ 54,215,698	\$ 57,913,687	\$ 63,211,396	\$ 63,035,714
10,941,707	1,585,245	1,975,805	2,367,967	3,607,371	7,768,232
22,039,383	31,228,642	27,175,778	25,382,154	20,964,543	20,438,985
<u>\$ 69,904,024</u>	<u>\$ 81,258,294</u>	<u>\$ 83,367,281</u>	<u>\$ 85,663,808</u>	<u>\$ 87,783,310</u>	<u>\$ 91,242,931</u>

\* As Restated

**CITY OF ST. AUGUSTINE, FLORIDA**

**CHANGES IN NET ASSETS  
LAST FOUR FISCAL YEARS  
"UNAUDITED"**

	<b>2008/09 *</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
<b>EXPENSES</b>				
<b>Governmental Activities:</b>				
General Government	\$ 10,029,770	\$ 9,477,947	\$ 9,516,005	\$ 8,713,330
Public Safety	8,279,880	8,192,511	8,218,190	8,178,719
Physical Environment	3,511,790	3,464,066	3,835,617	3,678,979
Transportation	1,328,943	1,148,640	213,858	214,453
Culture & Recreation	525,927	517,985	520,628	446,608
Interest and Fiscal Charges	390,469	369,659	815,610	1,222,551
<b>Total Governmental Activities Expenses</b>	<b>\$ 24,066,779</b>	<b>\$ 23,170,808</b>	<b>\$ 23,119,908</b>	<b>\$ 22,454,640</b>
<b>Business-type Activities:</b>				
Utility	\$ 10,684,931	\$ 10,620,601	\$ 10,725,515	\$ 11,471,416
Stormwater Drainage	539,034	466,522	355,674	554,668
Solid Waste	2,706,985	2,681,359	2,849,077	2,969,917
Municipal Marina	1,988,206	2,207,992	2,586,876	2,409,752
Visitor Information Center	-	3,068,303	3,221,409	3,911,199
Heritage Tourism	4,761,529	1,712,119	1,841,901	-
<b>Total Business-type Activities Expenses</b>	<b>\$ 20,680,685</b>	<b>\$ 20,756,896</b>	<b>\$ 21,580,452</b>	<b>\$ 21,316,952</b>
<b>Total Primary Government Expenses</b>	<b>\$ 44,747,464</b>	<b>\$ 43,927,704</b>	<b>\$ 44,700,360</b>	<b>\$ 43,771,592</b>
<b>PROGRAM REVENUES</b>				
<b>Governmental Activities:</b>				
Charges for Services				
General Government	\$ 4,085,583	\$ 4,159,321	\$ 4,708,023	\$ 5,226,638
Public Safety	1,068,530	1,001,276	939,952	1,097,949
Physical Environment	352,280	301,983	319,411	352,946
Transportation	115,821	117,612	17,809	20,574
Culture/Recreation	55,191	46,747	43,355	42,846
Operating Grants and Contributions	396,060	264,405	72,042	27,454
Capital Grants and Contributions	593,720	763,338	765,163	1,061,708
<b>Total Governmental Activities Program Revenue:</b>	<b>\$ 6,667,185</b>	<b>\$ 6,654,682</b>	<b>\$ 6,865,755</b>	<b>\$ 7,830,114</b>
<b>Business-type activities (a):</b>				
Charges for Services				
Utility	\$ 11,511,293	\$ 11,471,373	\$ 11,936,064	\$ 12,363,531
Stormwater Drainage	735,131	747,339	746,691	750,157
Solid Waste	3,274,854	3,363,968	3,355,261	3,366,865
Municipal Marina	2,006,504	2,197,463	2,553,875	2,481,804
Visitor Information Center	-	1,327,438	1,849,777	3,187,908
Heritage Tourism	3,029,780	1,875,824	1,175,210	-
Operating Grants and Contributions				
Capital Grants and Contributions	1,448,401	1,046,973	414,949	2,163,373
<b>Total Business-type Activities Program Revenue:</b>	<b>\$ 22,005,963</b>	<b>\$ 22,030,378</b>	<b>\$ 22,031,827</b>	<b>\$ 24,313,638</b>
<b>Total Primary Government Revenues</b>	<b>\$ 28,673,148</b>	<b>\$ 28,685,060</b>	<b>\$ 28,897,582</b>	<b>\$ 32,143,752</b>

(continued)

**NOTES:**

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

\* As Restated.

**CITY OF ST. AUGUSTINE, FLORIDA**

**CHANGES IN NET ASSETS  
LAST FOUR FISCAL YEARS  
"UNAUDITED"**

	<b>2008/09 *</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
<b>Net (Expense)/Revenue</b>				
Governmental Activities	\$ (17,399,594)	\$ (16,516,126)	\$ (16,254,153)	\$ (14,624,526)
Business-type Activities	1,325,278	1,273,482	451,375	2,996,686
Total primary government net expense	<u>\$ (16,074,316)</u>	<u>\$ (15,242,644)</u>	<u>\$ (15,802,778)</u>	<u>\$ (11,627,840)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental Activities:				
Property Taxes	\$ 11,399,886	10,690,906	9,125,072	8,308,786
Utility Taxes	695,554	961,872	1,042,588	1,014,901
Communication Service Taxes	954,119	1,046,752	1,133,430	1,108,214
Franchise Fees	1,464,650	1,415,038	1,534,080	1,447,746
State Revenue Sharing, Unrestricted	548,313	547,520	547,815	549,061
Local Option Gas Taxes	504,738	535,223	534,021	516,976
Local Option Sales Taxes	928,656	878,398	898,289	879,913
Insurance Premium Taxes	396,205	357,602	360,357	329,522
Other Taxes	142,520	99,409	93,994	153,441
Miscellaneous	888,487	919,858	1,473,258	661,297
Investment Income	124,422	41,448	26,486	35,596
Interfund Transfer of Assets (net)	-	-	-	-
Transfers	(1,351,010)	(1,402,471)	(1,936,106)	(467,168)
Total Governmental Activities	<u>\$ 16,696,540</u>	<u>\$ 16,091,555</u>	<u>\$ 14,833,284</u>	<u>\$ 14,538,285</u>
<b>Business-type activities (a):</b>				
Unrestricted Investment Earnings	\$ 135,753	\$ 45,145	\$ 42,816	\$ 82,008
Interfund Transfer of Assets (net)	-	-	-	-
Transfers	1,351,010	1,402,471	1,936,106	467,168
Total Business-type Activities	<u>\$ 1,486,763</u>	<u>\$ 1,447,616</u>	<u>\$ 1,978,922</u>	<u>\$ 549,176</u>
Total Primary Government	<u>\$ 18,183,303</u>	<u>\$ 17,539,171</u>	<u>\$ 16,812,206</u>	<u>\$ 15,087,461</u>
<b>Change in Net Assets</b>				
Governmental Activities	\$ (703,054)	\$ (424,571)	\$ (1,420,870)	\$ (86,241)
Business-type Activities	2,812,041	2,721,098	2,430,298	3,545,862
Total Primary Government	<u>\$ 2,108,987</u>	<u>\$ 2,296,527</u>	<u>\$ 1,009,428</u>	<u>\$ 3,459,621</u>

**NOTES:**

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

\* **As Restated.**

**CITY OF ST. AUGUSTINE, FLORIDA**

**FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**

**September 30, 2012**

**"UNAUDITED"**

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
General Fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,340,368	1,790,289	1,848,645	884,631	796,284
Assigned	-	-	-	-	-
Unassigned	4,942,892	3,488,124	7,835,329	11,513,122	11,902,148
<b>Total General Fund</b>	<b>6,283,260</b>	<b>5,278,413</b>	<b>9,683,974</b>	<b>12,397,753</b>	<b>12,698,432</b>
All Other Governmental Funds					
Nonspendable	-	-	-	-	-
Restricted	479,522	796,069	3,058,435	2,010,274	1,713,559
Unassigned reported in:					
Capital Projects Fund	5,050,193	4,400,300	15,245,090	2,350,969	282,163
<b>Total All Other Governmental Funds</b>	<b>5,529,715</b>	<b>5,196,369</b>	<b>18,303,525</b>	<b>4,361,243</b>	<b>1,995,722</b>
<b>Total Governmental Funds</b>	<b>\$ 11,812,975</b>	<b>\$ 10,474,782</b>	<b>\$ 27,987,499</b>	<b>\$ 16,758,996</b>	<b>\$ 14,694,154</b>



2008	2009	2010	2011	2012
\$ -	\$ -	\$ 772,028	\$ 1,679,414	\$ 610,785
1,208,861	1,060,567	130,821	472,396	17,422,961
-	-	-	-	425,560
12,970,610	11,399,627	10,704,273	23,770,779	7,193,586
14,179,471	12,460,194	11,607,122	25,922,589	25,652,892
-	-	-	-	63,743
608,899	905,501	620,744	733,684	-
117,620	9,022	54,928	54,155	-
726,519	914,523	675,672	787,839	63,743
\$ 14,905,990	\$ 13,374,717	\$ 12,282,794	\$ 26,710,428	\$ 25,716,635

**CITY OF ST. AUGUSTINE, FLORIDA**

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

	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 5,120,073	\$ 6,025,894	\$ 6,689,649	\$ 8,534,508
Sales and Use Taxes	943,604	1,032,566	1,096,132	1,221,253
Utility Excise Taxes	1,856,050	1,760,159	1,842,707	1,815,289
Licenses, Permits & Fees	1,893,049	1,178,438	1,433,542	1,886,205
Intergovernmental	1,670,364	1,841,242	2,063,359	2,134,319
Fines & Forfeitures	418,844	437,704	415,994	408,105
Interest Earnings	391,343	143,938	905,298	1,263,737
Administrative Service Charges	3,423,685	3,359,772	3,546,557	3,611,332
Sale of Surplus Assets	-	-	3,586,529	166,909
Other	1,348,335	2,011,386	2,922,765	2,395,265
<b>Total Revenues</b>	<b>17,065,347</b>	<b>17,791,099</b>	<b>24,502,532</b>	<b>23,436,922</b>
<b>EXPENDITURES</b>				
Current:				
General Government	5,529,232	5,336,832	5,654,721	6,564,789
Public Safety	5,783,307	5,980,184	6,312,235	6,900,438
Physical Environment	2,411,853	2,502,833	2,715,641	3,097,289
Transportation	686,899	797,999	1,115,556	1,069,139
Culture & Recreation	360,195	401,789	460,018	459,648
Capital Outlay	1,443,463	3,511,261	9,335,467	14,809,417
Debt Service:				
Principal Retirement	247,863	259,426	277,230	285,605
Interest and Fiscal Charges	596,351	578,366	1,569,121	1,526,314
Issuance Cost			356,512	-
<b>Total Expenditures</b>	<b>17,059,163</b>	<b>19,368,690</b>	<b>27,796,501</b>	<b>34,712,639</b>
Excess (deficiency) of revenues over (under) expenditures	6,184	(1,577,591)	(3,293,969)	(11,275,717)
<b>Other Financing Sources (Uses)</b>				
Transfers In	2,202,016	4,127,939	6,103,130	6,307,014
Transfers (Out)	(1,840,686)	(3,888,541)	(6,020,414)	(6,259,800)
Long-term Debt Issued	-	-	20,999,525	-
Retirement to Escrow Agent	-	-	(578,198)	-
Discount on Long-Term Debt Issued	-	-	-	-
Premium on Long-Term Debt Issued	-	-	302,643	-
<b>Total Other Financing Sources (Uses)</b>	<b>361,330</b>	<b>239,398</b>	<b>20,806,686</b>	<b>47,214</b>
<b>Net Change in Fund Balances</b>	<b>\$ 367,514</b>	<b>\$ (1,338,193)</b>	<b>\$ 17,512,717</b>	<b>\$ (11,228,503)</b>
Debt Service as a percentage of noncapital expenditures	5.72%	5.58%	11.36%	10.02%

2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
\$ 10,581,764	\$ 10,589,451	\$ 10,966,589	\$ 10,361,986	\$ 8,880,436	\$ 8,088,994
1,226,062	1,141,444	900,942	892,825	894,378	846,498
1,747,093	1,601,724	1,649,673	2,008,624	2,176,019	2,123,115
1,790,500	1,983,703	2,199,545	2,567,238	2,746,002	3,218,885
2,310,841	2,195,144	2,091,824	1,892,676	1,823,510	1,824,800
376,423	371,934	294,423	280,874	293,660	256,665
965,558	427,186	124,421	41,447	26,486	35,596
3,368,212	2,675,852	2,306,131	1,983,565	1,798,737	1,979,089
-	-	-	-	-	-
3,113,832	3,328,623	4,181,187	4,119,474	4,995,917	4,464,133
25,480,285	24,315,061	24,714,735	24,148,709	23,635,145	22,837,775
7,395,472	7,769,930	8,882,214	8,020,835	6,707,477	6,976,904
7,705,333	7,823,977	8,157,878	8,143,485	8,199,851	8,160,380
3,466,862	3,489,882	3,354,800	3,346,170	3,833,649	3,677,011
1,144,871	1,152,404	1,102,977	1,112,354	213,003	213,598
532,658	505,720	525,588	517,985	520,305	446,285
5,496,747	1,560,586	2,167,291	2,000,736	2,168,860	2,283,141
287,627	303,812	313,781	326,938	341,823	335,177
438,764	396,710	390,469	369,659	815,610	1,222,551
-	-	-	-	-	158,142
26,468,334	23,003,021	24,894,998	23,838,162	22,800,578	23,473,189
(988,049)	1,312,040	(180,263)	310,547	834,567	(635,414)
5,191,500	2,701,482	4,640,885	3,276,693	3,620,608	4,995,305
(6,268,293)	(3,801,686)	(5,991,895)	(4,679,164)	(5,556,714)	(5,462,473)
-	-	-	-	16,215,000	6,971,120
-	-	-	-	-	(6,720,721)
-	-	-	-	(685,827)	(74,404)
-	-	-	-	-	(67,206)
(1,076,793)	(1,100,204)	(1,351,010)	(1,402,471)	13,593,067	(358,379)
\$ (2,064,842)	\$ 211,836	\$ (1,531,273)	\$ (1,091,924)	\$ 14,427,634	\$ (993,793)
3.59%	3.38%	3.20%	3.30%	5.94%	8.81%

**CITY OF ST. AUGUSTINE, FLORIDA**

**TOTAL ASSESSED VALUATIONS AND TOTAL EXEMPTIONS  
LAST TEN FISCAL YEARS**

**September 30, 2012  
"UNAUDITED"**

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Real Property	\$ 728,606,206	\$ 861,761,206	\$ 964,366,560	\$ 1,246,909,727	\$ 1,564,575,408
Personal Property	63,426,737	73,963,887	73,456,340	79,796,610	79,538,769
Railroad & Telegraph	2,371,769	2,539,213	2,631,148	2,694,393	2,724,258
<b>Total Assessed Valuations</b>	<b>794,404,712</b>	<b>938,264,306</b>	<b>1,040,454,048</b>	<b>1,329,400,730</b>	<b>1,646,838,435</b>
Homestead Exempt Property (a)	69,563,109	69,803,529	70,662,166	72,884,446	74,445,529
Other Exemptions	355,719,806	419,524,055	498,558,761	682,259,040	873,984,577
<b>Total Exempt Property</b>	<b>425,282,915</b>	<b>489,327,584</b>	<b>569,220,927</b>	<b>755,143,486</b>	<b>948,430,106</b>
<b>Total Just Valuations</b>	<b>\$ 1,219,687,627</b>	<b>\$ 1,427,591,890</b>	<b>\$ 1,609,674,975</b>	<b>\$ 2,084,544,216</b>	<b>\$ 2,595,268,541</b>
<b>Direct Rate</b>	<b>6.600</b>	<b>6.600</b>	<b>6.600</b>	<b>6.600</b>	<b>6.600</b>

**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

<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012 (b)</b>
\$ 1,669,995,197	\$ 1,550,350,973	\$ 1,301,673,116	\$ 1,043,423,104	\$ 1,004,570,010
83,760,234	84,760,234	74,772,148	70,785,109	66,366,937
2,924,258	2,350,861	2,404,981	2,238,530	2,080,009
1,756,679,689	1,637,462,068	1,378,850,245	1,116,446,743	1,073,016,956
75,575,856	89,055,545	142,104,962	139,393,599	139,761,480
936,639,130	881,478,198	452,265,568	416,816,893	394,769,492
1,012,214,986	970,533,743	594,370,530	556,210,492	534,530,972
\$ 2,768,894,675	\$ 2,607,995,811	\$ 1,973,220,775	\$ 1,672,657,235	\$ 1,607,547,928
6.313	6.823	7.500	7.500	7.500

**CITY OF ST. AUGUSTINE, FLORIDA**

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

**September 30, 2012  
"UNAUDITED"**

<b>Fiscal Year Ended</b>	<b>Direct</b>	<b>Overlapping</b>				<b>Total</b>
	<b>City of St. Augustine</b>	<b>St. Johns County</b>	<b>School District</b>	<b>St. Johns River Water Management District</b>	<b>Other</b>	
2003	6.600	6.033	8.802	0.462	0.659	22.556
2004	6.600	5.850	8.285	0.462	0.557	21.754
2005	6.600	5.850	8.226	0.462	0.457	21.595
2006	6.600	5.848	7.849	0.462	0.441	21.200
2007	6.313	5.004	7.721	0.416	0.395	19.848
2008	6.823	5.037	7.642	0.416	0.382	20.300
2009	7.500	5.547	7.801	0.416	0.381	21.645
2010	7.500	5.547	8.069	0.416	0.228	21.760
2011	7.500	5.937	7.979	0.331	0.228	21.976
2012	7.500	5.937	7.683	0.331	0.231	21.682

**NOTES:**

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

**Source: St. Johns County Tax Collector**

**CITY OF ST. AUGUSTINE, FLORIDA**

**PRINCIPAL TAXPAYERS**

September 30, 2012

"UNAUDITED"

Taxpayer	2011/2012			2002/2003		
	Taxable Assessed Value	Rank	Percent of Total Assessment	Taxable Assessed Value	Rank	Percent of Total Assessment
Patris Real Estate LLC	\$ 13,943,836	1	1.41%			
The Flagler Resort, LTD	12,740,793	2	1.29%			
Target Corporation	6,737,365	3	0.68%	9,270,330	4	1.17%
SHP IV Harbour Island LLC	5,735,682	4	0.58%	18,850,000	2	2.37%
Sea Wall Motor Lodge, INC	5,073,794	5	0.51%			
Home Depot USA, Inc.	4,586,082	6	0.46%	8,446,090	5	1.06%
Patel, Kantibhai M.	4,365,656	7	0.44%			
Orthopedic Associates Partners	3,941,128	8	0.40%			
W.J. Development Corp.	2,868,548	9	0.29%			
Virtu Cathedral Associates	2,650,597	10	0.27%			
Avista Properties IX, Inc.				5,610,060	7	0.71%
WP-VCP St. Augustine, LLC				19,740,610	1	2.48%
Ponce Associates, LLC				11,939,410	3	1.50%
Historical Properties, LLC				3,799,340	8	0.48%
St. Johns Investors, LTD Part.				3,570,680	10	0.45%
Carmel-Olympic Associates ETAL				3,679,140	9	0.46%
Other Taxpayers	<u>927,600,177</u>		<u>93.67%</u>	<u>702,809,182</u>		<u>88.47%</u>
	<u>\$ 990,243,658</u>		<u>100.00%</u>	<u>\$ 794,404,712</u>		<u>100.00%</u>

Source: St. Johns County Property Appraiser's Office

**CITY OF ST. AUGUSTINE, FLORIDA**

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

**September 30, 2012**

**"UNAUDITED"**

<b>Fiscal Year Ended</b>	<b>Total Tax Levy</b>	<b>Current Tax Collection</b>	<b>Percent (a) of Levy Collected</b>	<b>Assessed Taxable Value</b>	<b>Estimated Actual Value (Thousands)</b>	<b>Estimated % of Fair Market Value</b>
2003	5,252,238	5,103,867	97.18%	794,404,712	794,405	100%
2004	6,192,544	6,013,301	97.11%	938,264,306	938,264	100%
2005	6,866,997	6,654,994	96.91%	1,040,454,048	1,040,454	100%
2006	8,774,045	8,517,325	97.07%	1,329,400,730	1,329,401	100%
2007	10,805,480	10,548,105	97.62%	1,637,193,939	1,637,194	100%
2008	10,396,491	10,487,209	100.87%	1,646,838,435	1,646,838	100%
2009	11,172,404	10,743,591	96.16%	1,637,462,068	1,637,462	100%
2010	10,352,987	9,939,071	96.00%	1,378,850,245	1,378,850	100%
2011	9,099,510	8,797,391	96.68%	1,116,446,743	1,116,447	100%
2012	8,341,338	8,088,994	96.97%	1,073,106,956	1,073,107	100%

**NOTES:**

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



**CITY OF ST. AUGUSTINE, FLORIDA**

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

**LAST TEN FISCAL YEARS**

**September 30, 2012**

**"UNAUDITED"**

<b>Fiscal Year</b>	<b>Population (a)</b>	<b>Assessed Value (In Thousands) (b)</b>	<b>Gross Bonded Debt</b>	<b>Debt Service Monies Available</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
2003	13,245	794,405	-	-	-	-	-
2004	13,411	938,264	-	-	-	-	-
2005	13,505	1,040,454	-	-	-	-	-
2006	13,702	1,329,401	-	-	-	-	-
2007	13,912	1,637,194	-	-	-	-	-
2008	13,874	1,646,838	-	-	-	-	-
2009	13,663	1,637,462	-	-	-	-	-
2010	13,719	1,378,850	-	-	-	-	-
2011	13,056	1,116,447	-	-	-	-	-
2012	13,092	1,073,107	-	-	-	-	-

**NOTES:**

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

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

**CITY OF ST. AUGUSTINE, FLORIDA**

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

**September 30, 2012**

**"UNAUDITED"**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Total General Expenditures</b>	<b>Ratio of Debt Service to Total General Expenditures</b>
2003	247,863	596,351	844,214	15,247,561	5.54
2004	259,426	578,366	837,792	15,523,495	5.40
2005	277,230	1,569,121	1,846,351	16,597,885	11.12
2006	285,605	1,526,056	1,811,661	18,846,625	9.61
2007	297,167	438,764	735,931	21,058,008	3.49
2008	303,813	389,015	692,828	20,932,846	3.31
2009	313,781	390,469	704,250	21,349,627	3.30
2010	326,938	369,659	696,597	21,979,202	3.17
2011	341,823	815,610	1,157,433	20,856,626	5.55
2012	335,177	1,222,551	1,557,728	20,778,307	7.50

**CITY OF ST. AUGUSTINE, FLORIDA**  
**UTILITY REVENUE BOND COVERAGE**  
**LAST TEN FISCAL YEARS**  
September 30, 2012  
"UNAUDITED"

<b>Fiscal Year Ended</b>	<b>Gross Revenue (a)</b>	<b>Operating Expenses (b)</b>	<b>Net Revenue (c)</b>	<b>Debt Service Requirements</b>	<b>Debt Service Coverage</b>
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	14,286,905	7,467,811	6,819,094	3,188,793 (d)	2.14
2007	19,692,492	7,804,057	11,888,435	3,209,541 (d)	3.70
2008	12,505,287	7,233,245	5,272,042	3,234,726 (d)	1.63
2009	12,138,979	7,307,097	4,831,882	3,254,261 (d)	1.48
2010	11,876,944	6,979,489	4,897,455	3,288,337 (d)	1.49
2011	12,301,380	6,847,896	5,453,484	3,318,894 (d)	1.64
2012	12,293,699	7,586,408	4,707,291	3,344,052 (d)	1.41

**NOTES:**

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

**CITY OF ST. AUGUSTINE, FLORIDA**

**NET DEBT STATEMENT**  
**Computation of Direct and Overlapping Debt**  
**September 30, 2012**  
**"UNAUDITED"**

<b>Direct Debt/ Overlapping Debt</b>	<b>Certificate of Participation</b>	<b>General Obligation Debt</b>	<b>Non-Self Supporting Revenue Bonds</b>	<b>Self Supporting Revenue Bonds</b>
<b>City of St. Augustine</b>				
Water and Sewer, Revenue Refunding Bonds, 2005	\$ -	\$ -	\$ -	\$ 6,415,000
Water and Sewer, Revenue Bonds, 2003	-	-	-	14,093,832
Capital Improvement Revenue Refunding Bonds, 2011B	-	-	10,010,000	-
Capital Improvement & Reserve Refunding Bonds, Series 2004	-	-	20,510,000	-
Capital Improvement Revenue Bond, Series 2011	-	-	16,215,000	-
<b>Total Direct Debt</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 46,735,000</b>	<b>\$ 20,508,832</b>
<b>St. Johns County</b>				
Water and Sewer Revenue Bonds, 1991A	\$ -	\$ -	\$ -	\$ 24,001,590
Water and Sewer Revenue Refunding Bonds 1998	-	-	-	1,160,000
Water and Sewer, Revenue Series 2004	-	-	-	33,354,412
Water and Sewer, Revenue Series 2006	-	-	-	39,945,000
Ponte Vedra Water and Sewer, Revenue Bonds, Series 2006	-	-	-	27,810,000
Ponte Vedra Water and Sewer, Revenue Bonds, Series 2007	-	-	-	30,370,000
City of Gulf Breeze, Florida Local Gov't Loan Program, Series 2004	-	-	-	11,285,000

**(continued)**

**CITY OF ST. AUGUSTINE, FLORIDA**

**NET DEBT STATEMENT**  
**Computation of Direct and Overlapping Debt**  
**September 30, 2012**  
**"UNAUDITED"**  
**(continued)**

<b>Direct Debt/ Overlapping Debt</b>	<b>Certificate of Participation</b>	<b>General Obligation Debt</b>	<b>Non-Self Supporting Revenue Bonds</b>	<b>Self Supporting Revenue Bonds</b>
Capital Improvement Revenue Bonds, Series 2005	-	-	18,535,000	
Capital Improvement Revenue Series 2012	-	-	12,524,000	-
Sales Tax Revenue Bonds, Series 2004	-	-	40,130,000	-
Sales Tax Revenue Bonds, Series 2006	-	-	42,625,000	-
Sales Tax Revenue Bonds, Series 2009	-	-	20,725,000	-
Sales Tax Revenue Bonds, Series 2009A	-	-	9,480,000	-
Community Redevelopment Agency Revenue & Refunding Note, 2012	-	-	4,210,000	-
Transportation Improvement Revenue Bonds, 2012	-	-	25,050,000	-
Transportation Improvement Revenue Bonds, 2006	-	-	26,960,000	-
Transportation Improvement Revenue Bonds, 2003	-	-	1,710,000	-
\$45M Commercial Paper Program	-	-	1,132,000	-
State Revolving Loan Fund Agreement	-	-	3,847,243	519,799
<b>Board of Public Instruction</b>				
Certificate of Participation	124,925,000	-	-	-
General Obligation Bonds, Series, 2003A through 2011A	-	8,035,000	-	-
Total Overlapping Debt	\$ 124,925,000	\$ 8,035,000	\$ 181,878,243	\$ 168,445,801
<b>Total Direct and Overlapping Debt</b>	\$ 124,925,000	\$ 8,035,000	\$ 228,613,243	\$ 188,954,633

(continued)

**CITY OF ST. AUGUSTINE, FLORIDA**

**NET DEBT STATEMENT  
Computation of Direct and Overlapping Debt**

**September 30, 2012**

**"UNAUDITED"**

**(continued)**

**DEBT RATIOS**

<b>Direct and Overlapping General Obligation Debt</b>	<b>\$</b>	<b>8,035,000</b>
<b>Per Capita</b>	<b>\$</b>	<b>614</b>
<b>As a Percentage of Taxable Assessed Valuation</b>		<b>0.66%</b>
<b>As a Percentage of Total Just Valuation</b>		<b>0.45%</b>
<b>Direct and Overlapping General Obligation and Non-Self Supporting Revenue Debt and Long-Term Notes Payable</b>	<b>\$</b>	<b>236,648,243</b>
<b>Per Capita</b>	<b>\$</b>	<b>18,076</b>
<b>As a Percentage of Taxable Assessed Valuation</b>		<b>19.51%</b>
<b>As a Percentage of Total Just Valuation</b>		<b>13.28%</b>

**CITY OF ST. AUGUSTINE, FLORIDA**

**COMPUTATION OF LEGAL DEBT MARGIN**

**September 30, 2012**

**"UNAUDITED"**

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

**CITY OF ST. AUGUSTINE, FLORIDA**

**SUMMARY OF PLEDGED FUNDS  
Public Service Tax/Guaranteed Entitlement Bonds  
September 30, 2012  
"UNAUDITED"**

<b>Revenue Source</b>	<b>FY 2007/08</b>	<b>FY 2008/09</b>	<b>FY 2009/10</b>	<b>FY 2010/11</b>	<b>FY 2011/12</b>
<b>Public Service Tax</b>					
Electric	\$ 636,610	\$ 643,040	\$ 894,452	\$ 980,395	\$ 939,844
Communication	894,002	954,119	1,046,752	1,133,430	1,108,214
Gas	71,111	52,513	67,420	62,194	75,057
Fuel Oil	-	-	-	-	-
<b>Total</b>	<b>\$ 1,601,723</b>	<b>\$ 1,649,672</b>	<b>\$ 2,008,624</b>	<b>\$ 2,176,019</b>	<b>\$ 2,123,115</b>
<b>Florida Revenue Sharing</b>					
Revenue Sharing	\$ 557,521	\$ 548,313	\$ 547,520	\$ 547,815	\$ 549,061
<b>Guaranteed Entitlements</b>					
Local Option Gas Tax	\$ 611,697	\$ 504,738	\$ 535,223	\$ 534,021	\$ 516,976
<b>Total</b>	<b>\$ 611,697</b>	<b>\$ 504,738</b>	<b>\$ 535,223</b>	<b>\$ 534,021</b>	<b>\$ 516,976</b>
<b>Total Pledged Funds</b>	<b>\$ 2,770,942</b>	<b>\$ 2,702,723</b>	<b>\$ 3,091,367</b>	<b>\$ 3,257,855</b>	<b>\$ 3,189,152</b>



**CITY OF ST. AUGUSTINE, FLORIDA**

**DEMOGRAPHIC STATISTICS**

**September 30, 2012**

**"UNAUDITED"**

Year	Population		Per Capita Personal Income	Total Personal Income (in thousands)	Unemployment Rate
	City of St. Augustine	St. Johns County			
2003	13,245	128,396 (est.)	\$ 37,637	\$ 5,170,026	3.8%
2004	13,363	141,900 (est.)	\$ 41,834	\$ 5,483,768	3.7%
2005	13,505	149,006 (est.)	\$ 44,451	\$ 6,466,633	2.9%
2006	13,702	155,014 (est.)	\$ 48,392	\$ 7,262,095	2.7%
2007	13,912	167,453 (est.)	\$ 50,179	\$ 8,276,144	2.7%
2008	13,874	176,570 (est.)	\$ 49,327	\$ 8,869,772	5.5%
2009	13,663	183,244 (est.)	\$ 48,283	\$ 8,999,561	8.2%
2010	13,719	189,764	\$ 49,327	\$ 8,911,368	9.6%
2011	13,056	190,039	\$ 47,544	Not Available	8.4%
2012	13,092	200,170	\$ 41,973	Not Available	6.9%

Year	Population Projection	
	City of St. Augustine	St. Johns County
2017	14,130	225,681
2020	14,300	246,937
Avg Household Size:	2.02	2.49

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

**CITY OF ST. AUGUSTINE, FLORIDA**

**MAJOR EMPLOYERS IN THE ST. AUGUSTINE AREA**

**September 30, 2012**

**"UNAUDITED"**

Establishment	Product	Approximate Employment	
		2011/2012	2002/2003
St. Johns County School Board	Educational	3,440	2,900
Flagler Hospital	Health Care	1,600	1,400
US Army National Guard	Florida National Guard HQ	1,300	355
St. Johns County	County Government	1,100	708
Northrop Grumman	Aircraft Overhaul & Modification	1,000	1,250
Community Hospice of NE Florida	Health Care	700	
Florida School for the Deaf and Blind	Educational Institution	670	730
Tree of Life	Health Food Distribution	-	410
Flagler College	Four-Year Liberal Arts College	530	275
Ring Power	Heavy Equipment Sales	500	0
City of St. Augustine	Municipal Government	335	325
Carlisle Interconnect Technologies (Tensolite Company)	Manufacturer	255	275
Hydro Aluminum	Aluminum Fabrication	270	550

**CITY OF ST. AUGUSTINE, FLORIDA**

**SUMMARY OF TEN LARGEST WATER CUSTOMERS**

**September 30, 2012**

**"UNAUDITED"**

<b>Customer</b>	<b>Usage for Fiscal Year Ended September 30, 2012 (in gallons)</b>
Flagler Hospital	39,299,300
City of St. Augustine	39,036,200
St. Johns County	23,658,800
Flagler College	17,337,000
Florida School for the Deaf & Blind	15,944,800
Grumman of St. Augustine	12,894,200
St. Johns County School Board	10,536,000
Flagler Resort LTD	8,304,200
St. Johns Welfare Federation	7,193,100
Northport Health Services	4,833,300

**Source: City of St. Augustine Customer Service Department**

**CITY OF ST. AUGUSTINE, FLORIDA**

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

**September 30, 2012**

**"UNAUDITED"**

<b>Fiscal Year Ended</b>	<b>Water Customers</b>			<b>Sewer Customers</b>		
	<b>Inside City</b>	<b>Outside City</b>	<b>Total</b>	<b>Inside City</b>	<b>Outside City</b>	<b>Total</b>
2003	6,259	2,535	8,794	5,871	1,113	6,984
2004	6,307	2,710	9,017	5,901	1,336	7,237
2005	6,528	3,169	9,697	6,151	1,336	7,487
2006	6,642	3,594	10,236	6,283	1,586	7,869
2007	6,741	3,858	10,599	6,651	1,859	8,510
2008	7,000	4,058	11,058	6,674	1,998	8,672
2009	7,047	4,183	11,230	6,697	2,134	8,831
2010	6,988	4,419	11,407	6,704	2,210	8,914
2011	6,793	4,440	11,233	6,374	2,332	8,706
2012	6,901	4,527	11,428	6,476	2,409	8,885

**Source: City of St. Augustine Customer Service Department**

<b>Water Sales (Thousands of Gallons)</b>		
<b>Inside City</b>	<b>Outside City</b>	<b>Total</b>
823,610	222,448	1,046,058
662,489	292,573	955,062
577,828	263,281	841,109
529,264	273,470	802,734
572,648	385,139	957,787
596,147	386,930	983,077
513,033	378,125	891,158
521,691	344,701	866,392
540,729	374,552	915,281
542,757	398,102	940,859

**CITY OF ST. AUGUSTINE, FLORIDA**

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

**September 30, 2012**

**"UNAUDITED"**

<b>Fiscal Year Ended</b>	<b>Water Treatment Plant (a)</b>		<b>Wastewater Treatment Plant</b>	
	<b>Annual Average Daily Flow (Millions of Gallons Per Day)</b>	<b>Maximum Monthly Average Daily Flow (Millions of Gallons Per Day)</b>	<b>Annual Average Daily Flow (Millions of Gallons Per Day)</b>	<b>Maximum Monthly Average Daily Flow (Millions of Gallons Per Day)</b>
2003	3.264	3.767	4.713	6.580
2004	3.923	4.468	4.679	7.367
2005	2.529	3.333	3.788	5.237
2006	3.000	3.400	3.026	4.100
2007	3.560	4.085	3.624	6.016
2008	3.651	4.601	2.995	10.885
2009	3.388	4.119	3.697	9.639
2010	3.356	3.769	3.033	9.030
2011	3.244	3.692	2.674	3.581
2012	3.058	3.601	3.587	5.772

**Source: City of St. Augustine Engineering Department**

**CITY OF ST. AUGUSTINE, FLORIDA**

**WATER AND SEWER UTILITIES  
HISTORICAL RATE STRUCTURES**

**September 30, 2012**

**"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.
2003	Inside City	3,000	13.54	3.72	18.83	4.75
	Outside City	3,000	16.93	4.65	23.54	5.94
2004	Inside City	3,000	13.93	3.83	19.24	4.85
	Outside City	3,000	17.41	4.79	24.05	6.06
2005	Inside City	3,000	13.93	3.83	19.24	4.85
	Outside City	3,000	17.41	4.79	24.05	6.06
2006	Inside City	3,000	14.17	3.90	19.58	4.93
	Outside City	3,000	17.71	4.87	24.47	6.17
2007	Inside City	3,000	14.45	3.98	19.97	5.03
	Outside City	3,000	18.06	4.98	24.96	6.29
2008	Inside City	3,000	14.83	4.08	20.49	5.16
	Outside City	3,000	18.53	5.11	25.61	6.45
2009	Inside City	3,000	15.42	4.24	21.32	5.37
	Outside City	3,000	19.26	5.31	26.64	6.71
2010	Inside City	3,000	16.19	4.47	22.35	5.66
	Outside City	3,000	20.20	5.59	27.92	7.07
2011	Inside City	3,000	16.46	4.56	22.69	5.77
	Outside City	3,000	20.54	5.70	28.34	7.21
2012	Inside City	3,000	16.83	4.68	22.99	5.87
	Outside City	3,000	20.99	5.85	28.70	7.33

**CITY OF ST. AUGUSTINE, FLORIDA**

**BUILDING PERMIT ACTIVITY**

**LAST TEN FISCAL YEARS**

(Value in Thousands)

September 30, 2012

"UNAUDITED"

<b>Fiscal Year</b>	<b>Single Family Units</b>	<b>Multi-Family Units</b>	<b>New Residential Valuation</b>	<b>New Non-Residential Valuations</b>	<b>Residential &amp; Non-Residential Additions/Alterations</b>	<b>Public Valuation</b>	<b>Total Valuation</b>
2003	35	17	62,034	39,874	3,081	-	104,989
2004	46	116	7,360	9,304	NA	624	17,288
2005	173	-	38,193	5,821	3,670	509	48,193
2006	30	44	7,220	17,340	NA	3,082	27,642
2007	66	8	12,263	13,953	4,854	498	31,568
2008	176	19	8,267	11,536	741	844	21,388
2009	7	1	4,179	4,224	6,812	2,851	18,066
2010	13	-	2,417	3,547	526	921	7,411
2011	41	-	49,910	-	834	-	50,744
2012	38	-	7,986	3,561	-	-	11,547

**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, 2012

"UNAUDITED"

Fiscal Year	Commercial Construction (a)		Residential Construction (a)		Bank Deposits (b)
	Number of Units	Value	Number of Units	Value	
2003	5	39,875	42	62,034	1,515,643
2004	6	10,800	46	7,360	1,649,973
2005	29	21,600	77	14,400	1,941,518
2006	24	34,622	74	7,220	2,457,165
2007	262	15,184	571	16,414	2,315,423
2008	349	12,469	505	8,919	1,898,151
2009	309	10,023	559	8,043	2,786,112
2010	8	3,547	13	2,417	2,850,983
2011	0	-	41	49,910	2,868,734
2012	30	3,561	38	3,986	2,833,072

**NOTES:**

(a) **Planning and Building Division**

(b) **Deposits for St. Johns County**

**Source: [www.FDIC.gov](http://www.FDIC.gov)**

# CITY OF ST. AUGUSTINE, FLORIDA

## MISCELLANEOUS STATISTICAL DATA

September 30, 2012

"UNAUDITED"

<b>Date of Incorporation</b>	May 30, 1925
<b>Form of Government</b>	Commission - Manager
<b>Area:</b>	
Square Miles	13.89 Miles
Paved Streets	66.61
Unpaved Streets	10.5
Altitude	13 Feet Above Sea Level
<b>Education:</b>	
Elementary	3
Secondary	1
Post-Secondary	2
<b>Fire Protection:</b>	
Number of Fire Stations	2
Number of Firefighters	33
<b>Police Protection:</b>	
Number of Police Stations	1
Number of Police Officers	50
<b>Utility Customers:</b>	
Water	11,428
Sewer	8,885
Solid Waste	7,286
<b>Tourism Facts (St. Johns County):</b>	
Visitors (Per Year)	3,000,000 +
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, 2012**

**"UNAUDITED"**

**(continued)**

**Climate:**

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

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

**CITY OF ST. AUGUSTINE, FLORIDA**

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

**September 30, 2012**

**"UNAUDITED"**

<b>FUNCTION</b>	<b>Full-time Equivalent Employees as of September 30,</b>				
	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
<b>Governmental Activities:</b>					
General Government	83	82	85	75	77.5
Public Safety	100	102.5	101.5	100.5	99.5
Physical Environment	29	26	29	31	29
Transportation	13	13	13	0	0
Culture/Recreation	3	3	3	2	4
<b>Business-Type Activities</b>					
Utilities	62.5	57.5	56.5	58.5	58.5
Stormwater	1	1	3	1	1
Solid Waste	12	12	12	19	18
Municipal Marina	10.5	10.5	11	13	12
Visitor Information Center	14.5	14.5	16	17.5	18.5
Heritage Tourism	20.5	20.5	20.5	20.5	0

**Source: City of St. Augustine Human Resources Department**

**CITY OF ST. AUGUSTINE, FLORIDA**

**Operating Indicators by Function  
LAST FIVE FISCAL YEARS  
September 30, 2012  
"UNAUDITED"**

<b>FUNCTION</b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
<b>Police</b>					
Physical Arrests	1,485	1,712	1,622	1,564	1,477
Traffic Violations	3,016	3,862	5,849	3,937	4,094
Calls for Service	35,660	40,175	44,550	41,127	40,790
Parking Violations (includes those issued by Parking Enforcement)	17,528	13,685	10,321	10,003	10,211
<b>Fire</b>					
Number of calls answered	3,081	3,140	3,162	3,389	3,412
Inspections	408	470	427	387	381
Hydrants Flow Tested	67	546	439	455	379
<b>Highways and Streets</b>					
New Street Pavings (miles)	-	-	-	-	-
Streets Resurfaced (miles)	-	-	-	0.3	-
<b>Sanitation</b>					
Refuse Collected (tons/day)	54.0	58.5	59.2	60.0	62.1
Recyclables Collected (tons/day)	1.3	1.5	1.8	2.7	2.8
<b>Culture and Recreation</b>					
Field Permits Issued	11	14	19	20	20
Plaza Permits Issued	60	56	43	41	43
Other Event Permits Issued	32	36	45	47	48
<b>Water</b>					
New Connections	482	178	111	100	100
Average Daily Consumption (thousands of gallons)	3,388	3,356	3,356	3,692	3,058
<b>Wastewater</b>					
Average Daily Usage (thousands of gallons)	2,995	3,697	3,033	3,581	3,587

**Source: Various City Departments**

**CITY OF ST. AUGUSTINE, FLORIDA**

**Capital Asset Statistics by Function  
LAST FIVE FISCAL YEARS  
September 30, 2012  
"UNAUDITED"**

<b>FUNCTION</b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
<b>Police</b>					
Stations	1	1	1	1	1
Boats			1	1	1
<b>Fire</b>					
Stations	2	2	2	2	2
Vehicles	8	8	8	8	8
Boats	1	1	1	1	1
<b>Highways and Streets</b>					
New Streets (Miles)	-	-	-	-	-
<b>Sanitation</b>					
Collection Trucks	4	6	7	7	7
<b>Water</b>					
New Feet of Water Mains Added	67,355	15,739	6,073	5,593	6,020
Fire hydrants	1,009	1,034	1,051	1,049	1,062
Maximum Monthly Average Daily Flow (thousands of gallons)	4,601	4,119	3,769	3,692	3,601
<b>Wastewater</b>					
New Feet of Sanitary Sewer Added	70,275	35,702	-	-	9,873
New Feet of Storm Sewers Added	-	-	-	-	2,218
Maximum Monthly Average Daily Flow (thousands of gallons)	10,885	9,639	9,030	3,587	5,772

**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 Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

**Schedule of Findings and Questioned Costs**

**Management Letter**







**Masters, Smith & Wisby, P.A.**  
ACCOUNTANTS & BUSINESS ADVISORS

Steven D. Rawlins, CPA  
Gary M. Huggett, CPA  
Jeffrey F. Scales, CPA  
Jeffrey M. Jacobs, CPA

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Augustine, Florida (the City) as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 29, 2013. 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**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

We noted certain matters that we have reported to the management of the City in a separate letter dated March 29, 2013.

This report is intended for the information and use of management, City Commission, others within the City, the Auditor General, State of Florida and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Moster, Smith & Wisby, P.A.*  
Certified Public Accountants

March 29, 2013



**Masters, Smith & Wisby, P.A.**  
ACCOUNTANTS & BUSINESS ADVISORS

Steven D. Rawlins, CPA  
Gary M. Huggett, CPA  
Jeffrey F. Scales, CPA  
Jeffrey M. Jacobs, CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance:

We have audited the City of St. Augustine, Florida's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2012. The City's major programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City'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's compliance with those requirements.

In our opinion, the City complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2012.

Honorable Mayor And Members  
of the City Commission  
Mr. John Regan, City Manager  
City of St. Augustine, Florida  
St. Augustine, Florida  
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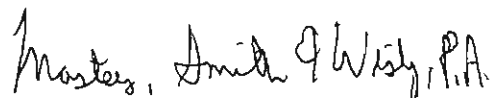
Internal Control over Compliance:

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

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

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

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

  
Certified Public Accountants

March 29, 2013

CITY OF ST. AUGUSTINE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2012

**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.**

Federal Emergency Management Agency 97.029

Federal Dept. of Transportation 20.205

**State Project**

**CSFA No.**

None N/A

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

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

(continued)

CITY OF ST. AUGUSTINE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2012

(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.



# Masters, Smith & Wisby, P.A.

ACCOUNTANTS & BUSINESS ADVISORS

Steven D. Rawlins, CPA  
Gary M. Huggett, CPA  
Jeffrey F. Scales, CPA  
Jeffrey M. Jacobs, CPA

## MANAGEMENT LETTER

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

We have audited the financial statements of the City of St. Augustine, Florida (the City) as of and for the year ended September 30, 2012, and have issued our report thereon dated March 29, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our report on internal control over financial reporting and compliance and other matters, report on compliance with requirements applicable to each major state project and on internal control over compliance, and schedule of findings and questioned costs. Disclosures in those reports, which are dated March 29, 2013, 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. Finding 11-02 in which we recommended the City posts its Pension Plans activity to the general ledger was not implemented in the current year.
- Section 10.554(1)(i)2, Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined the City complied with Section 218.415, Florida Statutes.

**Honorable Mayor and Members  
of the City Commission  
Mr. John Regan, City Manager  
City of St. Augustine, Florida  
St. Augustine, Florida  
Page 2**

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

Finding and Recommendation: Finding 2012-01

The City currently uses the vesting method of calculating accrued compensated absences but does not add a provision for incremental salary related payments (i.e. payroll taxes) to its calculation. We recommend the City add a provision for incremental salary related payments to its calculation of accrued compensated absences to more accurately account for the benefit due to its employees at year end. It is not believed accrued compensated absences are materially understated due to this reason.

City's Response:

The City acknowledges it currently does not add incremental salary related payments to its accrued compensated absences calculation. The City will add this component to its 2013 calculation and adjust its books accordingly. The City concurs and believes that this adjustment will not be material to the financial statements once done.

Finding and Recommendation: Finding 2012-02

In reviewing major sources of revenue to determine if all payments had been recorded in the proper period it was noted that one utility tax franchise payment of \$110,378 had been recorded as a receivable at year when the payment was for October 2012. This was corrected through an audit entry. We recommend prior to closing its books at year end, the City review its postings to its major sources of revenue to ensure all payments are captured in the proper period.

City's Response:

The City concurs with the above and in the future prior to closing its books at year end review it postings to its major revenue sources to ensure they are captured in the proper period.

- 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.



Honorable Mayor and Members  
Of the City Commission  
Mr. John Regan, City Manager  
City of St. Augustine, Florida  
St. Augustine, Florida  
Page 3

- 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, 2011, 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, 2011. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7(c) and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

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.

*Masters, Smith & Wisely, P.A.*  
Certified Public Accountants

March 29, 2013