

Basic Financial Statements

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Net Assets
September 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 15,256,184	\$ 11,733,989	\$ 26,990,173
Receivables (Net)	951,768	2,741,870	3,693,638
Due from Other Governments	5,069	-	5,069
Internal Balances	(4,030,128)	4,030,128	-
Inventories	752,934	306,059	1,058,993
Prepaid Items	332,945	-	332,945
Investments, At Fair Value	7,500	-	7,500
Net Pension Assets	1,125,622	-	1,125,622
Restricted Assets:			
Cash and Cash Equivalents	3,280,378	1,801,426	5,081,804
Capital Assets:			
Non-Depreciable	7,752,747	23,022,910	30,775,657
Depreciable (Net)	14,896,612	62,586,742	77,483,354
Deferred Charges	-	869,763	869,763
Total Assets	40,331,631	107,092,887	147,424,518
LIABILITIES			
Accounts Payable and Accrued Expenses	1,427,156	406,397	1,833,553
Deposits	-	331,145	331,145
Unearned Revenue	223,504	1,814,945	2,038,449
Non-Current Liabilities:			
Due Within One Year:			
Compensated Absences	81,077	30,354	111,431
Bonds Payable	313,782	2,306,219	2,620,001
Deferred Charges - Defeased Bond Cost	-	(191,532)	(191,532)
Settlements Payable	100,000	-	100,000
Due in More Than One Year			
Compensated Absences	1,915,769	489,804	2,405,573
Bonds Payable	7,658,893	49,535,709	57,194,602
Deferred Charges - Defeased Bond Cost	-	(276,998)	(276,998)
Total Liabilities	11,720,181	54,446,043	66,166,224
NET ASSETS			
Invested in Capital Assets (Net of Related Debt)	14,676,684	33,767,723	48,444,407
Restricted for:			
Expendable			
Capital Projects	117,620	-	117,620
Renewal and Replacement	-	1,282,194	1,282,194
Other	122,457	-	122,457
Non-Expendable			
Permanent Fund	62,974	-	62,974
Unrestricted	13,631,715	17,596,927	31,228,642
Total Net Assets	\$ 28,611,450	\$ 52,646,844	\$ 81,258,294

See accompanying notes to basic financial statements

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Activities
For Year Ended September 30, 2008

FUNCTION/PROGRAM ACTIVITIES	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General Government	\$ 8,378,922	\$ 3,778,531	\$ -	\$ 171,250
Public Safety	7,948,163	1,407,388	382,980	-
Physical Environment	3,743,697	466,972	-	-
Transportation	1,249,125	154,200	-	-
Culture/Recreation	506,824	67,669	-	-
Interest/Fiscal Charges on Long-term Debt	396,709	-	-	-
Total Governmental Activities	22,223,440	5,874,760	382,980	171,250
Business-type Activities:				
Utilities	9,958,306	11,704,165	-	8,170,070
Stormwater	390,491	734,328	-	-
Solid Waste	2,991,630	3,151,729	-	-
Municipal Marina	2,717,157	2,719,574	-	-
Heritage Tourism	4,675,944	2,871,376	-	17,075
Total Business-type Activities	20,733,528	21,181,172	-	8,187,145
Total Primary Government	\$ 42,956,968	\$ 27,055,932	\$ 382,980	\$ 8,358,395

General Revenues:

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

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

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

Governmental Activities	Business-type Activities	Total
\$ (4,429,141)	\$ -	\$ (4,429,141)
(6,157,795)	-	(6,157,795)
(3,276,725)	-	(3,276,725)
(1,094,925)	-	(1,094,925)
(439,155)	-	(439,155)
(396,709)	-	(396,709)
(15,794,450)	-	(15,794,450)
-	9,915,929	9,915,929
-	343,837	343,837
-	160,099	160,099
-	2,417	2,417
-	(1,787,493)	(1,787,493)
-	8,634,789	8,634,789
(15,794,450)	8,634,789	(7,159,661)
11,055,233	-	11,055,233
707,722	-	707,722
894,002	-	894,002
1,231,158	-	1,231,158
557,521	-	557,521
611,697	-	611,697
1,043,333	-	1,043,333
529,747	-	529,747
88,454	-	88,454
740,018	-	740,018
427,186	627,860	1,055,046
(1,100,204)	1,100,204	-
16,785,867	1,728,064	18,513,931
991,417	10,362,853	11,354,270
27,620,033	42,283,991	69,904,024
\$ 28,611,450	\$ 52,646,844	\$ 81,258,294

CITY OF ST. AUGUSTINE, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2008

	General	Debt Service	Special Revenue
ASSETS			
Cash and Cash Equivalents	\$ 15,229,302	\$ -	\$ -
Receivables (Net of Allowance for Uncollectibles)	903,385	-	-
Due from Other Funds	-	-	-
Due from Other Governments	5,069	-	-
Inventories, At Cost	752,934	-	-
Prepaid Expenditures	332,945	-	-
Investments, At Fair Value	7,500	-	-
Restricted Assets:			
Cash and Cash Equivalents	-	-	3,194,924
Total Assets	\$ 17,231,135	\$ -	\$ 3,194,924
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 1,222,887	\$ -	\$ 18,999
Unearned Revenue	223,504	-	-
Accrued Expenditures	121,925	-	-
Due to Other Funds	1,483,348	-	2,630,000
Total Liabilities	3,051,664	-	2,648,999
Fund Balances:			
Reserved for:			
Inventories	752,934	-	-
Police Education/Confiscation/Donations	122,457	-	-
Tree Memorial Fund	525	-	-
Prepaid Expenditures	332,945	-	-
Community Redevelopment Area	-	-	545,925
Trust Funds	-	-	-
Unreserved, Reported In:			
General Fund	12,970,610	-	-
Capital Projects Fund	-	-	-
Total Fund Balances	14,179,471	-	545,925
Total Liabilities and Fund Balances	\$ 17,231,135	\$ -	\$ 3,194,924

See accompanying notes to basic financial statements

Capital Projects	Permanent	Total Governmental
\$ 26,882	\$ -	\$ 15,256,184
48,383	-	951,768
83,984	-	83,984
-	-	5,069
-	-	752,934
-	-	332,945
-	-	7,500
21,716	63,738	3,280,378
\$ 180,965	\$ 63,738	\$ 20,670,762

\$ 63,345	\$ -	\$ 1,305,231
-	-	223,504
-	-	121,925
-	764	4,114,112
63,345	764	5,764,772

-	-	752,934
-	-	122,457
-	-	525
-	-	332,945
-	-	545,925
-	62,974	62,974
-	-	12,970,610
117,620	-	117,620
117,620	62,974	14,905,990
\$ 180,965	\$ 63,738	\$ 20,670,762

CITY OF ST. AUGUSTINE, FLORIDA
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets
September 30, 2008

Total Governmental Fund Balances \$ 14,905,990

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	40,644,679	
Less accumulated depreciation	(17,995,320)	
	22,649,359	
		22,649,359

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

Governmental bonds payable	(7,972,675)	
Settlements payable	(100,000)	
Compensated absences	(1,996,846)	
	(10,069,521)	
		(10,069,521)

Negative net pension obligations are not reported as assets of the governmental funds.

Net pension assets		1,125,622
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Net Assets of Governmental Activities		\$ 28,611,450
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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, 2008

	General	Debt Service	Special Revenue
REVENUES			
Ad Valorem Taxes	\$ 10,589,451	\$ -	\$ -
Sales, Use and Gas Taxes	1,141,444	-	-
Utility and Communications Service Taxes	1,601,724	-	-
Grants	516,040	-	-
Intergovernmental	1,729,362	-	465,782
Franchise Fees	1,231,158	-	-
Licenses, Permits and Other Fees	1,983,703	-	-
Fines and Forfeitures	371,934	-	-
Administrative Overhead Charges	2,675,852	-	-
Investment Income	335,543	11,934	77,152
Miscellaneous	1,543,235	-	-
Total Revenues	23,719,446	11,934	542,934
EXPENDITURES			
Current Operating:			
General Government	7,006,398	-	415,088
Public Safety	7,823,977	-	-
Physical Environment	3,489,882	-	-
Transportation	1,152,404	-	-
Culture/Recreation	505,720	-	-
Capital Outlay	954,464	-	401,725
Debt Service:			
Principal Retirement	-	303,812	-
Interest and Other	-	396,710	-
Total Expenditures	20,932,845	700,522	816,813
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,786,601	(688,588)	(273,879)
OTHER FINANCING SOURCES (USES)			
Transfers In	1,158,154	487,571	706,445
Transfers (Out)	(2,463,716)	-	(1,337,405)
Total Other Financing Sources (Uses)	(1,305,562)	487,571	(630,960)
Net Change in Fund Balances	1,481,039	(201,017)	(904,839)
Fund Balances - Beginning	12,698,432	201,017	1,450,764
FUND BALANCES - ENDING	\$ 14,179,471	\$ -	\$ 545,925

See accompanying notes to basic financial statements

Capital Projects	Permanent	Total Governmental
\$ -	\$ -	\$ 10,589,451
-	-	1,141,444
-	-	1,601,724
38,190	-	554,230
-	-	2,195,144
-	-	1,231,158
-	-	1,983,703
-	-	371,934
-	-	2,675,852
797	1,760	427,186
-	-	1,543,235
38,987	1,760	24,315,061
348,445	-	7,769,931
-	-	7,823,977
-	-	3,489,882
-	-	1,152,404
-	-	505,720
204,397	-	1,560,586
-	-	303,812
-	-	396,710
552,842	-	23,003,022
(513,855)	1,760	1,312,039
349,312	-	2,701,482
-	(564)	(3,801,685)
349,312	(564)	(1,100,203)
(164,543)	1,196	211,836
282,163	61,778	14,694,154
\$ 117,620	\$ 62,974	\$ 14,905,990

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, 2008

Net Change in Fund Balances - Total Governmental Funds \$ 211,836

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	1,560,586	
Capitalized interest	-	
Less: current year depreciation and amortization	(1,331,357)	229,229

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

Principal payments and retirement of debt	303,812	303,812
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Government funds do not report negative net pension obligations as assets of the general fund.

Net pension asset	194,467	194,467
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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.

Gain on transfer of capital asset to proprietary fund	-	
Cost of capital assets sold or retired net	(31,520)	
Change in long-term settlement obligations	200,000	
Change in long-term compensated absences	(116,407)	52,073

Change in Net Assets of Governmental Activities **\$ 991,417**

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, 2008

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 13,400,772	\$ 13,400,772	\$ 13,332,620	\$ (68,152)
Intergovernmental	2,252,041	2,252,041	2,245,402	(6,639)
Licenses, Permits and Fees	2,903,050	2,903,050	3,214,860	311,810
Fines and Forfeitures	330,000	330,000	371,934	41,934
Administrative Service Charges	2,675,852	2,675,852	2,675,852	-
Investment Income	390,000	390,000	335,543	(54,457)
Proceeds from Sale of Land				-
Miscellaneous	1,001,200	1,001,200	1,543,235	542,035
Total Revenues	22,952,915	22,952,915	23,719,446	766,531
EXPENDITURES				
Current Operating:				
General Government	7,381,487	7,396,487	7,025,791	370,696
Public Safety	7,938,441	7,960,841	7,823,977	136,864
Physical Environment	3,847,796	3,848,095	3,489,882	358,213
Transportation	1,199,760	1,199,760	1,152,404	47,356
Culture/Recreation	552,799	552,799	505,720	47,079
Capital Outlay	865,150	842,451	935,071	(92,620)
Total Expenditures	21,785,433	21,800,433	20,932,845	867,588
Excess of Revenues Over Expenditures	1,167,482	1,152,482	2,786,601	1,634,119
OTHER FINANCING SOURCES (USES)				
Transfers In	1,348,484	1,395,848	1,158,154	(237,694)
Transfers (Out)	(2,515,966)	(2,548,330)	(2,463,716)	84,614
Total Other Financing Sources (Uses)	(1,167,482)	(1,152,482)	(1,305,562)	(153,080)
Net Change in Fund Balances	-	-	1,481,039	1,481,039
Fund Balances - Beginning	12,698,432	12,698,432	12,698,432	-
FUND BALANCES - ENDING	\$ 12,698,432	\$ 12,698,432	\$ 14,179,471	\$ 1,481,039

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, 2008

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 466,949	\$ 466,951	\$ 465,782	\$ (1,169)
Investment Income	125,000	125,000	77,152	(47,848)
Total Revenues	591,949	591,951	542,934	(49,017)
EXPENDITURES				
Current Operating:				
General Government	50,509	415,088	415,088	-
Capital Outlay	200,000	401,725	401,725	
Total Expenditures	250,509	816,813	816,813	-
Excess of Revenues Over Expenditures	341,440	(224,862)	(273,879)	(49,017)
OTHER FINANCING SOURCES (USES)				
Transfers In	1,056,445	1,562,267	706,445	(855,822)
Transfers (Out)	(1,397,885)	(1,337,405)	(1,337,405)	-
Total Other Financing Sources (Uses)	(341,440)	224,862	(630,960)	(855,822)
Net Change in Fund Balances	-	-	(904,839)	(904,839)
Fund Balances - Beginning	1,749,746	1,749,746	1,450,764	-
FUND BALANCES - ENDING	\$ 1,749,746	\$ 1,749,746	\$ 545,925	\$ (904,839)

See accompanying notes to basic financial statements

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CITY OF ST. AUGUSTINE, FLORIDA
Statement of Net Assets
Proprietary Funds
September 30, 2008

	Utility	Stormwater Drainage	Solid Waste
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 6,812,194	\$ 4,154,772	\$ 94,175
Accounts Receivable (Net)	1,081,921	110,330	346,099
Due from Other Funds	4,873,347	-	-
Deferred Charges, Current Portion	37,302	-	-
Inventories, at Cost	113,179	-	-
Total Current Assets	12,917,943	4,265,102	440,274
Non-Current Assets:			
Restricted Assets			
Cash and Cash Equivalents	1,282,194	-	-
Total Restricted Assets	1,282,194	-	-
Other Assets:			
Deferred Charges, Less Current Portion	434,334	-	-
Property, Plant and Equipment:			
Land and Improvements	1,130,003	-	-
Buildings and Structures	14,149,110	-	333,163
Infrastructure	53,941,169	1,321,292	1,874
Machinery and Equipment	2,961,098	234,865	1,836,822
Construction in Progress	21,625,733	-	-
Accumulated Depreciation	(34,575,638)	(438,892)	(1,282,270)
Net Property, Plant and Equipment:	59,231,475	1,117,265	889,589
Total Non-Current Assets	60,948,003	1,117,265	889,589
Total Assets	\$ 73,865,946	\$ 5,382,367	\$ 1,329,863
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 171,018	\$ 37,198	\$ 101,290
Customer Deposits	320,447	-	-
Revenue Bonds Payable, Current Portion	2,075,000	-	-
Deferred Charges - Defeased Bonds, Current Portion	(191,060)	-	-
Unearned Revenues - Other	1,812,713	-	-
Due to Other Funds	-	260,000	-
Compensated Absences, Current Portion	14,435	77	2,698
Total Current Liabilities	4,202,553	297,275	103,988

(Continued)

See accompanying notes to basic financial statements

Municipal Marina	Heritage Tourism	Total Proprietary
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\$ 465,937	\$ 206,911	\$ 11,733,989
12,500	1,191,020	2,741,870
150,000	-	5,023,347
4,870	48,329	90,501
51,567	141,313	306,059
684,874	1,587,573	19,895,766

-	519,232	1,801,426
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-	519,232	1,801,426
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36,121	308,807	779,262
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-	-	1,130,003
2,921,408	24,562,771	41,966,452
875,654	935,502	57,075,491
8,269	98,095	5,139,149
27,144	240,030	21,892,907
(2,455,786)	(2,841,764)	(41,594,350)
1,376,689	22,994,634	85,609,652
1,412,810	23,822,673	88,190,340
\$ 2,097,684	\$ 25,410,246	\$ 108,086,106

\$ 36,028	\$ 60,863	\$ 406,397
1,000	9,698	331,145
112,324	118,895	2,306,219
(4,832)	4,360	(191,532)
-	2,232	1,814,945
-	733,219	993,219
1,776	11,368	30,354
146,296	940,635	5,690,747

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Net Assets
Proprietary Funds
September 30, 2008
(Continued)

	Utility	Stormwater Drainage	Solid Waste
LIABILITIES			
Non-Current Liabilities:			
Revenue Bonds Payable, Less Current Portion	24,809,601	-	-
Deferred Charges - Defeased Bonds, Less Current Portion	(454,039)	-	-
Compensated Absences, Less Current Portion	302,934	1,719	31,862
Total Non-Current Liabilities	24,658,496	1,719	31,862
Total Liabilities	\$ 28,861,049	\$ 298,994	\$ 135,850
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	32,346,873	1,117,265	889,589
Restricted for Renewal and Replacement	1,282,194	-	-
Unrestricted	11,375,830	3,966,108	304,424
Total Net Assets	\$ 45,004,897	\$ 5,083,373	\$ 1,194,013

See accompanying notes to basic financial statements

Municipal Marina	Heritage Tourism	Total Proprietary
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930,487	23,795,621	49,535,709
(35,855)	212,896	(276,998)
35,455	117,834	489,804
930,087	24,126,351	49,748,515
\$ 1,076,383	\$ 25,066,986	\$ 55,439,262

333,878	(919,882)	33,767,723
-	-	1,282,194
687,423	1,263,142	17,596,927
\$ 1,021,301	\$ 343,260	\$ 52,646,844

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2008

	Utility	Stormwater Drainage	Solid Waste
OPERATING REVENUES			
User Charges	\$ 9,761,986	\$ -	\$ 3,151,729
Fees	1,816,737	734,328	-
Rental	-	-	-
Other	-	-	-
Total Operating Revenues	11,578,723	734,328	3,151,729
OPERATING EXPENSES			
Salaries, Wages and Employee Benefits	2,939,496	68,678	648,840
Utilities	680,981	245	1,235,190
Supplies and Materials	663,757	2,169	169,619
Contractual Services	387,588	45,593	238,987
Repairs and Maintenance	662,266	49,778	106,320
Cost of Goods Sold	-	-	-
Other	135,662	4,977	360
Administrative Overhead Charges	1,763,495	161,383	424,348
Depreciation and Amortization	1,829,362	48,380	152,834
Total Operating Expenses	9,062,607	381,203	2,976,498
Operating Income (Loss)	2,516,116	353,125	175,231
NON-OPERATING REVENUES (EXPENSES)			
Investment Income	476,036	113,629	13,186
Interest Expense and Fiscal Charges	(895,699)	-	-
Gain on Sale of Capital Assets	10,093	-	-
Other	115,349	(9,288)	(15,132)
Total Non-Operating Revenues (Expenses)	(294,221)	104,341	(1,946)
Income Before Contributions and Transfers	2,221,895	457,466	173,285
Capital Contributions	8,170,070	-	-
Transfers In	1,474,273	-	90,000
Transfers (Out)	(1,139,094)	(153,325)	(82,619)
Change in Net Assets	10,727,144	304,141	180,666
Net Assets - Beginning	34,277,753	4,779,232	1,013,347
Net Assets - Ending	\$ 45,004,897	\$ 5,083,373	\$ 1,194,013

See accompanying notes to basic financial statements

Municipal Marina	Heritage Tourism	Total Proprietary
\$ 2,693,244	\$ 993,887	\$ 16,600,846
-	1,011,953	3,563,018
26,330	647,135	673,465
-	218,401	218,401
2,719,574	2,871,376	21,055,730
425,600	1,409,695	5,492,309
93,229	261,170	2,270,815
20,621	76,327	932,493
9,151	159,036	840,355
48,303	121,422	988,089
1,656,564	332,512	1,989,076
81,922	112,007	334,928
144,070	122,075	2,615,371
182,501	914,038	3,127,115
2,661,961	3,508,282	18,590,551
57,613	(636,906)	2,465,179
9,354	15,655	627,860
(55,196)	(1,167,661)	(2,118,556)
-	-	10,093
-	-	90,929
(45,842)	(1,152,006)	(1,389,674)
11,771	(1,788,912)	1,075,505
-	17,075	8,187,145
-	1,309,421	2,873,694
-	(398,453)	(1,773,491)
11,771	(860,869)	10,362,853
1,009,530	1,204,129	42,283,991
\$ 1,021,301	\$ 343,260	\$ 52,646,844

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2008

	Utility	Stormwater Drainage	Solid Waste
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash Flows from Operating Activities:			
Received from Customers	\$ 12,086,809	\$ 727,083	\$ 3,109,545
Payment to Suppliers for Goods and Services	(4,648,028)	(222,758)	(2,163,535)
Paid to Employees	(2,939,496)	(68,678)	(648,840)
Paid to Customers for Deposit Refunds	(564)	-	-
Other revenues (expenses)	115,352	(9,288)	(15,132)
Net Cash Flows from Operating Activities	4,614,073	426,359	282,038
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Outstanding Bond Issues	(2,020,000)	-	-
Interest Paid on Outstanding Bond Issues	(690,420)	-	-
Acquisition and Construction of Capital Assets	(16,179,378)	(1,936)	(15,270)
Proceeds from sale of assets	10,090	-	-
Capital Contributions and Grants	8,170,070	-	-
Net Cash Flows from Capital and Related Financing Activities	(10,709,638)	(1,936)	(15,270)
Cash Flows from Investing Activities:			
Investment Income	476,036	113,629	13,186
Net Cash Flows from Investing Activities	476,036	113,629	13,186
Cash Flows from Non-Capital Financing Activities:			
Receipts Under Interfund Loan Agreements	-	-	-
Payments Under Interfund Loan Agreements	(3,742,922)	(268,000)	(825,000)
Transfers from Other Funds	1,474,273	-	90,000
Transfers (to) Other Funds	(1,139,094)	(153,325)	(82,619)
Net Cash Flows from Non-Capital Financing Activities	(3,407,743)	(421,325)	(817,619)
Net Change in Cash and Cash Equivalents	(9,027,272)	116,727	(537,665)
Cash and Cash Equivalents at Beginning of Year	17,121,660	4,038,045	631,840
Cash and Cash Equivalents at End of Year	\$ 8,094,388	\$ 4,154,772	\$ 94,175

Non-Cash Transactions: Amortization of deferred charges and accredited interest charged to notes payable included in interest expense and not included above in capital and related financing activities totaled \$206,352 for the year.

(Continued)

See accompanying notes to basic financial statements

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

\$ 2,782,074	\$ 2,874,965	\$ 21,580,476
(2,032,182)	(1,229,917)	(10,296,420)
(425,600)	(1,409,065)	(5,491,679)
(200)	(8,483)	(9,247)
-	-	90,932

324,092	227,500	5,874,062
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(108,163)	(118,024)	(2,246,187)
(50,363)	(1,172,021)	(1,912,804)
(89,721)	(7,284)	(16,293,589)
-	-	10,090
-	17,075	8,187,145

(248,247)	(1,280,254)	(12,255,345)
------------------	--------------------	---------------------

9,354	15,655	627,860
9,354	15,655	627,860

148,000	327,695	475,695
-	-	(4,835,922)
-	1,309,421	2,873,694
-	(398,453)	(1,773,491)

148,000	1,238,663	(3,260,024)
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233,199	201,564	(9,013,447)
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232,738	524,579	22,548,862
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\$ 465,937	\$ 726,143	\$ 13,535,415
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CITY OF ST. AUGUSTINE, FLORIDA
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2008
(Continued)

	Utility	Stormwater Drainage	Solid Waste
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Net Operating Income	\$ 2,516,116	\$ 353,125	\$ 175,231
Adjustments to Reconcile Net Operating Income to Net Cash Flows from Operating Activities:			
Depreciation and Amortization	1,829,362	48,380	152,834
Provision for Uncollectible Accounts	52,132	4,017	16,945
Other revenues (expenses)	115,352	(9,288)	(15,132)
Changes in Operating Assets and Liabilities:			
Accounts Receivable	1,093,995	(7,245)	(42,184)
Inventories	(4,372)	-	-
Accounts Payable and Compensated Absences	(402,039)	37,370	(5,656)
Deposits Payable	(564)	-	-
Deferred Revenues	(585,909)	-	-
Total Adjustments	2,097,957	73,234	106,807
Net Cash Flows from Operating Activities	\$ 4,614,073	\$ 426,359	\$ 282,038

See accompanying notes to basic financial statements

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

\$ 57,613 \$ (636,906) \$ 2,465,179

182,501 914,038 3,127,115
 - - 73,094
 - - 90,932

62,500 5,482 1,112,548
 22,440 (16,820) 1,248
 (762) (27,918) (399,005)
 (200) (8,483) (9,247)
 - (1,893) (587,802)

266,479 864,406 3,408,883

\$ 324,092 \$ 227,500 \$ 5,874,062

CITY OF ST. AUGUSTINE, FLORIDA
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2008

	Employee Retirement Funds
ASSETS	
Cash and Short-Term Investments	\$ 1,154,122
Receivables:	
Member Contributions	23,538
City Contributions	51,228
Interest and Dividends	70,311
Due from Trust Company	122,148
Total Receivables	267,225
Prepaid Pension Payment	30,842
Prepaid Expense	857
Investments, at Fair Value:	
U.S. Government Obligations Fund	3,402,539
U.S. Stock Fund	18,057,216
Mutual Fund - International Equity	1,625,910
Bond and Mortgage Fund	10,830,983
International Exchange Fund	610,799
Real Estate Fund	2,116,010
Total Investments	36,643,457
Total Assets	38,096,503
LIABILITIES	
Expenses Payable	56,077
Total Liabilities	56,077
NET ASSETS	
Held in Trust for Pension Benefits and Other Purposes	\$ 38,040,426

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, 2008

	Employee Retirement Funds
ADDITIONS	
Contributions:	
Members	\$ 576,260
City	1,227,421
State Insurance Premium Tax from General Fund	529,747
Total Contributions	2,333,428
Investment Income:	
Net Appreciation in Fair Value of Investments	(7,325,842)
Interest and Dividends on Investments	703,184
Total Investment Income	(6,622,658)
Less Investment Expenses	235,806
Net Income from Investing Activities	(6,858,464)
Total Additions	(4,525,036)
DEDUCTIONS	
Benefit Payments	1,953,444
Termination Payments	128,704
Administrative Expenses	101,799
Total Deductions	2,183,947
Net Change in Assets	(6,708,983)
Net Assets - Beginning	44,749,409
NET ASSETS - ENDING	\$ 38,040,426

See accompanying notes to basic financial statements

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CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

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

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

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

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

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

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

The City reports the following funds:

Major Governmental Funds

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

a. General Fund

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

b. Special Revenue Fund

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

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

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

parking geographical area principally located in the historic downtown area.

c. Capital Project Fund

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

d. Debt Service Fund

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

e. Permanent Fund

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

Major Proprietary Funds

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

a. Utility Fund

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

b. Stormwater Drainage Fund

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

c. Solid Waste Fund

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

d. Municipal Marina Fund

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

e. Heritage Tourism Fund

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

Fiduciary Funds

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

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

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

a. General Employees' Pension Plan

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

b. Police Officers' Retirement System

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

c. Firefighters' Pension Plan

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

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

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

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

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

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

D. Cash and Cash Equivalents

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

E. Investments

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

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

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

F. Receivables and Allowance for Uncollectible Accounts

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated 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 fiscal year. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal 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. The inventory items are recorded as expenditures at the time the items are withdrawn from central stores. The inventory value has been recorded as an asset, offset by a reserve in an equal amount.

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

H. Restricted Assets

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

I. Capital Assets

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

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

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

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

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

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

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

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

equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations in the government-wide financial statements.

J. 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, 2008 are as follows:

	Original Cost	Accumulated Amortization	Unamortized Costs
Beginning of the year	\$ 1,065,446	\$ (140,131)	\$ 925,315
Current year additions	-	(55,552)	(55,552)
End of year	\$ 1,065,446	\$ (195,683)	\$ 869,763

K. Compensated Absences

Annual vacation leave is accumulated in the following manner:

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

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

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

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

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

L. Long-Term Obligations

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

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

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

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

M. 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, 2008 are as follows:

	Original Cost	Accumulated Amortization	Unamortized Costs
Beginning of the year	\$ 1,571,883	\$ (911,820)	\$ 660,063
Current year additions	-	(191,533)	(191,533)
End of year	\$ 1,571,883	\$ (1,103,353)	\$ 468,530

N. Fund Balance

Reserves

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

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

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

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

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

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

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

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

O. Revenue Recognition – Property Taxes

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

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

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

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

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

P. Expenditures

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

NOTE 2. DEPOSITS AND INVESTMENTS:

A. Cash and Cash Equivalents

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

At September 30, 2008, the carrying amount of cash on hand was \$724,385 and the related bank balance was \$743,736. 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 (LGIP) and the Fund B Surplus Funds Trust Fund (Fund B). The LGIP is a 2a7-like external investment pool. The fair value of the position in the external investment pool is the same as the value of the pool shares. The LGIP is rated by Standard and Poors and currently has a rating of AAAM. The LGIP balance of \$24,426,900 had an average of 8.5 days to maturity as of September 30, 2008. The Fund B is accounted for as a fluctuating net asset value (NAV) pool. The Fund B is not rated by any nationally recognized statistical rating agency. The fair value of the City's Fund B investment was \$1,272,614 and had a weighted average life of 9.36 years as of September 30, 2008. A government money market account with a qualified public depository was established and funded by the City in 2008. This account is fully collateralized and held a balance of \$5,136,319 as of September 30, 2008.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

NOTE 2. DEPOSITS AND INVESTMENTS: (Continued)

B. Investments—General Pension Plan

Interest Rate Risk

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

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	Between 1-5	Between 6-10	More Than 10
Real Estate Account	\$ 2,116,010	\$ 2,116,010	\$ -	\$ -	\$ -
Bond & Mortgage Account	\$ 6,614,265	\$ 456,384	\$ 1,478,950	\$ 855,224	\$ 3,803,202
Corporate & Foreign Bonds	\$ 386,596	\$ -	\$ -	\$ 386,596	\$ -
Mutual Funds--International Equity	\$ 1,484,288	\$ 1,484,288	\$ -	\$ -	\$ -
Cash & Short Term Investments	\$ 593,678	\$ 593,678	\$ -	\$ -	\$ -
U.S. Stock Fund	\$ 8,179,238	\$ 8,179,238	\$ -	\$ -	\$ -
	<u>\$ 19,374,075</u>	<u>\$ 12,829,598</u>	<u>\$ 1,478,950</u>	<u>\$ 1,241,820</u>	<u>\$ 3,803,202</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 ten percent of the total equity portfolio may be invested in Foreign Securities.

C. Investments—Police Pension Plan

Interest Rate Risk

The St. Augustine Police Retirement System's investment policy limits fixed income securities normally to an average maturity of 12 years or less, including investments in government issues, corporate bonds rated A quality or higher and/or Government National Mortgage Association pooled obligations. There may be exceptional circumstances indicating the use of longer maturities, but these exceptions should be few. As of September 30, 2008, the St. Augustine Police Officer's Retirement System had the following investments and maturities:

Investment Type	S&P Rating	Fair Value	Investment Maturities (in Years)			
			Less Than 1	Between 1-5	Between 6-10	More Than 10
U.S. Government Obligations	AAA	\$ 1,427,244	\$ -	\$ -	\$ 1,427,244	\$ -
Bond & Mortgage Account	A-AAA	\$ 2,750,347	\$ -	\$ 1,757,519	\$ 643,213	\$ 349,615
U.S. Stock Fund		\$ 6,751,320	\$ 6,751,320	\$ -	\$ -	\$ 911,454
Total		<u>\$ 10,928,911</u>	<u>\$ 6,751,320</u>	<u>\$ 1,757,519</u>	<u>\$ 2,070,457</u>	<u>\$ 1,261,069</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

NOTE 2. DEPOSITS AND INVESTMENTS: (Continued)

Credit Risk and Concentration of Credit Risk

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

Foreign Currency

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

D. Investments—Firefighters' Pension Plan

Interest Rate Risk

The St. Augustine Firefighters' Pension Trust Fund limits all investments in corporate fixed income securities to those that hold a rating of A quality or higher. There is no limit imposed on investments in fixed income securities issued directly by the U. S. Government. The Plan limits the effective duration of its investment portfolio through the adoption of the Merrill Lynch Government/Corporate Bond Index bench mark. It is expected that the average duration of the total fixed income portfolio will not exceed 150% of the duration of the Index. As of September 30, 2008, the St. Augustine Firefighters' Pension Trust Fund held the following fixed income investments:

<u>Investment Type</u>	<u>% of Fund</u>	<u>Fair Value</u>	<u>S&P Rating</u>	<u>Effective Duration</u>
US Government Agencies	27%	\$ 1,975,295	AAA	3.4-4.0
Corporate Bonds	15%	\$ 1,079,775	A-	3.9
Foreign Bonds	2%	\$ 141,622	BBB+A	4.2
Temporary Investment Funds	5%	\$ 356,347	AAA	Daily
		<u>\$ 3,553,039</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 ten 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, 2008

NOTE 3. ACCOUNTS RECEIVABLE:

Receivables at September 30, 2008, consist of the following:

	Governmental Activities		Business-Type Activities	Total
	General	Capital Projects		
Utility Taxes	\$ 64,333	\$ -	\$ -	\$ 64,333
Accounts	27,920	-	1,611,445	1,639,365
Intergovernmental	811,132	48,383	1,203,520	2,063,035
Gross Receivables	903,385	48,383	2,814,965	3,766,733
Less: Allowance for Uncollectibles	-	-	73,095	73,095
Total Receivables	\$ 903,385	\$ 48,383	\$ 2,741,870	\$ 3,693,638

NOTE 4. CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2008:

Governmental Activities

	Balance 10/1/2007	Increases	Decreases	Balance 9/30/2008
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 5,390,971	\$ 3,974	\$ -	\$ 5,394,945
Construction in Progress	2,178,919	177,904	130,258	2,226,565
Capitalized Interest	138,528	-	7,291	131,237
Total Capital Assets Not Being Depreciated	7,708,418	181,878	137,549	7,752,747
Other Capital Assets:				
Buildings	15,020,718	-	-	15,020,718
Infrastructure	9,517,066	673,078	-	10,190,144
Furniture and Other Equipment	7,248,393	835,888	403,210	7,681,071
Total Other	31,786,176	1,508,966	403,210	32,891,932
Less Accumulated Depreciation For:				
Buildings	7,125,569	376,625	-	7,502,194
Infrastructure	4,927,148	260,689	-	5,187,837
Furniture and Other Equipment	4,990,227	686,752	371,690	5,305,289
Total Accumulated Depreciation	17,042,944	1,324,066	371,690	17,995,320
Other Capital Assets, Net	14,743,232	184,900	31,520	14,896,612
TOTALS	\$ 22,451,650	\$ 366,778	\$ 169,069	\$ 22,649,359

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

NOTE 4. CAPITAL ASSETS: (Continued)

Depreciation was charged to governmental functions as follows:

General Government	\$ 899,436
Public Safety	84,812
Physical Environment	246,757
Transportation	93,061
Total	<u>\$ 1,324,066</u>

Construction in progress is composed of the following at September 30, 2008:

Fleet Maintenance Relocation	\$ 2,135,894
Alcazar Window Restoration	9,784
Maria Sanchez Bank Stabalization	3,500
Davis Shores Skate Park	77,387
Total	<u>\$ 2,226,565</u>

Business-Type Activities

	<u>Balance</u> <u>10/1/2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/2008</u>
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,130,003	\$ -	\$ -	\$ 1,130,003
Construction in Progress	12,902,273	8,990,634	-	21,892,907
Total Capital Assets				
Not Being Depreciated	14,032,276	8,990,634	-	23,022,910
Other Capital Assets:				
Buildings	41,501,236	514,689	49,473	41,966,452
Infrastructure	49,810,876	7,264,615	-	57,075,491
Furniture and Other Equipment	5,251,825	54,494	167,170	5,139,149
Total Other	96,563,937	7,833,798	216,643	104,181,092
Less Accumulated Depreciation For:				
Buildings	16,166,850	1,103,717	-	17,270,567
Infrastructure	19,063,398	1,562,417	-	20,625,815
Furniture and Other Equipment	3,493,027	362,446	157,505	3,697,968
Total Accumulated Depreciation	38,723,275	3,028,580	157,505	41,594,350
Other Capital Assets, Net	57,840,662	4,805,218	59,138	62,586,742
TOTALS	<u>\$ 71,872,938</u>	<u>\$ 13,795,852</u>	<u>\$ 59,138</u>	<u>\$ 85,609,652</u>

Depreciation was charged to Business-Type Activities as follows:

Utility Fund	\$ 1,784,027
Stormwater Drainage Fund	48,380
Solid Waste Fund	152,834
Municipal Marina Fund	177,630
Heritage Tourism Fund	865,709
Total	<u>\$ 3,028,580</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

NOTE 4. CAPITAL ASSETS: (Continued)

Construction in progress is composed of the following at September 30, 2008:

Wastewater Improvements	\$ 911,272
Water Plant Expansion	13,578,438
Sanitary Sewer Slipliner	230,848
Outfall Line Replacement	19,250
Northwest Force Main	6,694,572
WWTP Pipe Repair	8,482
#2 Transfer Pump Upgrade	31,269
Marina Project	27,144
Heritage Tourism Renovations	240,030
West King St. Pipe Replacement	26,795
Polmer Equipment Upgrade	20,171
Raw Line Rehabilitation	48,548
Reactor Clarifier	12,656
Headworks Bypass Gate	16,182
WWTP Permit Renewal & Capacity	9,073
Chemical Feed Pump Replacement	18,177
Total	<u>\$ 21,892,907</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, 2008, will not materially affect the financial condition of the City. Therefore, the financial statements contain no provision for estimated claims.

The City of St. Augustine has an outstanding environmental compliance issue at City property located west of St. Augustine. During the construction of a wetlands mitigation project, the City excavated and disposed of fill that the Florida Department of Environmental Protection (FDEP) considers solid waste. The City negotiated a Consent Order to remove the material and dispose it in compliance with FDEP guidelines. The Consent Order was approved on May 20, 2008 by the City and FDEP. The work will be completed by May, 2009 and in full compliance with the Consent Order.

The City also has a Consent Order to replace the waste water treatment plant outfall to the Intracoastal Waterway. The project is nearing completion of environmental permitting and we anticipate construction completion by July, 2009. The City is fully compliant with all terms of the Consent Order.

At September 30, 2008, the City had outstanding commitments of approximately \$3,805,000 relating to construction contracts.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

NOTE 6. LONG-TERM DEBT:

Governmental Funds

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

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

Principal payments are due annually on October 1, and interest payments are due semi-annually on April 1 and October 1. The annual requirement to amortize long-term bonded debt outstanding as of September 30, 2008 is as follows:

Bond Year Ended	Public Service Tax & Guaranteed Entitlement	
	Revenue Refunding & Improvement Bonds	
	Series 2001	
October 1	Principal	Interest
2009	\$ 269,145	\$ 363,703
2010	279,113	352,938
2011	292,404	341,494
2012	305,695	329,213
2013	315,664	315,920
2014-2018	1,564,180	1,352,047
2019-2023	1,574,549	983,622
2024-2028	2,010,290	548,692
Thereafter	950,343	71,975
	\$ 7,561,383	\$ 4,659,604

Capital Improvement and Refunding Revenue Bonds, Series 2004:

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

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

NOTE 6. LONG-TERM DEBT (Continued)

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

Payment of maturing principal and interest (2.00 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, 2008 is as follows:

Bond Year Ended October 1	Capital Improvements & Current Refunding Series 2004	
	Principal	Interest
2009	\$ 44,637	\$ 14,088
2010	47,825	12,749
2011	49,419	11,314
2012	49,418	9,782
2013	52,607	8,176
Thereafter	167,386	12,399
	\$ 411,292	\$ 68,508

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, 2008 is as follows:

Bond Year Ended October 1	Water & Sewer Fund Revenue Bonds, Series 2005	
	Principal	Interest
2009	\$ 2,075,000	\$ 625,218
2010	2,145,000	562,969
2011	2,215,000	495,938
2012	2,320,000	387,188
2013	545,000	273,188
2014-2018	3,100,000	983,325
Thereafter	2,770,000	276,000
	\$ 15,170,000	\$ 3,603,826

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

NOTE 6. LONG-TERM DEBT: (Continued)

Water and Sewer Revenue Bonds, Series 2003:

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

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

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

Bond Year Ended	Water and Sewer Fund	
	Capital Appreciation Bonds, Series 2003	
October 1	Principal	Interest
2009	\$ -	\$ -
2010	-	-
2011	-	-
2012	-	-
2013	1,351,161	673,839
2014-2018	5,620,125	4,504,875
Thereafter	2,392,568	3,097,432
	<u>9,363,854</u>	<u>\$ 8,276,146</u>
Accredited interest	2,350,747	
Balance September 30, 2008	<u>\$ 11,714,601</u>	

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

NOTE 6. LONG-TERM DEBT: (Continued)

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

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

Principal payments are due annually on October 1, and interest payments are due semi-annually on April 1 and October 1. The annual requirement to amortize bonded debt outstanding as of September 30, 2008 is as follows:

Bond Year Ended October 1	Municipal Marina Revenue Bonds Guaranteed Entitlement, Series 2001	
	Principal	Interest
2009	\$ 112,327	\$ 46,145
2010	116,484	41,652
2011	122,031	36,876
2012	127,578	31,751
2013	131,738	26,201
Thereafter	432,652	41,411
	\$ 1,042,810	\$ 224,036

Bond Year Ended October 1	Heritage Tourism Revenue Bonds Guaranteed Entitlement, Series 2001	
	Principal	Interest
2009	\$ 23,531	\$ 135,034
2010	24,403	134,093
2011	25,565	133,092
2012	26,727	132,019
2013	27,598	130,851
2014-2018	353,166	629,105
2019-2023	780,354	486,878
2024-2028	994,711	271,558
Thereafter	469,752	35,525
	\$ 2,725,807	\$ 2,088,155

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

NOTE 6. LONG-TERM DEBT: (Continued)

Capital Improvement and Refunding Revenue Bonds, Series 2004:

On October 14, 2004, the City Issued Capital Improvement and Refunding Revenue Bonds totaling \$22,155,000 to refund the 1995 Series Revenue Bonds and construct a parking garage and other capital improvements for the City. Payment of maturing principal and interest (2.00 percent to 5.00 percent) on these bonds is provided for in the Debt Service Fund. Principal payments are due annually on October 1, and interest payments are due semi-annually on April 1 and October 1. The annual requirement to amortize bonded debt outstanding as of September 30, 2008, is as follows:

<u>Bond Year Ended</u> <u>October 1</u>	<u>Heritage Tourism Capital Improvement &</u> <u>Revenue Refunding Bonds, Series 2004</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 95,365	\$ 1,002,934
2010	262,175	1,000,071
2011	265,581	992,207
2012	275,581	983,974
2013	287,393	975,018
2014-2018	2,112,614	4,695,927
2019-2023	3,415,000	4,115,838
2024-2028	4,355,000	3,178,375
2029-2033	7,955,000	1,874,200
Thereafter	2,165,000	108,250
	<u>\$ 21,188,709</u>	<u>\$ 18,926,794</u>

Prior Years' Debt Defeasance

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

The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes the debt has been considered defeased and therefore removed as a liability from the City's Government Wide Financial Statements and appropriate Enterprise Fund Statements. As of September 30, 2008, the City had \$4,441,988 escrowed defeased debt outstanding.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

NOTE 7. CHANGES IN LONG-TERM DEBT:

During the year ended September 30, 2008 the following changes occurred in the City's long-term obligations:

**Primary Government
Governmental Activities**

	Balance 10/1/2007	Increases	Decreases	Balance 9/30/2008	Current Portion
General Long-Term Debt & Obligations					
Public Service Tax & Guaranteed Entitlement Revenue Refunding & Improvement Bonds	\$ 8,276,487	\$ -	\$ 303,812	\$ 7,972,675	\$ 313,782
Accrued Compensated Absences	1,880,439	1,145,390	1,028,983	1,996,846	81,077
Total General Long-Term Obligations	<u>10,156,926</u>	<u>1,145,390</u>	<u>1,332,795</u>	<u>9,969,521</u>	<u>394,859</u>
Proprietary Fund Long-Term Obligations					
Accrued Compensated Absences	477,678	562,516	520,036	520,158	30,354
Revenue Bonds Payable From:					
Proprietary Funds	28,375,694	528,907	2,020,000	26,884,601	2,075,000
Public Service Tax & Guaranteed Entitlement Revenue	25,183,514	-	226,187	24,957,327	231,219
Total Proprietary Fund Long-Term Obligations	<u>54,036,886</u>	<u>1,091,423</u>	<u>2,766,223</u>	<u>52,362,086</u>	<u>2,336,573</u>
Total Long-Term Debt & Obligations	<u>\$ 64,193,812</u>	<u>\$ 2,236,813</u>	<u>\$ 4,099,018</u>	<u>\$ 62,331,607</u>	<u>\$ 2,731,432</u>

NOTE 8. INTERFUND RECEIVABLES, PAYMENTS, AND TRANSFERS:

A. At September 30, 2008, interfund payments and transfers are as follows:

Fund Type/Fund	Transfers-in	Transfers-out
GOVERNMENTAL FUNDS		
General Fund	\$ 1,158,154	\$ 2,463,716
Community Redevelopment Agency Fund	706,445	1,337,405
Debt Service Fund	487,571	-
Capital Projects Fund	349,312	-
Permanent Fund	-	564
PROPRIETARY FUNDS		
Utility Fund	1,474,273	1,139,094
Stormwater Fund	-	153,325
Solid Waste Fund	90,000	82,619
Municipal Marina Fund	-	-
Heritage Tourism Fund	1,309,421	398,453
	<u>\$ 5,575,176</u>	<u>\$ 5,575,176</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

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

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

<u>Fund Type/Fund</u>	<u>Administrative Overhead Charges</u>	<u>Administrative Overhead Expenses</u>
GOVERNMENTAL FUNDS		
General Fund	\$ 2,675,852	\$ -
CRA		60,481
PROPRIETARY FUNDS		
Utility Fund	-	1,763,495
Stormwater Fund	-	161,383
Solid Waste Fund	-	424,348
Municipal Marina Fund	-	144,070
Heritage Tourism Fund	-	122,075
	<u>\$ 2,675,852</u>	<u>\$ 2,675,852</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, 2008, interfund receivables are as follows:

<u>Fund Type/Fund</u>	<u>Due to</u>	<u>Due from</u>
GOVERNMENTAL FUNDS		
General Fund	\$ 1,483,348	\$ -
Special Revenue	2,630,000	-
Capital Projects Fund	-	83,984
Permanent Fund	764	-
PROPRIETARY FUNDS		
Utility Fund	-	4,873,347
Stormwater Fund	260,000	-
Solid Waste Fund	-	-
Municipal Marina Fund	-	150,000
Heritage Tourism Fund	733,219	-
	<u>\$ 5,107,331</u>	<u>\$ 5,107,331</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, 2008

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 various 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:

Year Ending September 30	Amount
2009	\$ 1,424,383
2010	1,465,690
2011	1,508,195
2012	1,553,441
2013	1,600,044
Total future minimum rentals	\$ 7,551,753

NOTE 10. EMPLOYEE BENEFITS:

The City of St. Augustine has established three pension trust funds. Each plan is administered by a Board of Trustees in which City administration and members of the plans are represented. Disclosures relating to the individual pension trust funds are as follows:

A. General Employees' Retirement System:

1. Plan Description:

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

Any full-time City employee (those who work 40 or more hours per week), other than regular members of the Police and Fire Departments of the City, is eligible to become a member of this System. The City Manager may elect not to participate in the System. As of September 30, 2008, the System had 248 active participants, 99 retirees/beneficiaries and 10 vested terminated participants. The total payroll for eligible employees covered by this System was \$9,357,034.

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

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

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.

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

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

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

2. Summary of Accounting Policies:

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

- a. Basis of Accounting - The financial statements of the System are prepared using the accrual basis of accounting in conformity with generally accepted accounting principles. Under this basis, revenue is recognized in the period earned, expenses are recognized in the period the obligation is incurred, and employee and employer contributions are recognized as revenue in the period in which the employee services are performed.
- b. Valuation of Investments – Investments are reported at fair value as provided by the System's asset managers, Principal Mutual Life Insurance Company and Salem Trust Company. The summary of investments at September 30, 2008, is as follows:

	Cost Value	Market Value
Bond & Mortgage Fund	N/A	\$ 6,614,265
Real Estate Fund	N/A	2,116,010
Corporate & Foreign Bonds	N/A	386,596
Mutual Funds--International Equity	N/A	1,484,288
Cash & Short term Investments	N/A	593,678
U.S. Stock Fund	N/A	8,179,238
		\$ 19,374,075

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

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 9.52 percent.

The following is funded status information for the plan as of October 1, 2008, the most recent actuarial valuation date (in thousands):

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Covered Payroll	UAAL as a % of Covered Payroll [(2)-(1)/(5)]
9/30/2008	\$ 23,258	\$ 27,153	\$ 3,895	85.66%	\$ 9,357	41.63%

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 2008, the City's annual pension cost was \$872,326. The City's actual contribution was \$1,039,614. The annual required contribution for the current year was determined as part of the October 1, 2006, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions in the October 1, 2006, valuations included (a) 8.0% investment rate of return; (b) projected salary increases ranging from 4% to 8% per year; and (c) 3.5% rate of inflation. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined by adjusting the expected values of assets as of any valuation date by a portion of the cumulative differences of the market value of assets and the expected actuarial value of assets. Each difference is fully recognized over a period not to exceed five years. The unfunded actuarial liability is being amortized over 15 years as a level percentage of projected payroll on a closed basis.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Asset)
9/30/2006	\$597,699	114%	(230,732)
9/30/2007	\$631,069	131%	(428,044)
9/30/2008	\$872,326	119%	(595,332)

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

NOTE 10. EMPLOYEE BENEFITS: (Continued)

<u>Fiscal Year Ended September 30, 2008</u>	<u>Annual</u>
Annual Required City Contribution (ARC)	\$ 853,483
Interest on NPO	(35,314)
Adjustment to ARC	(54,157)
Annual Pension Cost	872,326
Contributions Made	1,039,614
Increase in NPO	(167,288)
NPO Beginning of Year	(428,044)
NPO End of Year	<u>\$ (595,332)</u>

5. Concentrations:

Principal Mutual Life Insurance Company, Salem Trust, Sawgrass Asset Management, Vanguard Total International Stock and Tradewinds currently hold investments of the system which consist of a bond and mortgage account, U.S. stock account, international stock account and a real estate account. The value of assets managed by these companies and their relation to the net assets of the plan as of September 30, 2008 is as follows:

	<u>Market Value</u>	<u>Percent of Net Assets</u>
Bond & Mortgage Fund	\$ 6,614,265	34.14%
Real Estate Fund	\$ 2,116,010	10.92%
Corporate & Foreign Bonds	\$ 386,596	2.00%
Mutual Funds--International Equity	\$ 1,484,288	7.66%
Cash & Short term Investments	\$ 593,678	3.06%
U.S. Stock Fund	\$ 8,179,238	42.22%

B. Police Officers' Retirement System

1. Plan Description:

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

Any police officer who is a regular member of the police department of the City of St. Augustine is a member of this retirement system. As of September 30, 2008, the System had 44 active participants, 20 retirees/beneficiaries, 3 disabled participants and 6 vested/terminated participants. The total payroll for eligible employees covered by this System was \$2,495,079.

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

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

NOTE 10. EMPLOYEE BENEFITS: (Continued)

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 Bonds	N/A	\$ 2,750,347
Governmental Obligations	N/A	1,427,244
Stocks	N/A	6,751,320
		\$ 10,928,911

3. Funding Policy, Contributions, Status and Progress:

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

Administrative costs are funded by City and member contributions.

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

NOTE 10. EMPLOYEE BENEFITS: (Continued)

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. The City made an actuarial contribution of 2.46 percent during the fiscal year ended September 30, 2008, in addition to the ordinance-required contribution of 1.5 percent.

The following is funded status information for the plan as of October 1, 2008, the most recent actuarial valuation date (in thousands):

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Covered Payroll	UAAL as a % of Covered Payroll [(2)-(1)/(5)]
9/30/2008	\$ 12,951	\$ 13,473	\$ 522	96.13%	\$ 2,495	20.92%

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 2008, the City's annual pension cost was \$415,753. The actual contribution was \$381,564. The annual required contribution for the current year was determined as part of the October 1, 2006, actuarial valuation using the Individual Entry Age Actuarial Cost Method. The actuarial assumptions in the October 1, 2006, valuations included (a) 8% investment rate of return; (b) projected salary increases ranging from 4.5% to 8% per year; and (c) 3.5% rate of inflation. The assumptions did include post retirement benefits with a cost of living adjustment of up to 3.5%. The actuarial value of assets was determined by adjusting the expected value of assets as of any valuation date by a portion of the cumulative differences of the market value of assets and the expected actuarial value of assets starting from October 1, 1990. Each difference is fully recognized over a period not to exceed five years. The unfunded actuarial liability is being amortized over 15 years as a level percentage of projected payroll on a closed basis

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Asset)
9/30/2006	\$454,343	107%	(294,856)
9/30/2007	\$469,050	79%	(198,443)
9/30/2008	\$415,753	92%	(164,254)

Fiscal Year Ended September 30, 2008	Annual
Annual Required City Contribution (ARC)	\$ 408,444
Interest on NPO	(15,875)
Adjustment to ARC	(23,184)
Annual Pension Cost	415,753
Contributions Made	381,564
Decrease in NPO	34,189
NPO Beginning of Year	(198,443)
NPO End of Year	<u>\$ (164,254)</u>

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

NOTE 10. EMPLOYEE BENEFITS: (Continued)

5. Concentrations:

As of September 30, 2008, the Plan had no investments that exceeded five percent of the Plan's net assets as of that date.

C. Firefighters' Retirement System:

1. Plan Description:

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

Any City full-time firefighter and retired firefighter is eligible to become a member of this System. As of September 30, 2008, the System had 31 active participants, 20 retirees/beneficiaries, and 1 terminated vested participant. The total payroll for employees covered by this System for the year ended September 30, 2008 was \$1,412,872.

As stipulated by City Ordinance 87-60, authority to establish and amend benefit provisions of the Fund rest with the City Commission, along with the authority to provide for cost of living adjustments. Benefits are calculated using the average of the highest five years of earnings within ten years of retirement or termination. For each year of credited service to a maximum of 35 years, monthly benefits shall be earned at the rate of 2.75 percent of the member's average final compensation. Benefits are paid for the life of the participant with ten years certain. Eligibility for normal retirement is the earlier of age 55 and 10 years of credited service or 25 years of credited service, regardless of age. No benefits will be paid to a participant if termination occurs prior to the completion of ten years of service. Such participants, however, will receive their contributions to the plan along with three percent interest.

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

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

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

2. Summary of Accounting Policies:

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

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

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

NOTE 10. EMPLOYEE BENEFITS: (Continued)

- b. Valuation of Investments – Investments are reported at fair value as provided by the Fund’s investment manager Fifth Third Bank. Fifth Third arrives at fair value through the use of broker and pricing services. The summary of investments at September 30, 2008, is as follows:

	Cost Value	Fair Value
U.S. Government and Agencies	\$ 1,940,811	\$ 1,975,295
Corporate Bonds	751,351	668,253
International exchange traded fund	804,975	610,799
Common Stock & Short Term Investments	4,145,060	3,538,180
Foreign Bonds	142,688	141,622
	\$ 7,784,885	\$ 6,934,149

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 \$277,768 and the City expended the full amount to the Pension Fund.

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

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. The City was required to make an actuarial contribution of 5.2 percent during the Fiscal Year ended September 30, 2008, 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, 2008, the most recent actuarial valuation date (in thousands):

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Covered Payroll	UAAL as a % of Covered Payroll [(2)-(1)/(5)]
9/30/2008	\$ 8,222	\$ 8,031	\$ (191)	102.38%	\$ 1,413	-13.52%

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 2008, the City’s annual pension cost was \$44,996 . The City’s actual contribution was \$106,364. The annual required contribution for the current year was determined as part of the October 1, 2006, actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions in the October 1, 2006, valuations included (a) 8% investment rate of return; (b) projected salary increases of 7% per year; and (c) 3.5% rate of inflation. The assumptions did include post retirement benefits with a cost of living

CITY OF ST. AUGUSTINE, FLORIDA
Notes to the Financial Statements
September 30, 2008

NOTE 10. EMPLOYEE BENEFITS: (Continued)

adjustment of up to 3.5%. The actuarial value of assets was determined by adjusting the expected value of assets as of any valuation date by a portion of the cumulative differences of the market value of assets and the expected actuarial value of assets starting from October 1, 1990. Each difference is fully recognized over a period not to exceed five years. The unfunded actuarial liability is being amortized over 15 years as a level percentage of projected payroll on a closed basis.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2006	28,533	339%	(202,671)
9/30/2007	2,225	100%	(304,668)
9/30/2008	44,996	255%	(336,036)

Fiscal Year Ended September 30, 2008	Annual
Annual Required City Contribution (ARC)	\$ 41,650
Interest on NPO	(24,373)
Adjustment to ARC	27,719
Annual Pension Cost	44,996
Contributions Made	(106,364)
Increase in NPO	(61,368)
NPO Beginning of Year	(304,668)
NPO End of Year	<u>\$ (366,036)</u>

5. Concentrations:

As of September 30, 2008, the Plan had no investments that exceeded five percent of the Plan's net assets as of that date.

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.

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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)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Covered Payroll	UAAL as a Percentage of Covered Payroll [(2)-(1)/(5)]
General Pension:						
9/30/2008	\$ 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	17,063	17,874	811	95.46%	7,069	11.47%
9/30/2003	15,835	15,374	(461)	103.00%	7,072	0.00%
9/30/2002	14,486	14,572	86	99.41%	6,700	1.28%
9/30/2001	12,750	13,759	1,009	92.67%	6,459	15.62%
9/30/2000	12,501	12,270	(231)	101.88%	5,604	0.00%
9/30/1999	12,040	12,575	535	95.75%	5,594	9.56%
Police Pension:						
9/30/2008	12,951	13,473	522	96.13%	2,495	20.92%
9/30/2007	12,424	12,544	120	99.04%	2,576	4.66%
9/30/2006	11,383	11,846	463	96.09%	2,287	20.23%
9/30/2005	10,566	11,052	486	95.60%	2,273	21.40%
9/30/2004	10,267	9,774	493	105.04%	2,044	24.12%
9/30/2003	10,013	11,295	1,281	88.65%	2,015	63.59%
9/30/2002	9,643	10,910	1,267	88.39%	1,921	65.97%
9/30/2001	9,245	10,555	1,310	87.59%	1,974	66.35%
9/30/2000	8,822	10,188	1,366	86.59%	1,735	78.75%
9/30/1999	7,953	9,328	1,374	85.27%	1,728	79.55%
Fire Pension:						
9/30/2008	8,222	8,031	(191)	102.38%	1,413	-13.52%
9/30/2007	8,089	9,377	1,288	86.27%	1,310	98.30%
9/30/2006	7,428	8,771	1,343	84.69%	930	144.46%
9/30/2005	6,904	8,311	1,408	83.06%	843	166.90%
9/30/2004	6,608	7,868	1,260	83.99%	925	136.22%
9/30/2003	6,458	7,747	1,289	83.36%	941	136.98%
9/30/2002	6,362	7,670	1,308	82.94%	903	144.95%
9/30/2001	6,333	7,651	1,318	82.78%	886	148.68%
9/30/2000	6,116	7,448	1,333	82.11%	854	156.03%
9/30/1999	5,811	5,811	-	100.00%	864	0.00%

CITY OF ST. AUGUSTINE, FLORIDA

General, Police, and Fire Employees' Pension Plans

Required Supplementary Information

Schedule of Employer Contributions and Other Contributing Entities

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

2008	\$ 909,542	\$ 1,039,614	\$ -	114.30%
2007	631,069	828,381	-	131.27%
2006	597,699	679,414	-	113.67%
2005	448,795	457,095	-	101.85%
2004	365,948	388,902	-	106.27%
2003	469,150	509,417	-	108.58%
2002	302,104	350,022	-	115.86%
2001	427,286	452,671	-	105.94%
2000	338,023	342,720	-	101.39%
1999	352,275	352,686	-	100.12%

Police Pension:

2008	415,753	381,564	-	91.78%
2007	469,050	372,637	-	79.45%
2006	454,343	215,128	271,723	107.15%
2005	302,097	56,415	246,906	100.41%
2004	222,781	52,448	212,619	118.98%
2003	217,351	52,942	208,567	120.32%
2002	236,544	48,192	211,147	109.64%
2001	200,713	46,704	192,079	118.97%
2000	205,837	33,849	184,087	105.88%
1999	167,450	18,888	182,657	120.36%

Fire Pension:

2008	310,329	106,364	268,679	120.85%
2007	250,034	104,222	252,226	142.56%
2006	239,014	91,576	212,014	127.02%
2005	198,791	59,614	169,201	115.10%
2004	152,714	34,859	151,978	122.34%
2003	134,387	22,851	140,928	121.87%
2002	127,846	22,363	120,607	111.83%
2001	-	16,022	128,099	100.00%
2000	-	8,460	118,223	100.00%
1999	34,493	8,524	105,669	331.06%

*** General and police contributions for the City and State are adjusted for interest credits to the end of the fiscal year, as per the plan's actuarial valuation, dated September 30, 2008. As a result, the amount indicated above will not be consistent with similar financial data exhibited in other areas of this report.**

CITY OF ST. AUGUSTINE, FLORIDA

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

	General Employees' Pension Plan	Police Officers' Pension Plan	Firefighters' Pension Plan
Valuation Date	30-Sep-08	30-Sep-08	30-Sep-08
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Frozen Entry Age
Amortization Method	Level Percentage (closed) of Projected Payroll	Level Percentage (closed) of Projected Payroll	Level Percentage of pay, closed
Remaining Amortization Period	Weighted Average of 15 Years	Weighted Average of 15 Years	Weighted Average of 29 Years
Asset Valuation Method	5 Year Weighted Average of Difference Between Market & Expected Market	5 Year Weighted Average of Difference Between Market & Expected Market	4 Year Smoothing
Actuarial Assumptions:			
Investment Rate of Return	8% to 8.25% Annually	8% Annually	8% Annually
Projected Salary Increases	4% to 8% Annually	4.5% to 8% Annually	7% Annually
Cost of Living Adjustments	none	Up to 3% Annually	Up to 3% Annually

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Combining Statements

CITY OF ST. AUGUSTINE, FLORIDA

Combining Statement of Fiduciary Net Assets

Fiduciary Funds

September 30, 2008

	General Employees' Pension Fund	Police Officers' Pension Fund	Firefighters' Pension Fund	Total Employee Retirement Funds
ASSETS				
Cash and Short-term Investments	\$ 593,678	\$ 204,097	\$ 356,347	\$ 1,154,122
Receivables:				
Member Contributions	15,990	5,075	2,473	23,538
City Contributions	42,149	4,577	4,502	51,228
Interest and Dividends	11,680	51,871	6,760	70,311
Due from Trust Company	-	-	122,148	122,148
Total Receivables	69,819	61,523	135,883	267,225
Prepaaid Pension Payment			30,842	30,842
Prepaid Expense	-	-	857	857
Investments, at Fair Value:				
U.S. Government Obligations Fund	-	1,427,244	1,975,295	3,402,539
U.S. Stock Fund	8,179,238	6,751,320	3,126,658	18,057,216
Mutual Funds - International Equity	1,484,288	-	141,622	1,625,910
Bond and Mortgage Fund	7,000,861	2,750,347	1,079,775	10,830,983
International Exchange Fund			610,799	610,799
Real Estate Fund	2,116,010	-	-	2,116,010
Total Investments	18,780,397	10,928,911	6,934,149	36,643,457
Total Assets	19,443,894	11,194,531	7,458,078	38,096,503
LIABILITIES				
Expenses Payable	21,013	18,529	16,535	56,077
Total Liabilities	21,013	18,529	16,535	56,077
NET ASSETS				
Held in Trust for Pension Benefits	\$ 19,422,881	\$ 11,176,002	\$ 7,441,543	\$ 38,040,426

CITY OF ST. AUGUSTINE, FLORIDA

**Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended September 30, 2008**

	General Employees' Pension Fund	Police Officers' Pension Fund	Firefighters' Pension Fund	Total Employee Retirement Funds
ADDITIONS				
Contributions				
Members	\$ 382,420	\$ 135,104	\$ 58,736	\$ 576,260
City	997,411	123,646	106,364	1,227,421
State Insurance Premium Tax, from General Fund	-	251,979	277,768	529,747
Other	-	-	-	-
Total Contributions	1,379,831	510,729	442,868	2,333,428
Investment Income				
Net Appreciation in Fair Value of Investments	(3,834,300)	(2,025,833)	(1,465,709)	(7,325,842)
Interest and Dividends on Investments	135,825	308,257	259,102	703,184
Total Investment Income	(3,698,475)	(1,717,576)	(1,206,607)	(6,622,658)
Less Investment Expenses	115,136	67,504	53,166	235,806
Net Investment Income	(3,813,611)	(1,785,080)	(1,259,773)	(6,858,464)
Total Additions	(2,433,780)	(1,274,351)	(816,905)	(4,525,036)
DEDUCTIONS				
Benefit Payments	1,049,079	442,837	461,528	1,953,444
Termination Payments	104,381	17,290	7,033	128,704
Administrative Expenses	38,929	39,307	23,563	101,799
Total Deductions	1,192,389	499,434	492,124	2,183,947
Net Change in Assets	(3,626,169)	(1,773,785)	(1,309,029)	(6,708,983)
Net Assets - Beginning	23,049,050	12,949,787	8,750,572	44,749,409
NET ASSETS - ENDING	\$ 19,422,881	\$ 11,176,002	\$ 7,441,543	\$ 38,040,426

**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, 2008

Federal Agency or Federal Program	CFDA Number	Contract Number	Federal Expenditures
Department of Homeland Security (FEMA) Firefighters (SAFER)	97.044	EMW-2006-FF-04362	273,004
Department of Justice JAG Grant (Pass Through State of Florida)	16.738	2005-DJBX-0806	7,550
JAG Grant (Pass Through State of Florida)	16.738	2008-JAGC-STJO-1-Q9-020	32,426
			39,976
Total Expenditures of Federal Awards			\$ 312,980

State Agency	CFSA Number	Contract Number	State Expenditures
Department of State Spanish Quarter Museum GOS	45.017	2068551	\$ 17,075
Alcazar Window Grant	45.032	SC701	122,984
Pomar Park	37.017	F07197	28,407
			168,466
Water Management District Water Plant	37.066	SJ-36913	5,039,503
FDOT Feasibility Study	20.205	LAP 403920-3-28-01	50,000
Fire Boat	N/A		19,859
Port and Waterway District--Derelict Vessels		ICW-SA-08-01-04	20,000
Total Expenditures of State Financial Assistance			\$ 5,297,828

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