

CITY OF ST. AUGUSTINE
BEACH, FLORIDA

AUDIT REPORT

SEPTEMBER 30, 2009

**City of St. Augustine Beach
Audit Report
September 30, 2009**

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Independent Auditors' Report

The Honorable Mayor,
Members of the City Commission and City Manager
City of St. Augustine Beach, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of St. Augustine Beach, Florida (the "City") as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 18, 2010 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Honorable Mayor,
Members of the City Commission and City Manager
City of St. Augustine Beach, Florida
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Management's Discussion and Analysis and the required supplementary information listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Car, Riggs & Ingram LLC

February 18, 2010
St. Augustine, Florida

**City of St. Augustine Beach
Management's Discussion and Analysis
September 30, 2009**

As management of the City of St. Augustine Beach (the City), we offer readers of the City of St. Augustine Beach's financial statements this narrative overview and analysis of the finance activities of the City of St. Augustine Beach for the fiscal year ended September 30, 2009.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$9,288,089 (net assets).
- The governments' total net assets decreased by \$151,378, which is a decrease of 2 percent.
- The City's total long-term obligations increased during the current year by \$5,297,500 which is an increase of 120 percent.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of St. Augustine Beach's basic financial statements. The City of St. Augustine Beach's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The first financial statement is the *Statement of Net Assets*. This statement includes all of the City's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net Assets – the difference between assets and liabilities – can be used to measure the City's financial position.

The second financial statement, the *Statement of Activities*, presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected revenues and earned but unused vacation leave).

Fund Financial Statements

Following the government-wide financial statements are the fund financial statements. The City of St. Augustine Beach maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, road and bridge fund, and the capital projects fund, all of which are considered to be major funds.

The City of St. Augustine Beach adopts an annual appropriated budget for its general fund and road and bridge fund. A budgetary comparison statement has been provided for both funds to demonstrate compliance with their budgets.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**City of St. Augustine Beach
Management's Discussion and Analysis
September 30, 2009**

Condensed Financial Information

The following tables represent condensed, government-wide comparative data about net assets and changes in net assets.

**City of St. Augustine Beach
Net Assets**

	<u>2009</u>	<u>2008</u>
Current and Other Assets	\$ 6,246,029	\$ 6,473,408
Capital Assets	12,830,908	7,533,279
Total Assets	<u>19,076,937</u>	<u>14,006,687</u>
Long-term Liabilities Outstanding	9,398,325	4,265,000
Other Liabilities	390,523	302,220
Total Liabilities	<u>9,788,848</u>	<u>4,567,220</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	4,239,986	4,223,981
Restricted	1,561,213	1,728,056
Unrestricted	3,486,890	3,487,430
Total Net Assets	<u>\$ 9,288,089</u>	<u>\$ 9,439,467</u>

**City of St. Augustine Beach
Changes in Net Assets**

	<u>2009</u>	<u>2008</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 317,262	\$ 456,352
Operating Grants and Contributions	118,775	49,512
Capital Grants and Contributions	190,025	209,220
General Revenues:		
Property Taxes	2,194,105	2,124,502
Other Taxes	1,639,748	1,619,903
Other	588,212	799,151
Total Revenues	<u>5,048,127</u>	<u>5,258,640</u>
Expenses:		
General Government	1,112,463	1,151,527
Public Safety	1,897,193	1,809,608
Physical Environment	833,641	613,304
Transportation	931,836	927,014
Economic Environment	200	200
Human Services	55	53
Culture and Recreation	210,611	282,597
Interest on Long-Term Debt	213,506	215,155
Total Expenses	<u>5,199,505</u>	<u>4,999,458</u>
Change in Net Assets	(151,378)	259,182
Net Assets – October 1, 2008	9,439,467	9,180,285
Net Assets - September 30, 2009	<u>\$ 9,288,089</u>	<u>\$ 9,439,467</u>

**City of St. Augustine Beach
Management's Discussion and Analysis
September 30, 2009**

Overall Financial Position and Results of Operations

The governmental activities generated \$626,062 in program revenues and \$4,422,065 in general revenues, and incurred \$5,199,505 of program expenses. This resulted in a \$151,378 decrease in net assets.

The City's Individual Funds

The General Fund's fund balance decreased by \$162,851 from \$5,017,569 to \$4,854,718. Revenues were greater than budgeted amounts and expenditures were less than budgeted amounts.

The Road & Bridge fund balance increased by \$27,365, from \$1,085,946 to \$1,113,311. Both revenues and expenditures were less than budgeted amounts

The Capital Projects fund balance decreased by \$41,805, from \$144,913 to \$103,108. Revenues for this fund were generated by bond proceeds which the City issued in 2004 and unspent proceeds are carried over from year to year.

General Fund Budgetary Highlights

The City closely monitored the status of intergovernmental revenues during the first quarter of the fiscal year. At that time it became apparent that the City would be receiving less in intergovernmental revenues; accordingly, the budget was amended to subtract all non-critical capital expenditures. Additionally, due to the downturn in the real estate market, building permits and plan review/plat fees were also less than budgeted amounts. Revenue for Interest on Investments was also considerably lower due to the Federal Government lowering interest rates in an effort to stimulate the economy nationwide. The budget was adjusted to reflect the changes in the estimated revenues and expenditures at the six month mark.

Due to the removal of non-critical capital purchases and each department closely monitoring their expenditures, revenues exceeded expenditures. The City received more than the overall budgeted amount for revenues, and spent less than the budgeted amounts for expenditures. The General Fund did experience a decrease in fund balance. This can be directly attributed to transfers to other funds, particularly to the Land Acquisition fund.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets as of September 30, 2009 amounts to \$12,830,908 (net of accumulated depreciation). See Note 3 for details. Capital assets include land, buildings and improvements, machinery and equipment, and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was 70 percent. The increase is attributed to the purchase of land now known as Ocean Hammock Park and the completion of the Ocean Hammock Walkway. The City also purchased a new financial software package, and a new variable message board to assist the Police Department with traffic control. Finally, the Casa de Contera subdivision was paved which resulted in an increase in the City's infrastructure.

**City of St. Augustine Beach
Management's Discussion and Analysis
September 30, 2009**

Debt Administration

The City increased its debt during the current fiscal year by \$5,297,500 which is an increase of 120 percent. See Note 4 for details.

Economic Factors

We are not currently aware of any conditions that are expected to have a significant effect on the City's financial position or results of operations.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Finance Director, 2200 A1A South, and St. Augustine Beach, FL 32080.

Statement of Net Assets
September 30, 2009
City of St. Augustine Beach, Florida

ASSETS

Current Assets:	
Cash and Equivalents	\$ 1,014,289
Investments	4,668,713
Accounts Receivable	128,429
Due From Other Governments	277,922
Inventory	4,204
Prepaid Expenses	<u>65,928</u>
Total Current Assets	<u>6,159,485</u>
Noncurrent Assets:	
Debt Issuance Costs	86,544
Capital Assets:	
Non-depreciable	7,185,283
Depreciable, Net	<u>5,645,625</u>
Total Noncurrent Assets	<u>12,917,452</u>
TOTAL ASSETS	<u>19,076,937</u>
 <u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	88,348
Compensated Absences	42,000
Bonds Payable	<u>260,175</u>
Total Current Liabilities	<u>390,523</u>
Noncurrent Liabilities:	
Compensated Absences	193,500
Bonds Payable	<u>9,204,825</u>
Total Noncurrent Liabilities	<u>9,398,325</u>
TOTAL LIABILITIES	<u>9,788,848</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	4,239,986
Restricted for Transportation	1,113,311
Restricted for Capital Projects	103,108
Restricted for Impact Fees	190,890
Restricted for Police Department Communications	62,846
Restricted for Building Department	91,058
Unrestricted	<u>3,486,890</u>
TOTAL NET ASSETS	<u>\$ 9,288,089</u>

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

Statement of Activities
For the Year Ended September 30, 2009
City of St. Augustine Beach, Florida

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES					
General Government	\$ 1,112,463	\$ 27,094	\$ -	\$ -	\$ (1,085,369)
Public Safety	1,897,193	211,739	8,950	-	(1,676,504)
Physical Environment	833,641	24,061	-	-	(809,580)
Transportation	931,836	50,773	46,000	-	(835,063)
Economic Environment	200	-	-	-	(200)
Human Services	55	340	-	-	285
Culture and Recreation	210,611	3,255	63,825	190,025	46,494
Interest on Long-Term Debt	213,506	-	-	-	(213,506)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 5,199,505</u>	<u>\$ 317,262</u>	<u>\$ 118,775</u>	<u>\$ 190,025</u>	<u>(4,573,443)</u>
GENERAL REVENUES					
Property Taxes					2,194,105
Sales Tax and Other Shared Revenues					839,428
Franchise Fees					450,593
Utility Taxes					472,107
Communications Service Tax					328,213
Investment Earnings					55,521
Miscellaneous					82,098
TOTAL GENERAL REVENUES					<u>4,422,065</u>
CHANGE IN NET ASSETS					(151,378)
NET ASSETS, October 1, 2008					<u>9,439,467</u>
NET ASSETS, September 30, 2009					<u><u>\$ 9,288,089</u></u>

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

Balance Sheet
Governmental Funds
September 30, 2009
City of St. Augustine Beach, Florida

	<u>GENERAL</u>	<u>ROAD AND BRIDGE</u>	<u>CAPITAL PROJECTS</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>					
Cash and Equivalents	\$ 858,463	\$ 155,826	\$ -	\$ -	\$ 1,014,289
Investments	3,600,181	918,774	149,758	-	4,668,713
Accounts Receivable	128,294	135	-	-	128,429
Due From Other Governments	242,664	35,258	-	-	277,922
Due From Other Funds	398,153	11,113	351,503	-	760,769
Inventory	2,881	1,323	-	-	4,204
Prepaid Items	65,928	-	-	-	65,928
TOTAL ASSETS	<u>\$ 5,296,564</u>	<u>\$ 1,122,429</u>	<u>\$ 501,261</u>	<u>\$ -</u>	<u>\$ 6,920,254</u>
<u>LIABILITIES</u>					
Accounts Payable and Accrued Liabilities	\$ 79,230	\$ 9,118	\$ -	\$ -	\$ 88,348
Due to Other Funds	362,616	-	398,153	-	760,769
TOTAL LIABILITIES	<u>441,846</u>	<u>9,118</u>	<u>398,153</u>	<u>-</u>	<u>849,117</u>
<u>FUND BALANCES</u>					
Reserved:					
Inventory	2,881	1,323	-	-	4,204
Prepaid Items	65,928	-	-	-	65,928
Capital Projects	-	-	103,108	-	103,108
Impact Fees	190,890	592,652	-	-	783,542
Police Department					
Communications	62,846	-	-	-	62,846
Building Department	91,058	-	-	-	91,058
Designated:					
Capital Projects	128,875	200,000	-	-	328,875
Capital Projects - Beach	1,105,795	-	-	-	1,105,795
Compensated Absences	200,175	35,325	-	-	235,500
Emergencies and Contingencies	50,000	25,000	-	-	75,000
Unreserved, Undesignated	2,956,270	259,011	-	-	3,215,281
TOTAL FUND BALANCES	<u>4,854,718</u>	<u>1,113,311</u>	<u>103,108</u>	<u>-</u>	<u>6,071,137</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,296,564</u>	<u>\$ 1,122,429</u>	<u>\$ 501,261</u>	<u>\$ -</u>	<u>\$ 6,920,254</u>

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
September 30, 2009
City of St. Augustine Beach, Florida

FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$ 6,071,137
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the governmental funds.	
Capital Assets – Net	12,830,908
Long-term liabilities are not reported in the governmental funds.	
Bonds Payable	(9,465,000)
Compensated Absences	(235,500)
Governmental funds report bond issuance costs as expenditures. However, on the statement of net assets those costs are amortized over the term of the bonds.	
Debt Issuance Costs – Net	<u>86,544</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 9,288,089</u></u>

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2009
City of St. Augustine Beach, Florida**

	<u>GENERAL</u>	<u>ROAD AND BRIDGE</u>	<u>CAPITAL PROJECTS</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES</u>					
Taxes	\$ 2,855,774	\$ 252,646	\$ -	\$ 165,205	\$ 3,273,625
Licenses and Permits	547,364	35,981	-	-	583,345
Intergovernmental	745,590	86,784	-	-	832,374
Charges for Services	108,332	50,773	-	-	159,105
Fines and Forfeitures	63,028	-	-	-	63,028
Interest	46,166	7,877	1,478	-	55,521
Miscellaneous	81,129	-	-	-	81,129
TOTAL REVENUES	<u>4,447,383</u>	<u>434,061</u>	<u>1,478</u>	<u>165,205</u>	<u>5,048,127</u>
<u>EXPENDITURES</u>					
Current:					
General Government	1,022,705	-	-	-	1,022,705
Public Safety	1,773,813	-	-	-	1,773,813
Physical Environment	685,388	-	-	-	685,388
Transportation	-	946,385	-	-	946,385
Economic Environment	200	-	-	-	200
Human Services	55	-	-	-	55
Culture and Recreation	5,661,731	-	-	127,268	5,788,999
Capital Projects	-	-	43,283	-	43,283
Debt Service:					
Principal	33,770	21,230	-	50,000	105,000
Interest	58,124	36,261	-	115,205	209,590
TOTAL EXPENDITURES	<u>9,235,786</u>	<u>1,003,876</u>	<u>43,283</u>	<u>292,473</u>	<u>10,575,418</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,788,403)</u>	<u>(569,815)</u>	<u>(41,805)</u>	<u>(127,268)</u>	<u>(5,527,291)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	-	597,180	-	127,268	724,448
Transfers Out	(724,448)	-	-	-	(724,448)
Debt Issuance	5,350,000	-	-	-	5,350,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,625,552</u>	<u>597,180</u>	<u>-</u>	<u>127,268</u>	<u>5,350,000</u>
NET CHANGE IN FUND BALANCES	(162,851)	27,365	(41,805)	-	(177,291)
FUND BALANCES, October 1, 2008	<u>5,017,569</u>	<u>1,085,946</u>	<u>144,913</u>	<u>-</u>	<u>6,248,428</u>
FUND BALANCES, September 30, 2009	<u>\$ 4,854,718</u>	<u>\$ 1,113,311</u>	<u>\$ 103,108</u>	<u>\$ -</u>	<u>\$ 6,071,137</u>

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Year Ended September, 30, 2009
City of St. Augustine Beach, Florida**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (177,291)
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 those assets is depreciated over their estimated useful lives.	
Acquisitions of Capital Assets	5,638,052
Current Year Depreciation Expense	(338,790)
Loss on Disposal of Capital Assets	(1,633)
The issuance of long-term debt provides current financial resources for governmental funds, but does not effect net assets of governmental activities	
	(5,350,000)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment does not effect net assets of governmental activities.	
Principal Payments	105,000
Governmental funds report costs of issuing long-term debt as expenditures. However, in the statement of activities those costs are amortized over the term of the debt.	
Current Year Amortization Expense	(3,916)
Current Year Issuance Costs	29,700
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.	
Compensated Absences	<u>(52,500)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (151,378)</u>

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

Notes to Financial Statements
September 30, 2009
City of St. Augustine Beach, Florida

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of St. Augustine Beach, Florida (the “City”) conform to U.S. generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

The City was constituted a municipality on June 20, 1959, under the provisions of Chapter 59-1790, Laws of Florida, Acts of 1959. The City operates under a commission/manager form of government and provides the following services as authorized by its charter: law enforcement, planning and zoning, code enforcement, building inspection, solid waste collections, road and right of way maintenance, maintenance of City buildings, drainage and storm water management, and street lighting.

As required by U.S. generally accepted accounting principles, the accompanying financial statements present the City as a primary government. Component units, if any, would also be presented. Component units are entities for which a primary government is considered to be financially accountable.

There are no component units included in the City’s financial reporting entity.

The City did not participate in any joint ventures during the 2008-09 fiscal year.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all nonfiduciary activities. For the most part, the effect of interfund 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 on fees charged to external parties. The City has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include: charges for services that are directly related to a given function; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not properly included among program revenues are reported instead as *general revenues*.

Notes to Financial Statements
September 30, 2009
City of St. Augustine Beach, Florida

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Financial Statements

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements, but any nonmajor funds are aggregated and displayed in a single column. The governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The City reports the following major governmental funds.

General Fund – the primary operating fund, used to account for all activities except those required to be accounted for in another fund.

Road and Bridge Fund – to account for activities of the Road and Bridge department.

Capital Projects Fund – to account for major capital projects.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are 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 funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Taxes and intergovernmental revenues constitute the most significant sources of revenue considered susceptible to accrual.

In governmental funds, expenditures are generally recognized when the related liability is incurred. However, debt service expenditures, and expenditures for compensated absences and claims and judgments, are recorded only when payment is due.

Accounts Receivable

Receivables are stated at net realizable value. An allowance for uncollectable accounts was not considered necessary.

Notes to Financial Statements
September 30, 2009
City of St. Augustine Beach, Florida

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

The City follows the provisions of Section 218.415, Florida Statutes, which allows for surplus funds to be invested in the Local Government Surplus Funds Trust fund (the “State Pool”) or any intergovernmental investment pool; Securities and Exchange Commission registered money market funds; certificates of deposits and savings accounts in state-certified qualified public depositories and direct obligations of the U.S. Treasury.

Inventory and Prepays

Inventory is valued at cost under the first-in, first-out method and is accounted for using the consumption method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. An offsetting “reserve” is reported in the fund financial statements to indicate that inventories and prepaids do not represent available spendable resources.

Capital Assets

Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets which are recorded at fair value at the date of contribution. The City uses a capitalization threshold of \$1,000 for all classes of capital assets.

In accordance with GASB Statement No. 34, the City has elected not to record and depreciate infrastructure assets acquired prior to October 1, 2003.

Depreciation of capital assets is provided using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u>Years</u>
Infrastructure	40
Buildings and Improvements	10 – 40
Machinery and Equipment	3 – 20

Compensated Absences

Since the liability for employees’ leave time will not be liquidated with expendable available financial resources, the liability has not been reported in the governmental funds. A liability for compensated absences is accrued when incurred in the government-wide financial statements.

Property Taxes

Details of the City’s property tax calendar are presented below:

Lien Date	January 1
Levy Date	October 1
Discount Period	November – February
Delinquent Date	April 1

Notes to Financial Statements
September 30, 2009
City of St. Augustine Beach, Florida

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Balance Reserves/Designations

In the accompanying fund financial statements, use of the term “reserved” is limited to indicating that a portion of reported fund equity is legally restricted to a specific use, or is not available for appropriation or expenditure. “Designated” portions of fund equity represent management’s tentative future spending plans.

Restricted Net Assets

In the accompanying government-wide statement of net assets, restricted net assets are subject to restrictions beyond the City’s control. The restriction is either externally imposed (for instance, by creditors, grantors, contributors, or laws/regulations of other governments) or is imposed by law through constitutional provisions or enabling legislation.

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 they are needed.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make various estimates and assumptions. Actual results could vary from the estimates that were used.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

All deposits are placed in a bank that qualifies as a public depository, as required by law (Florida Security for Public Deposits Act). Accordingly, all deposits are insured by Federal depository insurance and/or entirely collateralized pursuant to Chapter 280, Florida Statutes.

Investments

The City’s investments are summarized below:

Florida PRIME, at amortized cost	\$ 3,324,374
Fund B, at fair value	114,496
Money Market	149,758
Certificates of deposit in qualified public depository, at cost	<u>1,080,085</u>
Total	<u><u>\$ 4,668,713</u></u>

Notes to Financial Statements
September 30, 2009
City of St. Augustine Beach, Florida

NOTE 2 – DEPOSITS AND INVESTMENTS

The City invests temporarily idle resources in the Local Government Investment Pool (“State Pool”). The State Pool is administered by the Florida State Board of Administration (“SBA”), who provides regulatory oversight. Last year, the SBA reported that the State Pool was exposed to potential risks due to indirect exposure in the sub-prime mortgage financial market. Consequently, the SBA placed some restrictions on how participants could access portions of their surplus funds and ultimately restructured the State Pool into two separate pools (“Florida PRIME” and “Fund B”).

The Florida PRIME has adopted operating procedures consistent with the requirements for a 2a7-like fund. The City’s investment in the Florida PRIME is stated at amortized cost. The fair value of the position in the pool is equal to the value of the pool shares.

The Fund B is reported at fair value, determined by the fair value per share of the pool’s underlying portfolio.

The City’s investment in the State Pool exposes it to credit risk and, for Fund B, interest rate risk. The City does not have a formal investment policy relating to these risks, which are hereafter described.

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

- The Florida PRIME is rated by Standard and Poor’s and has a rating at September 30, 2009 of AAAm.
- The Fund B is not rated by a nationally recognized statistical rating agency.
- The Money Market is rated by Standard and Poor’s and has a rating at September 30, 2009 of AAAm.

Interest Rate Risk – The risk that changes in interest rates will adversely affect the fair value of an investment.

The weighted average life (WAL) of Fund B at September 30, 2009 was 6.69 years. A portfolio’s WAL is the dollar weighted average length of time until securities held reach maturity. Since Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the WAL.

Notes to Financial Statements
September 30, 2009
City of St. Augustine Beach, Florida

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2009 follows:

	Balance October 1, <u>2008</u>	<u>Increases</u>	<u>Decreases</u>	Balance September 30, <u>2009</u>
Capital Assets Not Being Depreciated:				
Land	<u>\$ 1,982,536</u>	<u>\$ 5,202,747</u>	<u>\$ -</u>	<u>\$ 7,185,283</u>
Capital Assets Being Depreciated:				
Machinery and Equipment	2,059,869	42,924	71,877	2,030,916
Buildings and Improvements	3,750,541	357,051	-	4,107,592
Infrastructure	<u>1,687,604</u>	<u>35,330</u>	<u>-</u>	<u>1,722,934</u>
Total Capital Assets Being Depreciated	<u>7,498,014</u>	<u>435,305</u>	<u>71,877</u>	<u>7,861,442</u>
Less Accumulated Depreciation:				
Machinery and Equipment	942,351	220,590	70,244	1,092,697
Buildings and Improvements	987,272	90,329	-	1,077,601
Infrastructure	<u>17,648</u>	<u>27,871</u>	<u>-</u>	<u>45,519</u>
Total Accumulated Depreciation	<u>1,947,271</u>	<u>338,790</u>	<u>70,244</u>	<u>2,215,817</u>
Total Capital Assets Being Depreciated, Net	<u>5,550,743</u>	<u>96,515</u>	<u>1,633</u>	<u>5,645,625</u>
Net Capital Assets	<u>\$ 7,533,279</u>	<u>\$ 5,299,262</u>	<u>\$ 1,633</u>	<u>\$ 12,830,908</u>

Depreciation expense was charged to functions as follows:

General Government	\$ 98,389
Public Safety	118,346
Physical Environment	97,952
Transportation	12,993
Culture and Recreation	<u>11,110</u>
Total Depreciation Expense	<u>\$ 338,790</u>

NOTE 4 – LONG-TERM OBLIGATIONS

A summary of changes in long-term obligations follows:

	Balance October 1, <u>2008</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2009</u>	Due Within <u>One Year</u>
Bonds Payable	\$ 4,220,000	\$ 5,350,000	\$ 105,000	\$ 9,465,000	\$ 260,175
Compensated Absences	<u>183,000</u>	<u>163,100</u>	<u>110,600</u>	<u>235,500</u>	<u>42,000</u>
Total	<u>\$ 4,403,000</u>	<u>\$ 5,513,100</u>	<u>\$ 215,600</u>	<u>\$ 9,700,500</u>	<u>\$ 302,175</u>

Notes to Financial Statements
September 30, 2009
City of St. Augustine Beach, Florida

NOTE 4 – LONG-TERM OBLIGATIONS

Bonds Payable

\$2,180,000 serial bond issued through The Florida Municipal Loan Council at interest rates between 3.52% and 5.13%. The principal balance at September 30, 2009 was \$1,840,000. The bond issue is payable from and secured by non-ad valorem revenues. Principal and interest are due semi-annually on April 1 and October 1, maturing on April 1, 2029.

\$2,500,000 serial bond used for the purchase of land and capital improvements, issued through the Florida League of Cities at interest rates between 3% and 5.13%. Interest payments are payable semi-annually on January 1 and July 1. Principal payments are due annually on July 1, maturing on July 1, 2034. The principal balance at September 30, 2009 was \$2,275,000. The bond issue is secured by and is payable from the discretionary communications service tax revenue. The approximate amount of the pledge is equal to the remaining principal and interest of \$4,041,975. During 2009, \$328,214 of discretionary communications service tax revenue was recognized and \$162,494 was paid for debt service.

\$5,350,000 serial bond used for the purchase of land issued through The Florida Municipal Loan Council at a fixed rate of interest of 5.37%. The principal balance at September 30, 2009 was \$5,350,000. Interest payments are payable semi-annually on January 1 and July 1. Principal payments are due annually on July 1, maturing on July 1, 2029. The bond issue is payable from and secured by certain ad-valorem revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$8,856,814. During 2009, no pledged ad-valorem revenues were recognized and no debt service was paid.

Aggregate maturities of the bonds are as follows:

<u>YEAR ENDING</u> <u>SEPTEMBER 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2010	\$ 260,175	\$ 487,916	\$ 748,091
2011	273,940	476,100	750,040
2012	287,744	462,596	750,340
2013	302,020	448,420	750,440
2014	321,794	433,520	755,314
2015-2019	1,854,980	1,905,431	3,760,411
2020-2024	2,386,267	1,374,775	3,761,042
2025-2029	3,083,080	680,068	3,763,148
2030-2034	695,000	110,700	805,700
Totals	<u>\$ 9,465,000</u>	<u>\$ 6,379,526</u>	<u>\$ 15,844,526</u>

Notes to Financial Statements
September 30, 2009
City of St. Augustine Beach, Florida

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

The interfund balances resulted from the normal course of operations and are expected to be paid within one year.

The interfund transfers were made in the normal course of operations and are consistent with the activities of the fund making the transfer.

NOTE 6 – DEFINED BENEFIT PENSION PLAN

Plan Description. The City contributes to the Florida Retirement System ("System"), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Management Services, Division of Retirement. The System provides retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Florida Retirement System, PO Box 9000, Tallahassee, Florida 32315, or by calling (850) 488-5706.

Funding Policy. The System is employee noncontributory. The City is required to contribute at an actuarially determined rate. The rates at September 30, 2009 were as follows: Regular Employees 9.85%; Special Risk Employees 20.92%; Senior Management 13.12%; Elected Officials 16.53%. The contribution requirements of plan members and the City are established and may be amended by the Florida Legislature. The City's contributions to the System for the years ended September 30, 2009, 2008 and 2007 were \$306,000, \$282,000, and \$272,000, respectively, equal to the required contributions for each year.

NOTE 7 – RISK MANAGEMENT

The City is exposed to various risks of loss related to general liability, workers' compensation, public liability, health benefits, property damage, and errors and omissions. To manage its risks, the City participates in the Florida League of Cities Self Insurance Fund (the "Fund") a public entity risk pool currently operating as a common risk management and insurance program for member cities. The City pays an annual premium to the Fund for its coverage. The premiums are designed to fund the liability risks assumed by the Fund and are based on certain actual exposures of each member. The City's settled claims have not exceeded coverage in any of the past three fiscal years.

Notes to Financial Statements
September 30, 2009
City of St. Augustine Beach, Florida

NOTE 8 – SUBSEQUENT EVENT

Subsequent to year-end, The Florida Communities Trust agreed to reimburse the City for a portion of costs incurred during fiscal 2009 for the purchase of the Maratea Property. The portion of costs that will be reimbursed is not yet known. The City expects reimbursement to be between 50% and 90% of the property's acquisition cost of approximately \$5,200,000.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund
For the Year Ended September 30, 2009
City of St. Augustine Beach, Florida

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Taxes	\$2,760,687	\$2,718,814	\$2,855,774	\$ 136,960
Licenses and Permits	549,500	502,300	547,364	45,064
Intergovernmental	990,584	788,480	745,590	(42,890)
Charges for Services	156,800	138,750	108,332	(30,418)
Fines and Forfeitures	36,000	25,500	63,028	37,528
Interest	140,000	70,000	46,166	(23,834)
Miscellaneous	17,000	76,000	81,129	5,129
TOTAL REVENUES	<u>4,650,571</u>	<u>4,319,844</u>	<u>4,447,383</u>	<u>127,539</u>
<u>EXPENDITURES</u>				
Current:				
General Government	1,161,805	1,226,295	1,022,705	203,590
Public Safety	2,055,778	1,884,059	1,773,813	110,246
Physical Environment	734,568	711,028	685,388	25,640
Economic Environment	250	250	200	50
Human Services	50	60	55	5
Culture and Recreation	675,500	5,961,500	5,661,731	299,769
Reserve For Contingencies	86,555	32,566	-	32,566
Debt Service:				
Principal	33,770	33,770	33,770	-
Interest	58,754	58,754	58,124	630
TOTAL EXPENDITURES	<u>4,807,030</u>	<u>9,908,282</u>	<u>9,235,786</u>	<u>672,496</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(156,459)</u>	<u>(5,588,438)</u>	<u>(4,788,403)</u>	<u>800,035</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	(981,902)	(724,448)	(724,448)	-
Debt Issuance	-	5,350,000	5,350,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(981,902)</u>	<u>4,625,552</u>	<u>4,625,552</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(1,138,361)</u>	<u>(962,886)</u>	<u>(162,851)</u>	<u>800,035</u>
FUND BALANCES, October 1, 2008	<u>1,138,361</u>	<u>962,886</u>	<u>5,017,569</u>	<u>4,054,683</u>
FUND BALANCES, September 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,854,718</u>	<u>\$ 4,854,718</u>

Note to Budgetary Comparison Schedules:

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles, for the General and Road and Bridge funds. The preparation, adoption, and amendments of the budget are governed by Chapter 166, Florida Statutes. The fund is the legal level of control. Appropriations lapse at year-end.

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – Road and Bridge Fund
For the Year Ended September 30, 2009
City of St. Augustine Beach, Florida**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<u>REVENUES</u>				
Taxes	\$ 262,378	\$ 245,323	\$ 252,646	\$ 7,323
Licenses and Permits	50,000	35,000	35,981	981
Intergovernmental	360,680	398,435	86,784	(311,651)
Charges for Services	611,275	611,275	50,773	(560,502)
Interest	20,800	10,200	7,877	(2,323)
Miscellaneous	50	50	-	(50)
TOTAL REVENUES	<u>1,305,183</u>	<u>1,300,283</u>	<u>434,061</u>	<u>(866,222)</u>
<u>EXPENDITURES</u>				
Current:				
Transportation	2,287,343	2,039,673	946,385	1,093,288
Reserve For Contingencies	25,000	25,000	-	25,000
Debt Service:				
Principal	21,230	21,230	21,230	-
Interest	36,560	36,560	36,261	299
TOTAL EXPENDITURES	<u>2,370,133</u>	<u>2,122,463</u>	<u>1,003,876</u>	<u>1,118,587</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,064,950)	(822,180)	(569,815)	252,365
<u>OTHER FINANCING SOURCES</u>				
Transfers In	1,064,950	822,180	597,180	(225,000)
NET CHANGE IN FUND BALANCES	-	-	27,365	27,365
FUND BALANCES, October 1, 2008	-	-	1,085,946	1,085,946
FUND BALANCES, September 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,113,311</u>	<u>\$ 1,113,311</u>

**ADDITIONAL ELEMENTS REQUIRED BY THE
RULES OF THE AUDITOR GENERAL**

Management Letter

The Honorable Mayor,
Members of the City Commission and City Manager
City of St. Augustine Beach, Florida

We have audited the financial statements of the City of St. Augustine Beach, Florida (the "City") as of and for the year ended September 30, 2009, and have issued our report thereon dated February 18, 2010. That report should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

Prior Audit Findings

The Rules of the Auditor General require that we comment as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding audit. There were no audit findings or recommendations reported in the prior year.

Financial Condition

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.503, Florida Statutes, "Determination of Financial Emergency". In connection with our audit, we determined that the City has not met one or more of the conditions described in Section 218.503(1), Florida Statutes, that are indicative of a financial emergency.

Also, as required by the Rules of the Auditor General, we applied financial condition assessment procedures, as of the end of the fiscal year, pursuant to Rule 10.556(7). It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The application of such procedures did not reveal evidence of "deteriorating financial condition" as that term is defined in Rule 10.554.

The Honorable Mayor,
Members of the City Commission and City Manager
City of St. Augustine Beach, Florida
Page 2

Annual Financial Report

As required by the Rules of the Auditor General, we determined that the annual financial report for the fiscal year ended September 30, 2009, filed with the Department of Financial Services pursuant to Section 218.32, Florida Statutes, is in substantial agreement with the audit report for the fiscal year ended September 30, 2009.

Investment of Public Funds

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. Our audit did not reveal any noncompliance with the provisions of Section 218.415, Florida Statutes.

Other Matters

Our audit did not reveal any other matters that we are required to include in this management letter.

This management letter is intended solely for the information and use of the City and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Car, Riggs & Ingram LLC

February 18, 2010
St Augustine, Florida

The Honorable Mayor,
Members of the City Commission and City Manager
City of St. Augustine Beach, Florida

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of St. Augustine Beach, Florida (the "City") as of and for the year ended September 30, 2009, and have issued our report thereon dated February 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Communication with Those Charged with Governance

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are sometimes particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no particularly sensitive estimates significantly affecting the financial statements.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are sometimes particularly sensitive because of their significance to financial statement users. A disclosure which is particularly sensitive to the financial statements is Note 8, which describes a subsequent event which will effect the City's financial condition.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

The Honorable Mayor,
Members of the City Commission and City Manager
City of St. Augustine Beach, Florida
Page 4

Other Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

This report is intended solely for the information and use of the City Council, management, and oversight agencies and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram LLC

February 18, 2010
St. Augustine, Florida



City of St. Augustine Beach

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BLDG. & ZONING (904) 471-8758
FAX (904) 471-4470

February 18, 2010

Auditor General
P.O. Box 1735
Tallahassee, FL 32302-1735

To Whom It May Concern:

The financial statement audit of the City of St Augustine Beach for fiscal year ending September 30, 2009 has been completed by Davis, Monk & Company.

I am pleased to report that their audit did not disclose any material, unfavorable items that require disclosure under the rules of the Auditor General, or generally accepted auditing standards.

Sincerely,

Max Royle
City Manager