**NEW ISSUE - BOOK ENTRY ONLY** **SEE "RATINGS" herein.**

*In the opinion of bond counsel, assuming compliance by the City with certain covenants, under existing statutes, regulations, and judicial decisions, the interest on the Bonds will be excluded from gross income for federal income tax purposes of the holders thereof and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds shall be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. See "TAX MATTERS" herein for a description of other tax consequences to holders of the Bonds.*

# $18,395,000
# CITY OF ST. AUGUSTINE, FLORIDA
## CAPITAL IMPROVEMENT REFUNDING REVENUE BONDS, SERIES 2017

**Dated: Date of Delivery** **Due: October 1, as shown on the inside cover**

The City of St. Augustine, Florida (the "City") is issuing its Capital Improvement Refunding Revenue Bonds, Series 2017 (the "Bonds") as fully registered bonds, which initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Individual purchases will be made in book-entry form only in denominations as described herein. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical delivery of the Bonds. Transfer of ownership in the Bonds will be effected through DTC's book-entry system as described herein. As long as Cede & Co. is the registered owner as nominee of DTC, principal and interest payments will be made directly to such registered owner which will in turn remit such payments to the Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. Interest on the Bonds is payable on April 1 and October 1 of each year, commencing April 1, 2018. Principal of the Bonds is payable, when due, to the registered owners upon presentation and surrender at the designated corporate office of Wells Fargo Bank, National Association, Minneapolis, Minnesota, as Registrar and Paying Agent. All payments of principal of, redemption premium, if applicable, and interest on the Bonds shall be payable in lawful money of the United States of America.

Certain of the Bonds are subject to optional and mandatory redemption prior to their stated dates of maturity as set forth herein. See "DESCRIPTION OF THE BONDS – Redemption Provisions" herein.

The Bonds are being issued pursuant to the authority of, and in full compliance with, the Constitution and laws of the State of Florida, including, particularly, Chapter 11148 Laws of Florida, Special Acts of 1925, as amended; Chapter 166, Part II, Florida Statutes; and other applicable provisions of law (collectively, the "Act"); and pursuant to Resolution No. 2017-52 adopted by the City Commission of the City (the "Commission") on November 13, 2017, as amended and supplemented from time to time (collectively, the "Resolution"). All terms used herein in capitalized form and not otherwise defined shall have the meanings ascribed thereto in the Resolution.

Pursuant to the Resolution, the City covenants and agrees to appropriate in its annual budget, by amendment if necessary, for each Fiscal Year in which the Bonds remain Outstanding, sufficient amounts of Non-Ad Valorem Revenues into the Debt Service Fund for the payment of principal of, redemption premium, if applicable, and interest on the Bonds and to make certain other payments required under the Resolution in each such Fiscal Year. "Pledged Funds" consist of (1) Non-Ad Valorem Revenues budgeted and appropriated, and deposited into the Debt Service Fund, and (2) until applied in accordance with the Resolution, all moneys, including the investments thereof, in the funds and accounts established in the Resolution, with the exception of the Rebate Fund. The obligation of the City to make such payments from its Non-Ad Valorem Revenues is subject in all respects to the payment of obligations secured by a pledge of such Non-Ad Valorem Revenues or a covenant to budget and appropriate Non-Ad Valorem Revenues heretofore or hereafter entered into (including the payment of debt service on bonds and other debt instruments), and funding requirements for essential public purposes affecting health, welfare, and safety of the inhabitants of the City; however, such obligation is cumulative and would carry over from Fiscal Year to Fiscal Year, as more fully described herein and in the Resolution. Notwithstanding the foregoing, the City has not covenanted to maintain or continue any activities, services, or programs now maintained or provided by the City, including those programs and services which generate user fees, regulatory fees, or other Non-Ad Valorem Revenues. See "SECURITY FOR THE BONDS" and "DEBT SERVICE REQUIREMENTS" herein.

THE BONDS SHALL NOT BE OR CONSTITUTE GENERAL OBLIGATIONS OR INDEBTEDNESS OF THE CITY AS "BONDS" WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION, BUT SHALL BE SPECIAL OBLIGATIONS OF THE CITY, PAYABLE SOLELY FROM AND SECURED BY A LIEN UPON AND PLEDGE OF THE PLEDGED FUNDS. NO HOLDER OF ANY BOND SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY AD VALOREM TAXING POWER TO PAY SUCH BOND, FOR THE PAYMENT OF ANY AMOUNTS PAYABLE UNDER THE RESOLUTION, OR IN ORDER TO MAINTAIN ANY SERVICES OR PROGRAMS THAT GENERATE NON-AD VALOREM REVENUES, OR BE ENTITLED TO PAYMENT OF SUCH BOND FROM ANY MONEYS OF THE CITY EXCEPT FROM THE PLEDGED FUNDS IN THE MANNER PROVIDED IN THE RESOLUTION.

The Bonds are being issued for the purposes of (1) financing and/or reimbursing the costs of the design, installation, acquisition, construction, reconstruction, and equipping of the Project (as defined herein), (2) refunding, on a current basis, all of the City's Capital Improvement Refunding Revenue Bonds, Series 2004 (the "Refunded Series 2004 Bonds"), (3) refunding, on an advanced basis, all of the City's Capital Improvement Revenue Bonds, Series 2011 (the "Refunded Series 2011 Bonds" and, together with the Refunded Series 2004 Bonds, the "Refunded Bonds"), and (4) paying certain costs of issuance incurred with respect thereto.

This cover page contains certain information for quick reference only. It is not, and is not intended to be, a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

*The Bonds are offered when, as, and if issued and received by the Underwriter, subject to the opinion on certain legal matters relating to their issuance by Bryant Miller Olive P.A., Jacksonville, Florida, Bond Counsel. Certain legal matters will be passed upon for the City by Isabelle C. Lopez, Esq., St. Augustine, Florida, City Attorney and Bryant Miller Olive P.A., Jacksonville, Florida, Disclosure Counsel. PFM Financial Advisors LLC, Orlando, Florida, has served as financial advisor to the City with respect to the offering of the Bonds. It is expected that the Bonds in definitive form will be available for delivery to the Underwriter in New York, New York at the facilities of DTC on or about December 14, 2017.*

RBC Capital Markets

Dated: December 1, 2017

**$18,395,000**
**CITY OF ST. AUGUSTINE, FLORIDA**
**CAPITAL IMPROVEMENT REFUNDING REVENUE BONDS, SERIES 2017**

**MATURITIES, AMOUNTS, INTEREST RATES, YIELDS, PRICES, AND INITIAL CUSIP NUMBERS**

$1,185,000 Serial Bonds

| Maturity (October 1) | Amount | Interest Rate | Yield | Price | Initial CUSIP Numbers** |
|---|---|---|---|---|---|
| 2018 | $125,000 | 2.000% | 1.400% | 100.473 | 787350 CE5 |
| 2019 | 160,000 | 4.000 | 1.760 | 103.943 | 787350 CF2 |
| 2020 | 165,000 | 4.000 | 1.870 | 105.776 | 787350 CG0 |
| 2021 | 175,000 | 4.000 | 2.000 | 107.275 | 787350 CH8 |
| 2022 | 180,000 | 4.000 | 2.130 | 108.482 | 787350 CJ4 |
| 2023 | 185,000 | 4.000 | 2.240 | 109.515 | 787350 CK1 |
| 2024 | 195,000 | 4.000 | 2.350 | 110.306 | 787350 CL9 |

$1,090,000 – 5.000% Term Series 2017 Bonds due October 1, 2030 – Yield 2.920%* – Price 117.607* – Initial CUSIP Number 787350 CM7**

$6,290,000 – 5.000% Term Series 2017 Bonds due October 1, 2037 – Yield 3.200%* – Price 115.031* – Initial CUSIP Number 787350 CN5**

$9,830,000 – 5.000% Term Series 2017 Bonds due October 1, 2041 – Yield 3.290%* – Price 114.217* – Initial CUSIP Number 787350 CP0**

* Yield and Price calculated to the first optional redemption date of October 1, 2027.

** The City is not responsible for the use of the CUSIP Numbers referenced herein nor is any representation made by the City as to their correctness. The CUSIP Numbers provided herein are included solely for the convenience of the readers of this Official Statement.

**CITY OF ST. AUGUSTINE, FLORIDA**
75 King St.
St. Augustine, FL 32085

**MEMBERS OF THE CITY COMMISSION**

Nancy Shaver, Mayor/Commissioner
Todd Neville, Vice-Mayor/Commissioner
Leanna Freeman, Commissioner
Roxanne Horvath, Commissioner
Nancy Sikes-Kline, Commissioner

**CITY OFFICIALS**

John P. Regan, City Manager
Darlene Galambos, City Clerk
Mark Litzinger, Director, Financial Services
Meredith Breidenstein, CPA, Director, Budget & Performance Management
L. Carl LaFleur, CPA, Deputy Finance Director
Isabelle C. Lopez, Esq., City Attorney

**BOND COUNSEL**

Bryant Miller Olive P.A.
Jacksonville, Florida

**DISCLOSURE COUNSEL**

Bryant Miller Olive P.A.
Jacksonville, Florida

**FINANCIAL ADVISOR**

PFM Financial Advisors LLC
Orlando, Florida

**REGISTRAR AND PAYING AGENT**

Wells Fargo Bank, National Association
Minneapolis, Minnesota

**AUDITOR**

Masters, Smith & Wisby, P.A.
Ponte Vedra Beach, Florida

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No dealer, sales representative, or other person has been authorized to give any information or make any representations other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of the Bonds by any person in any jurisdiction to which it is unlawful for such person to make such offer, solicitation, or sale.

The information contained in this Official Statement has been obtained from the City, DTC, and other sources that are considered to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct. However, such information is not to be construed as a representation of the City or the Underwriter. Any statements in this Official Statement involving estimates, assumptions, and matters of opinion, whether or not so expressly stated, are intended as such and not as representations of fact, and the City and the Underwriter expressly make no representations that such estimates, assumptions, and opinions will be realized or fulfilled. The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

NO REGISTRATION STATEMENT RELATING TO THE BONDS HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR WITH ANY STATE SECURITIES COMMISSION. IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATIONS OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC, ANY STATE SECURITIES COMMISSION, OR REGULATORY AUTHORITY. THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE A CONTRACT BETWEEN THE CITY AND ANY ONE OR MORE OF THE OWNERS OF THE BONDS.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED A DETERMINATION OF RELEVANCE, MATERIALITY, OR IMPORTANCE, AND THIS OFFERING STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE CAPTIONS AND HEADINGS IN THIS OFFICIAL STATEMENT ARE FOR CONVENIENCE ONLY AND IN NO WAY DEFINE, LIMIT, OR DESCRIBE THE SCOPE OR INTENT, OR AFFECT THE MEANING OR CONSTRUCTION, OF ANY PROVISIONS OR SECTIONS IN THIS OFFICIAL STATEMENT. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS OFFICIAL STATEMENT CONSTITUTE "FORWARD-LOOKING STATEMENTS." SUCH STATEMENTS

GENERALLY ARE IDENTIFIABLE BY THE TERMINOLOGY USED, SUCH AS "PLAN," "EXPECT," "ESTIMATE," "BUDGET," OR OTHER SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE, OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE, OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS, OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Bonds are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS IN EITHER BOUND OR PRINTED FORMAT ("ORIGINAL BOUND FORMAT"), OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITES: WWW. MUNIOS. COM AND WWW. EMMA. MSRB. ORG. THIS OFFICIAL STATEMENT MAY BE RELIED ON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT, OR IF IT IS PRINTED OR SAVED IN FULL DIRECTLY FROM THE AFOREMENTIONED WEBSITES.

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APPENDIX A: GENERAL INFORMATION CONCERNING THE CITY OF ST. AUGUSTINE, FLORIDA
APPENDIX B: COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2016
APPENDIX C: FORM OF BOND RESOLUTION
APPENDIX D: FORM OF BOND COUNSEL OPINION
APPENDIX E: FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

**OFFICIAL STATEMENT**
**relating to**

**$18,395,000**
**CITY OF ST. AUGUSTINE, FLORIDA**
**CAPITAL IMPROVEMENT REFUNDING REVENUE BONDS, SERIES 2017**

## INTRODUCTION

### General

This Official Statement, including the cover page, inside cover page, and the appendices hereto, is furnished with respect to the sale of $18,395,000 aggregate principal amount of Capital Improvement Refunding Revenue Bonds, Series 2017 (the "Bonds") issued by the City of St. Augustine, Florida (the "City").

This introduction is not, and is not intended to be, a summary of this Official Statement. It is only a brief description of, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page, and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds is made only by means of this Official Statement and is subject in all respects to the information contained herein.

### The City

The City was established in 1925 by the State Legislature. The City is a full-service municipality located within the boundaries of St. Johns County, Florida (the "County"). The City operates under a "City Manager" form of government. Five commission members, including the Mayor-Commissioner, are elected at large on a non-partisan basis. Four of the seats are staggered four-year terms with the mayor's seat elected every two years. The City Commission of the City (the "Commission") appoints the City Manager who directs the business of the City and its various departments. The Commission determines policy, adopts legislation, approves the budget, sets taxes, and appoints the City Attorney, the City Clerk, and members of various boards and committees. For additional information concerning the City, see "APPENDIX A - GENERAL INFORMATION CONCERNING THE CITY OF ST. AUGUSTINE, FLORIDA."

### Authority for and Purpose of Issuance

The Bonds are being issued pursuant to the authority of and in full compliance with the Constitution and laws of the State of Florida (the "State"), including Chapter 11148 Laws of Florida, Special Acts of 1925, as amended; Chapter 166, Part II, Florida Statutes; and other applicable provisions of law (collectively, the "Act"); and pursuant to Resolution No. 2017-52 adopted by the Commission on November 13, 2017, as amended and supplemented from time to time (collectively, the "Resolution"). All terms used herein in capitalized form and not otherwise defined have the meanings ascribed thereto in the Resolution. For a complete description of the terms and conditions of the Bonds, see "APPENDIX C – FORM OF RESOLUTION" attached hereto.

The Bonds are being issued for the purposes of (1) financing and/or reimbursing the costs of the design, installation, acquisition, construction, reconstruction, and equipping of various capital projects of the City, including without limitation, capital improvements to the City's parking and access management system (collectively, the "Project"); (2) refunding, on a current basis, all of the City's Capital Improvement Refunding Revenue Bonds, Series 2004 (the "Refunded Series 2004 Bonds"); (3) refunding, on an advanced basis, all of the City's Capital Improvement Revenue Bonds, Series 2011 (the "Refunded Series 2011 Bonds" and, together with the Refunded Series 2004 Bonds, the "Refunded Bonds"); and (4) paying certain costs of issuance incurred with respect thereto.

The proceeds of the Refunded Series 2004 Bonds were used to finance the costs of acquiring, constructing, and equipping certain capital improvements within the City's Historic Area Transportation and Parking Community Redevelopment Area (the "Series 2004 Project"), the refunding of the City's outstanding Public Service Tax and Guaranteed Entitlement Revenue Refunding Bonds, Series 1995, the capitalization of interest on a portion of the Refunded Series 2004 Bonds, and the paying of certain costs of issuance of the Refunded Series 2004 Bonds, including the municipal bond insurance and debt service reserve policy premiums. The proceeds of the Refunded Series 2011 Bonds were used to finance the costs of acquiring, constructing, and equipping a portion of the costs of various capital projects located within the City, including without limitation, water and sewer capital projects, stormwater capital projects, transportation capital projects, municipal marina improvements, and other municipal capital projects on file with the City (collectively, the "Series 2011 Project" and, together with the Series 2004 Project, the "Refunded Projects"), and the paying of certain costs of issuance of the Refunded Series 2011 Bonds.

**Security for the Bonds**

The principal of, redemption premium, if applicable, and interest on the Bonds 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 moneys, 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 in which the Bonds remain Outstanding, sufficient amounts of Non-Ad Valorem Revenues into the Debt Service Fund for the payment of principal of and interest on the Bonds and to make certain other payments required under the Resolution in each such Fiscal Year. Such covenant and agreement on the part of the City shall be cumulative and shall continue until all payments of principal of and interest on the Bonds shall have been budgeted, appropriated, deposited, and actually paid. No lien upon or pledge of such budgeted Non-Ad Valorem Revenues shall be in effect until such monies are budgeted, appropriated, and deposited as provided in the Resolution. The City does not covenant to maintain or continue any activities, services, or programs now maintained or provided by the City, including those programs and services which generate user fees, regulatory fees, or Non-Ad Valorem Revenues. This covenant and agreement shall not be construed as a limitation on the ability of the City to pledge all or a portion of such Non-Ad Valorem Revenues or to covenant to budget and appropriate Non-Ad Valorem Revenues for other legally permissible purposes. Nothing in the Resolution shall be deemed to pledge ad valorem tax revenues or to permit or constitute a mortgage or lien upon any assets owned by the City and no Holder of the Bonds or other person may compel the levy of ad valorem taxes on real or personal property within the boundaries of the City for the payment of the

City's obligations under the Resolution or to maintain or continue any activities, services, or programs now maintained or provided by the City, including those programs and services which generate user fees, regulatory fees, or other Non-Ad Valorem Revenues.

The Resolution defines Non-Ad Valorem Revenues as all revenues of the City not derived from ad valorem taxation, and which are lawfully available to be used to pay debt service on the Bonds. See "SECURITY FOR THE BONDS" and "DEBT SERVICE REQUIREMENTS" herein.

THE BONDS SHALL NOT BE OR CONSTITUTE GENERAL OBLIGATIONS OR INDEBTEDNESS OF THE CITY AS "BONDS" WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION, BUT SHALL BE SPECIAL OBLIGATIONS OF THE CITY, PAYABLE SOLELY FROM AND SECURED BY A LIEN UPON AND PLEDGE OF THE PLEDGED FUNDS. NO HOLDER OF ANY BOND SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY AD VALOREM TAXING POWER TO PAY SUCH BOND, FOR THE PAYMENT OF ANY AMOUNTS PAYABLE UNDER THE RESOLUTION, OR IN ORDER TO MAINTAIN ANY SERVICES OR PROGRAMS THAT GENERATE NON-AD VALOREM REVENUES, OR BE ENTITLED TO PAYMENT OF SUCH BOND FROM ANY MONEYS OF THE CITY EXCEPT FROM THE PLEDGED FUNDS IN THE MANNER PROVIDED IN THE RESOLUTION. See "SECURITY FOR THE BONDS" herein.

**Description of the Bonds**

Denominations. The Bonds will be issued in denominations of $5,000 or any integral multiple thereof. See "DESCRIPTION OF THE BONDS – General" herein.

Redemption. Certain of the Bonds are subject to optional and mandatory redemption prior to their stated dates of maturity as stated herein. See "DESCRIPTION OF THE BONDS – Redemption Provisions" herein.

Registration and Transfers. Transfer of ownership in the Bonds will be effected through The Depository Trust Company ("DTC") book-entry system as described herein. As long as Cede & Co. is the registered owner as nominee of DTC, principal and interest payments will be made directly to such registered owner which in turn is to remit such payments to the Participants (as defined herein) for subsequent disbursement to the Beneficial Owners (as defined herein). See "DESCRIPTION OF THE BONDS – Book-Entry-Only System" herein.

**Tax Matters**

In the opinion of Bryant Miller Olive P.A., Bond Counsel, assuming compliance by the City with certain covenants, under existing statutes, regulations, and judicial decisions, the interest on the Bonds will be excluded from gross income for federal income tax purposes of the holders thereof and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds shall be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. See "TAX MATTERS" herein for a description of other tax consequences to Holders of the Bonds.

**Continuing Disclosure**

The City has agreed and undertaken, for the benefit of Holders, to provide certain financial information and operating data relating to the City, the Pledged Funds, and the Bonds pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the "SEC"). See "CONTINUING DISCLOSURE" herein.

**Other Obligations Payable from Non-Ad Valorem Revenues**

The City has other debt issues outstanding which are secured by and payable from specific non-ad valorem revenues, and debt obligations outstanding which are secured by a covenant to budget and appropriate legally available non-ad valorem revenues, which is the same source of security as for the Bonds. See the table entitled "DEBT SERVICE SCHEDULE FOR NON-AD VALOREM REVENUE OBLIGATIONS" and see "GENERAL INFORMATION REGARDING NON-AD VALOREM REVENUES" herein.

**Issuance of Bonds or Other Obligations Payable from Non-Ad Valorem Revenues**

The City may issue additional obligations in the future payable from the Non-Ad Valorem Revenues of the City subject to certain covenants restricting such ability set forth in the Resolution. See "SECURITY FOR THE BONDS – Anti-Dilution Test" herein and "APPENDIX C – FORM OF RESOLUTION" attached hereto.

**Other Information**

This Official Statement speaks only as of its date and the information contained herein is subject to change.

Copies of the Resolution and other documents and information are available, upon request and payment to the City of a charge for copying, mailing, and handling, from the Clerk of the Commission, Darlene Galambos, City Hall, 75 King Street, (2nd floor, Elevator "B"), St. Augustine, Florida 32085; telephone: (904) 825-1007.

For a complete description of the terms and conditions of the Bonds, reference is made to the Resolution, a form of which is included in "APPENDIX C – FORM OF RESOLUTION" attached hereto. The description of the Resolution, the Bonds, and information from reports contained herein do not purport to be comprehensive or definitive.

## AUTHORITY AND PURPOSE OF THE BONDS

The Bonds are being issued pursuant to the authority of and in full compliance with the Act, and pursuant to the Resolution. The Bonds are being issued for the purposes of (1) financing and/or reimbursing the costs of the design, installation, acquisition, construction, reconstruction, and equipping of the Project; (2) refunding, on a current basis, all of the Refunded Series 2004 Bonds; (3) refunding, on an advanced basis, all of the Refunded Series 2011 Bonds; and (4) paying certain costs of issuance incurred with respect thereto.

## PLAN OF REFUNDING

The Bonds are being issued in order to provide the funds necessary to refund, on a current basis, the Refunded Series 2004 Bonds, and, on an advance basis, the Refunded Series 2011 Bonds. The Refunded Series 2004 Bonds, will be called for redemption prior to maturity at a redemption price of 100%, plus interest accrued to the redemption date of January 15, 2018. The Refunded Series 2011 Bonds, will be called for redemption prior to maturity at a redemption price of 100%, plus interest accrued to the redemption date of October 1, 2021.

Upon the issuance of the Bonds, a portion of the proceeds of the Bonds, together with other legally available funds of the City, will be irrevocably placed in an escrow deposit trust fund (the "Escrow Account") with Wells Fargo Bank, National Association, as escrow agent (the "Escrow Agent"), pursuant to an escrow deposit agreement, between the City and the Escrow Agent (the "Escrow Deposit Agreement"). A portion of such funds will be applied on the date of issuance of the Bonds to purchase certain obligations of the United States of America (the "Federal Securities"). The Federal Securities will mature at such times and bear interest in such amounts so that sufficient moneys will be available from the maturing principal and interest thereof, together with any cash on deposit in the Escrow Account, to pay the principal of and interest on the Refunded Bonds upon their redemption. Upon the deposit of such moneys, the Refunded Bonds shall no longer be outstanding under the respective resolution pursuant to which the Refunded Bonds were issued, and the holders thereof shall be entitled to payment solely out of the moneys and securities on deposit in the Escrow Account pursuant to the Escrow Deposit Agreement.

## VERIFICATION OF ARITHMETICAL COMPUTATIONS

At the time of the delivery of the Bonds, Integrity Public Finance Consulting LLC, a wholly owned subsidiary of Bryant Miller Olive P.A., the City's bond counsel and disclosure counsel (the "Verification Agent"), will verify, from information provided to them, the mathematical accuracy of the computations contained in schedules provided by the PFM Financial Advisors LLC (the "Financial Advisor") to determine that the Federal Securities, together with the interest earnings thereon, and cash to be held in the Escrow Account will be sufficient to pay, when due, the principal of, whether at maturity or upon prior redemption, and interest on the Refunded Bonds. The Verification Agent will express no opinion on the assumptions provided to them nor as to the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

## DESCRIPTION OF THE BONDS

### General

The principal of or Redemption Price, if applicable, on the Bonds are payable upon presentation and surrender of the Bonds at the designated office of Wells Fargo Bank, National Association, Minneapolis, Minnesota (the "Paying Agent"). Interest on the Bonds is payable semi-annually on each April 1 and October 1 (each an "Interest Date"), commencing April 1, 2018. Interest payable on the Bonds on any Interest Date will be paid by check or draft of the Paying Agent to the Holder in whose name such Bond shall be registered at the close of business on the date which shall be the fifteenth day (whether or not a business day) of the calendar month next preceding such Interest Date, or, at the option of the Paying Agent, and at the request and expense of such Holder, by bank wire transfer for the account of such Holder. In the event the interest payable on any such Bond is not punctually paid or duly provided

for by the City on such Interest Date, such defaulted interest will be paid to the Holder in whose name such Bond shall be registered at the close of business on a special record date for the payment of such defaulted interest as established by notice to such Holder, not less than ten days preceding such special record date. All payments of principal of or Redemption Price, if applicable, and interest on the Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

The Bonds will be issued initially as book-entry obligations and held by DTC as securities depository. See "DESCRIPTION OF THE BONDS - Book-Entry-Only System" below.

**Book-Entry-Only System**

THE FOLLOWING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY-ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CITY BELIEVES TO BE RELIABLE, BUT THE CITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, CERTAIN REFERENCES IN THIS OFFICIAL STATEMENT TO THE HOLDERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS. THE DESCRIPTION WHICH FOLLOWS OF THE PROCEDURES AND RECORD KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, PAYMENT OF INTEREST ON AND PRINCIPAL OF THE BONDS TO DIRECT PARTICIPANTS (AS DEFINED HEREIN) OR BENEFICIAL OWNERS OF THE BONDS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, AND OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC, THE DIRECT PARTICIPANTS AND BENEFICIAL OWNERS OF THE BONDS IS BASED SOLELY ON INFORMATION FURNISHED BY DTC. ACCORDINGLY, THE CITY NEITHER MAKES NOR CAN MAKE ANY REPRESENTATIONS CONCERNING THESE MATTERS.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds as set forth in the inside cover of this Official Statement, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of

The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Direct Participants and the Indirect Participants are collectively referred to herein as the "DTC Participants." DTC has a S&P Global, Inc. ("S&P") rating of AA+. The DTC Rules applicable to its DTC Participants are on file with the SEC. More information about DTC can be found at www. dtcc. com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its

usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Paying Agent on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest on the Bonds, as applicable, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, the Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Bond certificates will be printed and delivered to DTC.

**Redemption Provisions**

Optional Redemption. The Bonds maturing on or after October 1, 2028 may be redeemed prior to maturity at the option of the City, as a whole or in part on October 1, 2027, or on any date thereafter, if in part, from such maturity or maturities as the City shall designate and by lot within a maturity at the redemption price of 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

Mandatory Redemption. The Bonds maturing on October 1, 2030 are subject to mandatory redemption in part by the City on October 1 in the years and in the Amortization Installments, plus accrued interest to the redemption date, as set forth below.

| Year | Amortization Installments |
|---|---|
| 2028 | $10,000 |
| 2029 | 10,000 |
| 2030* | 1,070,000 |

*Maturity

The Bonds maturing on October 1, 2037 are subject to mandatory redemption in part by the City on October 1 in the years and in the Amortization Installments, plus accrued interest to the redemption date, as set forth below.

| Year | Amortization Installments |
|---|---|
| 2031 | $20,000 |
| 2032 | 20,000 |
| 2033 | 20,000 |
| 2034 | 20,000 |
| 2035 | 1,970,000 |
| 2036 | 2,070,000 |
| 2037* | 2,170,000 |

*Maturity

The Bonds maturing on October 1, 2041 are subject to mandatory redemption in part by the City on October 1 in the years and in the Amortization Installments, plus accrued interest to the redemption date, as set forth below.

| Year | Amortization Installments |
|---|---|
| 2038 | $2,280,000 |
| 2039 | 2,395,000 |
| 2040 | 2,515,000 |
| 2041* | 2,640,000 |

*Maturity

Notice of Redemption. Unless waived by any Holder of the Bonds to be redeemed, notice of any redemption made pursuant to the Resolution shall be given by the Registrar on behalf of the City by mailing a copy of an official redemption notice by registered or certified mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to each Holder of the Bonds to be redeemed at the address of such Holder shown on the registration books maintained by the Registrar or at such other address as shall be furnished in writing by such Holder to the Registrar; provided, however, that no defect in any notice given to any Holder of Bonds to be redeemed nor failure to give such notice shall in any manner defeat the effectiveness of a call for redemption as to all other Owners of Bonds to be redeemed.

Prior to any redemption date, the City shall deposit with the Registrar an amount of money sufficient to pay the Redemption Price of all the Bonds or portions of Bonds which are to be redeemed on that date.

The City may provide that a notice of redemption may be contingent upon the occurrence of condition(s) and that if such condition(s) do not occur, the notice will be rescinded; provided notice of such rescission shall be mailed in the manner described herein to all Holders as soon as practicable after the City has determined to rescind the redemption.

Selection of the Bonds to be Redeemed. The Bonds shall be redeemed only in the principal amount of $5,000 each and integral multiples thereof. The City shall, at least forty (40) days prior to the redemption date (unless a shorter time period shall be satisfactory to the Registrar) notify the Registrar of such redemption date and of the principal amount of Bonds to be redeemed. For purposes of any redemption of less than all of the Outstanding Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected not more than thirty-five (35) days prior to the redemption date by the Registrar from the Outstanding Bonds of the maturity or maturities designated by the City by such method as the Registrar shall deem fair and appropriate and which may provide for the selection for redemption of Bonds or portions of Bonds in principal amounts of $5,000 and integral multiples thereof.

If less than all of the Outstanding Bonds of a single maturity are to be redeemed, the Registrar shall promptly notify the City and Paying Agent (if the Registrar is not the Paying Agent for such Bonds) in writing of the Bonds or portions of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

Effect of Notice of Redemption. Notice of redemption having been given substantially as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the City shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar and/or Paying Agent at the appropriate Redemption Price, plus accrued interest. All Bonds which have been redeemed shall be canceled by the Registrar and shall not be reissued.

Redemption of a Portion of the Bonds. Any Bond which is to be redeemed only in part shall be surrendered at any place of payment specified in the notice of redemption (with due endorsement by, or written instrument of transfer in form satisfactory to, the Registrar duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing) and the City shall execute and the Registrar shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds, of the same interest rate and maturity, and of any authorized denomination as requested by such Holder, in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bonds so surrendered.

**Interchangeability, Negotiability, and Transfer**

*So long as Bonds are registered in the name of DTC or its nominee, the following paragraphs relating to registration, transfer, and exchange of Bonds do not apply to the Bonds.*

The Bonds, upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder thereof or such Holder's attorney duly authorized in writing, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered Bonds of the same maturity of any other authorized denominations.

The Bonds issued under the Resolution shall be and have all the qualities and incidents of negotiable instruments under the commercial laws and the Uniform Commercial Code of the State, subject to the provisions for registration and transfer contained in this Resolution and in the Bonds. So

long as any of the Bonds shall remain Outstanding, the City shall maintain and keep, at the office of the Registrar, books for the registration and transfer of the Bonds.

Each Bond shall be transferable only upon the books of the City, at the office of the Registrar, under such reasonable regulations as the City may prescribe, by the Holder thereof in person or by such Holder's attorney duly authorized in writing upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed and guaranteed by the Holder or such Holder's duly authorized attorney. Upon the transfer of any such Bond, the City shall issue, and cause to be authenticated, in the name of the transferee a new Bond or Bonds of the same aggregate principal amount and Series and maturity as the surrendered Bond. The City, the Registrar, and any Paying Agent or fiduciary of the City may deem and treat the Person in whose name any Outstanding Bond shall be registered upon the books of the City as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if applicable, and interest on such Bond and for all other purposes, and all such payments so made to any such Holder or upon such Holder's order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid and neither the City nor the Registrar nor any Paying Agent or other fiduciary of the City shall be affected by any notice to the contrary.

The Registrar, in any case where it is not also the Paying Agent in respect to the Bonds, forthwith (A) following the fifteenth day prior to an Interest Date; (B) following the fifteenth day next preceding the date of first mailing of notice of redemption of any Bonds; and (C) at any other time as reasonably requested by the Paying Agent, shall certify and furnish to such Paying Agent the names, addresses and holdings of the Holders and any other relevant information reflected in the registration books. Any Paying Agent of any fully registered Bond shall effect payment of interest on such Bonds by mailing a check or draft to the Holder entitled thereto or may, in lieu thereof, upon the request and at the expense of such Holder, transmit such payment by bank wire transfer for the account of such Holder.

In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the City shall execute and the Registrar shall authenticate and deliver such Bonds in accordance with the provisions of the Resolution. Execution of Bonds in the same manner as is provided in the Resolution for purposes of exchanging, replacing, or transferring Bonds may occur at the time of the original delivery of the Bonds. All Bonds surrendered in any such exchanges or transfers shall be held by the Registrar in safekeeping until directed by the City to be canceled by the Registrar. For every such exchange or transfer of Bonds, the City or the Registrar may make a charge sufficient to reimburse it for any tax, fee, expense, or other governmental charge required to be paid with respect to such exchange or transfer. The City and the Registrar shall not be obligated to make any such exchange or transfer of Bonds during the fifteen days next preceding an Interest Date on the Bonds, or, in the case of any proposed redemption of Bonds, then during the fifteen days next preceding the date of the first mailing of notice of such redemption and continuing until such redemption date.

**Bonds Mutilated, Destroyed, Stolen, or Lost**

In case any Bond shall become mutilated, or be destroyed, stolen, or lost, the City may, in its discretion, issue and deliver, and the Registrar shall authenticate, a new Bond of like tenor as the Bond so mutilated, destroyed, stolen, or lost, in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed,

stolen, or lost, and upon the Holder furnishing the City and the Registrar proof of such Holder's ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the City or the Registrar may prescribe and paying such expenses as the City and the Registrar may incur. All Bonds so surrendered or otherwise substituted shall be canceled by the Registrar. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the City may pay the same or cause the Bond to be paid, upon being indemnified as aforesaid, and if such Bonds be lost, stolen, or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to the Resolution shall constitute original, additional contractual obligations on the part of the City whether or not the lost, stolen, or destroyed Bond be at any time found by anyone, and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien on the Pledged Funds to the same extent as all other Bonds issued under the Resolution.

## SECURITY FOR THE BONDS

### Bonds Not General Obligations

THE BONDS SHALL NOT BE OR CONSTITUTE GENERAL OBLIGATIONS OR INDEBTEDNESS OF THE CITY AS "BONDS" WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION, BUT SHALL BE SPECIAL OBLIGATIONS OF THE CITY, PAYABLE SOLELY FROM AND SECURED BY A LIEN UPON AND PLEDGE OF THE PLEDGED FUNDS. NO HOLDER OF ANY BOND SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY AD VALOREM TAXING POWER TO PAY SUCH BOND, FOR THE PAYMENT OF ANY AMOUNTS PAYABLE UNDER THE RESOLUTION, OR IN ORDER TO MAINTAIN ANY SERVICES OR PROGRAMS THAT GENERATE NON-AD VALOREM REVENUES, OR BE ENTITLED TO PAYMENT OF SUCH BOND FROM ANY MONEYS OF THE CITY EXCEPT FROM THE PLEDGED FUNDS IN THE MANNER PROVIDED IN THE RESOLUTION.

### Pledged Funds

The 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 moneys, including the investments thereof, in the funds and accounts established under the Resolution, with the exception of the Rebate Fund (collectively, the "Pledged Funds").

### Covenant to Budget and Appropriate

The City has covenanted and agreed in the Resolution to appropriate in its annual budget, by amendment if necessary, for each Fiscal Year in which the Bonds remain Outstanding, sufficient amounts of Non-Ad Valorem Revenues into the Debt Service Fund for the payment of principal of and interest on the Bonds and to make certain other payments required under the Resolution in each such Fiscal Year. Such covenant and agreement on the part of the City is cumulative and shall continue until all payments of principal of and interest on the Bonds shall have been budgeted, appropriated, deposited, and actually paid. The City agrees in the Resolution that this covenant and agreement shall be deemed to be entered into for the benefit of the Holders of the Bonds and that this obligation may be enforced in a court of

competent jurisdiction in accordance with the remedies set forth in the Resolution. No lien upon or pledge of such budgeted Non-Ad Valorem Revenues shall be in effect until such monies are budgeted, appropriated, and deposited as provided in the Resolution. Notwithstanding any provision of the Resolution to the contrary, the City does not covenant to maintain any services or programs now maintained or provided by the City, including those programs and services which generate user fees, regulatory fees, or other Non-Ad Valorem Revenues. This covenant and agreement shall not be construed as a limitation on the ability of the City to pledge all or a portion of such Non-Ad Valorem Revenues or to covenant to budget and appropriate Non-Ad Valorem Revenues for other legally permissible purposes. Nothing in the Resolution shall be deemed to pledge ad valorem tax revenues or to permit or constitute a mortgage or lien upon any assets owned by the City and no Holder of Bonds or other person may compel the levy of ad valorem taxes on real or personal property within the boundaries of the City for the payment of the City's obligations under the Resolution or to maintain or continue any activities, services, or programs now maintained or provided by the City, including those programs and services which generate user fees, regulatory fees, or other Non-Ad Valorem Revenues.

However, this covenant to budget and appropriate in its annual budget for the purposes and in the manner stated in the Resolution has the effect of making available for the payment of the Bonds the Non-Ad Valorem Revenues of the City in the manner provided in the Resolution and placing on the City a positive duty to appropriate and budget, by amendment if necessary, and deposit amounts sufficient to meet its obligations under the Resolution; subject, however, in all respects to the restrictions of Section 166.241, Florida Statutes, which make it unlawful for any municipality to expend moneys not appropriated and in excess of such municipality's current budgeted revenues. The obligation of the City to make such payments from its Non-Ad Valorem Revenues is subject in all respects to the payment of obligations secured by a pledge of such Non-Ad Valorem Revenues or a covenant to budget and appropriate Non-Ad Valorem Revenues heretofore or hereafter entered into (including the payment of debt service on bonds and other debt instruments), and funding requirements for essential public purposes affecting health, welfare, and safety of the inhabitants of the City; however, such obligation is cumulative and would carry over from Fiscal Year to Fiscal Year. The City has previously and, subject to the anti-dilution test in the Resolution described below under "- Anti-Dilution Test," may hereafter provide a covenant to budget and appropriate Non-Ad Valorem Revenues or pledge all or a portion of such Non-Ad Valorem Revenues to provide for the payment of obligations (including debt obligations) incurred by the City. No priority of payment among such obligations is established by the provision of a covenant to budget and appropriate Non-Ad Valorem Revenues for the payment thereof.

The Resolution provides that 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 Bonds a prior claim on the Non-Ad Valorem Revenues as opposed to claims of general creditors of the City. The payment of the debt service of all of the Bonds issued under the Resolution is secured equally and ratably by a pledge of and a lien upon the Pledged Funds, as now or hereafter constituted. The City does, pursuant to the Resolution, irrevocably pledge the Pledged Funds to the payment of the principal of and interest on the Bonds, and the City irrevocably agrees to the deposit of Non-Ad Valorem Revenues into the Debt Service Fund at the times provided in the sums required to secure to the Holders of the Bonds, and the payment of the principal of and interest thereon when due. The Resolution further provides that Pledged Funds shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and

the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the City.

Until applied in accordance with the Resolution, the Non-Ad Valorem Revenues deposited by the City in the Debt Service Fund, plus any earnings thereon, shall be subject to a lien and charge in favor of the Owners and for the further security of the Owners.

**Anti-Dilution**

Pursuant to the Resolution the City agrees as a condition precedent to the issuance of any debt or the incurrence of any other obligations which are secured by and/or payable solely from Non-Ad Valorem Revenues, to deliver a certificate setting forth the calculations of the financial ratios provided below and certifying that it is in compliance with the following:

(i) the average of the Non-Ad Valorem Revenues for the two most recent Fiscal Years for which audited financial statements of the City are available is equal to or greater than 2.0 times the projected maximum annual debt service on the proposed debt or obligations and the other debt and obligations secured by and/or payable solely from all or a portion of such Non-Ad Valorem Revenue to be outstanding following the issuance of the proposed debt or obligations; and

(ii) projected maximum annual debt service on the proposed debt or obligations and the other debt and obligations secured by and/or payable solely from such Non-Ad Valorem Revenues will not exceed 30% of the average of all revenues which are deposited into the City's general fund, special revenue fund, debt service funds, and capital project funds, but excluding ad valorem tax revenues restricted to the payment of debt service on any debt, and any debt proceeds (the "Governmental Fund Revenues") for the two most recent Fiscal Years for which audited financial statements of the City are available.

For purposes of such covenants, "maximum annual debt service" shall mean the lesser of the actual maximum annual debt service on such debt and obligations, or 15% of the original par amount thereof. For the purpose of calculating maximum annual non-ad valorem debt service on any indebtedness which bears interest at a variable rate, such indebtedness shall be deemed to bear interest at the greater of (i) 1.25 times the most recently published Bond Buyer Revenue Bond 30 Year Index or (ii) 1.25 times actual average interest rate during the prior Fiscal Year of the City.

**Project Fund**

The City has covenanted and agreed to establish a separate fund known as the "City of St. Augustine Capital Improvement Refunding Revenue Bonds, Series 2017 Project Fund" (the "Project Fund"), which shall be used only for payment of the Cost of the Project. Moneys in the Project Fund, until applied in payment of any item of the Cost of the Project in accordance with the provisions of the Resolution, shall be held in trust by the City and shall be pledged to the repayment of the Bonds.

**Debt Service Fund**

The City has covenanted and agreed to establish a separate fund known as the "City of St. Augustine Capital Improvement Refunding Revenue Bonds, Series 2017 Debt Service Fund" (the "Debt

Service Fund"). The City shall maintain in the Debt Service Fund three accounts: the "Interest Account," the "Principal Account," and the "Bond Amortization Account." Moneys in such funds and accounts, until applied in accordance with the provisions of the Resolution, are subject to a lien and charge in favor of the Owners and for the further security of the Owners.

**Flow of Funds**

The Non-Ad Valorem Revenues appropriated for such purpose will be deposited or credited at least five (5) business days prior to the applicable due date, in the following manner:

(1) Interest Account. The City will deposit into or credit to the Interest Account the sum which, together with the balance in said Account, is equal to the interest on all Outstanding Bonds accrued and unpaid and to accrue on such Interest Date. Moneys in the Interest Account will be used to pay interest on the Bonds as and when the same become due, whether by redemption or otherwise, and for no other purpose.

(2) Principal Account. The City will deposit into or credit to the Principal Account the sum which, together with the balance in said Account, is equal the portion of the principal on the Outstanding Bonds next due. Moneys in the Principal Account will be used to pay the principal of the Bonds as and when the same mature, and for no other purpose.

(3) Bond Amortization Account. The City will deposit into or credit to the Bond Amortization Account the sum which, together with the balance in said Account, equals the portion of the Amortization Installments of all Bonds next due. Moneys in the Bond Amortization Account will be used to purchase or redeem Term Bonds and for no other purpose. Payments to the Bond Amortization Account will be on a parity with payments to the Principal Account.

On the date established for payment of any principal of or Redemption Price, if applicable, or interest on the Bonds, the City will withdraw from the appropriate account of the Debt Service Fund sufficient moneys to pay such principal or Redemption Price, if applicable, or interest and deposit such moneys with the Paying Agent for the Bonds to be paid.

**No Debt Service Reserve Fund**

The Bonds are not secured by a debt service reserve fund.

**Rebate Fund**

The City has covenanted and agreed to establish a separate fund known as the "City of St. Augustine Capital Improvement Refunding Revenue Bonds, Series 2017 Rebate Fund" (the "Rebate Fund"). Moneys in the Rebate Fund are not subject to a lien in favor of the Holders of the Bonds and the moneys therein shall be available to the City only as provided in the Resolution.

**No Impairment**

The City has covenanted in the Resolution that the pledging of the Pledged Funds in the manner provided therein shall not be subject to repeal, modification, or impairment by any subsequent ordinance, resolution, or other proceedings of the Commission.

**Investments**

The Project Fund and the Debt Service Fund shall be continuously secured in the manner by which the deposits of public funds are authorized to be secured by the laws of the State. Moneys on deposit in the Debt Service Fund and Project Fund may be invested and reinvested in Permitted Investments maturing not later than the date on which the moneys therein will be needed. Any and all income received by the City from the investment of moneys in the Debt Service Fund and the Project Fund shall be retained in such respective Fund or Account unless otherwise required by applicable law.

Nothing contained in the Resolution shall prevent any Permitted Investments acquired as investments of or security for funds held under the Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

The value of Permitted Investments held under the Resolution shall be determined as follows:

(a) For the purpose of determining the amount in any fund or account, all Permitted Investments credited to such fund or account will be valued at fair market value. The City will determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers include but are not limited to pricing services provided by Financial Times Interactive Corporation, Merrill Lynch, or Citigroup Global Markets.

(b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon.

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## ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the Bonds are expected to be applied as follows:

| | |
|---|---|
| SOURCES OF FUNDS FOR THE BONDS: | |
| Par Amount of Bonds | $18,395,000.00 |
| Plus Bond Premium | 2,617,026.05 |
| Plus Other Legally Available Revenues of the City | 163,306.25 |
| TOTAL SOURCES | $21,175,332.30 |
| USES OF FUNDS FOR THE BONDS: | |
| Deposit to the Escrow Account | $19,677,483.09 |
| Deposit to the Project Fund | 1,250,000.00 |
| Costs of Issuance[1] | 247,849.21 |
| TOTAL USES | $21,175,332.30 |

[1] Includes, without limitation, Underwriter's discount, legal, accounting and financial advisory fees, printing costs, and other costs associated with the issuance of the Bonds.

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## DEBT SERVICE REQUIREMENTS

The following table shows the scheduled annual principal and interest requirements for the Bonds and total annual debt service on the Bonds:

| Bond Year Ended October 1 | Principal | Interest | Total Debt Service |
|---|---|---|---|
| 2018 | $125,000 | $721,805 | $846,805 |
| 2019 | 160,000 | 902,900 | 1,062,900 |
| 2020 | 165,000 | 896,500 | 1,061,500 |
| 2021 | 175,000 | 889,900 | 1,064,900 |
| 2022 | 180,000 | 882,900 | 1,062,900 |
| 2023 | 185,000 | 875,700 | 1,060,700 |
| 2024 | 195,000 | 868,300 | 1,063,300 |
| 2025 | - | 860,500 | 860,500 |
| 2026 | - | 860,500 | 860,500 |
| 2027 | - | 860,500 | 860,500 |
| 2028 | 10,000 | 860,500 | 870,500 |
| 2029 | 10,000 | 860,000 | 870,000 |
| 2030 | 1,070,000 | 859,500 | 1,929,500 |
| 2031 | 20,000 | 806,000 | 826,000 |
| 2032 | 20,000 | 805,000 | 825,000 |
| 2033 | 20,000 | 804,000 | 824,000 |
| 2034 | 20,000 | 803,000 | 823,000 |
| 2035 | 1,970,000 | 802,000 | 2,772,000 |
| 2036 | 2,070,000 | 703,500 | 2,773,500 |
| 2037 | 2,170,000 | 600,000 | 2,770,000 |
| 2038 | 2,280,000 | 491,500 | 2,771,500 |
| 2039 | 2,395,000 | 377,500 | 2,772,500 |
| 2040 | 2,515,000 | 257,750 | 2,772,750 |
| 2041 | 2,640,000 | 132,000 | 2,772,000 |
| Totals | $18,395,000 | $17,781,755 | $36,176,755 |

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## GENERAL INFORMATION REGARDING NON-AD VALOREM REVENUES

### General

The City generally receives two primary sources of revenue: ad valorem taxes and non-ad valorem revenues. Ad valorem taxes may not be pledged for the payment of debt obligations of the City maturing more than twelve months from the date of issuance thereof without approval of the electorate of the City. The ad valorem tax revenues of the City are not pledged as security for the payment of the Bonds. The Non-Ad Valorem Revenues include several major categories as described below.

As more fully described herein under "SECURITY FOR THE BONDS," the City has covenanted and agreed in the Resolution, subject to certain restrictions and limitations, to budget and appropriate sufficient Non-Ad Valorem Revenues in each Fiscal Year to pay debt service on the Bonds. The term "Non-Ad Valorem Revenues" does not include all non-ad valorem revenues of the City, but instead includes only those which are legally available to make the payments required under the Resolution, which analysis is based upon the components of the Refunded Projects financed with the proceeds of the Refunded Bonds. As described herein under "SECURITY FOR THE BONDS," the obligation of the City to budget and appropriate Non-Ad Valorem Revenues is subject to a variety of factors, including the payment of essential governmental services of the City and the obligation of the City to have a balanced budget.

The City is permitted by the State Constitution to levy ad valorem taxes at a rate of up to $10 per $1,000 of assessed valuation for general governmental expenditures. The General Fund ad valorem tax millage rate for the fiscal year ending September 30, 2018 is $7.50 per $1,000. The City is also permitted by the State Constitution to levy ad valorem taxes above the $10 per $1,000 cap to pay debt service on general obligation long-term debt if approved by a voter referendum. The City does not currently levy ad valorem taxes to pay debt service on general obligation long-term debt.

The term "Non-Ad Valorem Revenues" does not include all non-ad valorem revenues of the City, but instead includes only those which are legally available to pay debt service on the Bonds. See "SECURITY FOR THE BONDS – General" herein and "APPENDIX C – FORM OF RESOLUTION" attached hereto for the full definition of "Non-Ad Valorem Revenues."

The Holders of the Bonds do not have a lien on any specific Non-Ad Valorem Revenues of the City and the City currently has, and may have in the future, outstanding certain other debt obligations payable from a prior lien upon and pledge of certain of the Non-Ad Valorem Revenues of the City. In addition, the City currently has, and may have in the future, certain other debt obligations payable in the same manner as the Bonds. See "- Other Debt of the City" and "- Historical Non-Ad Valorem Revenues" below.

A large percentage of the revenues of the City (other than enterprise fund revenues), including ad valorem taxes and non-ad valorem revenues, are deposited in the General Fund. The General Fund is the general operating fund of the City. It accounts for all financial resources except for those required to be accounted for in another fund. The largest source of revenue in the General Fund is ad valorem taxation (ad valorem taxes are not legally available to pay debt service on the Bonds). Revenues deposited in the General Fund do not directly correspond to the Non-Ad Valorem Revenues from which debt service on

the Bonds is payable as some General Fund revenues are not legally available to pay debt service on the Bonds. Although the Bonds are not payable from ad valorem taxation, approximately 35% of General Fund revenues which are collected by the City came from ad valorem taxes in the 2015-16 Fiscal Year. To the extent that the future collection of ad valorem taxes or Non-Ad Valorem Revenues is adversely affected, a larger portion of Non-Ad Valorem Revenues would be required to balance the budget and provide for the payment of services and programs which are for essential public purposes affecting the health, safety, and welfare of the inhabitants of the City or which are mandated by applicable law.

The Florida Department of Financial Services has developed, as part of the Uniform Accounting System Manual's Chart of Accounts, six major categories of local government revenues: taxes, intergovernmental revenues, permits, fees and special assessments, charges for services, fines and forfeitures, and miscellaneous revenues. Using that organization, the major sources of the City's Non-Ad Valorem Revenues are described below:

**Taxes**

Public Service Tax. Pursuant to Section 166.231, Florida Statutes, municipalities may levy by ordinance a public service tax (also referred to as a "utility excise tax") on the purchase of electricity, metered natural gas, liquefied petroleum gas either metered or bottled, manufactured gas either metered or bottled, and water service. The tax is levied only upon purchases within the municipality and cannot exceed 10% of the payments received by the seller of the taxable item. Services competitive with those listed above, as defined by ordinance, can be taxed on a comparable base at the same rates; however, the tax rate on fuel oil cannot exceed four cents per gallon.

Pursuant to Chapter 17, Article II of the Code of the City of St. Augustine (the "City Code"), the City levies a public service tax on the purchase of fuel oil and kerosene used for the purpose of heating, electricity and metered or bottled gas (natural, liquefied petroleum gas or manufactured) within the corporate limits of the City, a tax based upon the charge made by the seller of such utility services, as follows: (1) on each purchase of electricity, 10% of all charges; (2) on each purchase of metered or bottled gas (natural, liquefied petroleum gas or manufactured), (i) 10% on the first $100 or fraction thereof, and (ii) 1% on the balance of all charges over $100 in amount; (3) on each purchase of fuel oil and kerosene used for the purpose of heating, (i) $0.04 per gallon on the 230 gallons sold or fraction thereof, and (ii) $0.004 per gallon on the balance of all gallons sold over 230 gallons in amount. Such taxes are collected from the purchaser of the utility services and paid by the purchaser for the use of the City, to the seller of such electricity, gas or fuel oil, or kerosene for heating at the time of the purchaser paying the charge therefor to the seller thereof, but not less often than monthly.

State law provides that a municipality may exempt from the public service tax the first 500 kilowatts of electricity per month purchased for residential use. The City has not exempted the first 500 kilowatt hours of electricity purchased for residential use. The City has exempted purchases by the United States of America, the State, all political subdivisions, agencies, boards, commissions, and instrumentalities thereof and purchases by any State recognized church. In addition, the public services tax is not applied against any fuel adjustment charge. The term "fuel adjustment charge" means all increases in the cost of utility services to the ultimate consumer resulting from an increase in the cost of fuel to the utility subsequent to October 1, 1973.

The amount of public service tax collected by the City may fluctuate as the price of electricity fluctuates and a sustained increase in the price thereof may have an adverse effect on the amount of revenues collected from the public service tax.

Business Tax. Pursuant to Section 205.042, Florida Statutes, municipalities may levy, by appropriate resolution or ordinance, a business tax (also referred to as the occupational license tax) for the privilege of engaging in or managing any business, profession, or occupation within its jurisdiction. This tax does not refer to any fees or licenses paid to any board, commission, or officer for permits, registration, examination, or inspection.

Pursuant to Chapter 17, Article III of the City Code, a business tax is levied upon (1) any person who maintains a permanent business location or branch office within the City, for the privilege of engaging in or managing any business within its jurisdiction; (2) any person who maintains a permanent business location or branch office within the City, for the privilege of engaging in or managing any profession or occupation within its jurisdiction; and (3) any person who does not qualify under the provisions of (1) or (2) above and who transacts any business or engages in any occupation or profession in interstate commerce, if such business tax is not prohibited by Article I, Section 8 of the United States Constitution. The business taxes shall be due and payable on the first day of October of each year unless otherwise provided herein; except a business that shall begin between April 1 and September 30 may secure a receipt of one-half of the amount provided, unless otherwise provided for in Chapter 17, Article III of the City Code, if such business begins before July 1, and one-quarter of the amount provided, if such business begins on or after July 1. Business taxes not paid by October 1 shall be considered delinquent and subject to a delinquency penalty of 10% for the month of October, plus an additional 5% penalty for each month of delinquency thereafter until paid; provided, that the total delinquency penalty shall not exceed 25% of the business taxes for the delinquent establishment.

Communications Services Tax. Pursuant to Chapter 202, Florida Statutes (the "Communications Services Tax Act"), municipalities may levy, by ordinance, a local communications services tax (the "Local CST") on "Communications Services" (as defined herein). For municipalities, like the City, that have not chosen to levy permit fees from providers of Communication Services that uses or occupies municipal roads or rights-of-way for the provision of such Communication Services, the tax may be levied at a rate of up to 5.1%. Such rate does not include add-ons of up to 0.12% for municipalities, like the City, that have elected not to require and collect permit fees authorized pursuant to Section 337.401, Florida Statutes. The City levies the Local CST pursuant to Chapter 34, Article II of the City Code and the current Local CST rate for the City is 5.22%.

Communication Services are defined in the Communications Services Tax Act as the transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals, including video services, to a point, or between or among points, by or through any electronic, radio, satellite, cable, optical, microwave, or other medium or method now in existence or hereafter devised, regardless of the protocol used for such transmission or conveyance. The term includes such transmission, conveyance, or routing in which computer processing applications are used to act on the form, code or protocol of the content for purposes of transmission, conveyance, or routing without regard to whether such service is referred to as Voice-over-Internet-Protocol ("VoIP") services or is classified by the Federal Communications Commission as enhanced or value-added. The term does not include, (1) information services; (2) installation or maintenance of wiring or equipment on a customer's premises; (3) the sale or rental of tangible personal property; (4) the sale of advertising, including, but not limited to,

directory advertising; (5) bad check charges; (6) late payment charges; (7) billing and collection services; and (8) internet access service, electronic mail service, electronic bulletin board service, or similar on-line computer services.

The sale of Communications Services to (1) the federal government, or any instrumentality or agency thereof, or any entity that is exempt from State taxes under federal law; (2) the State or any county, municipality, or political subdivision of the State when payment is made directly to the dealer by the governmental entity; and (3) any home for the aged or educational institution (which includes state tax-supported and nonprofit private schools, colleges and universities and nonprofit libraries, art galleries and museums, among others), or religious institutions (which includes, but is not limited to, organizations having an established physical place for worship at which nonprofit religious services and activities are regularly conducted) that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, are exempt from the Local CST. In addition, the Local CST does not apply to any direct home satellite service.

Providers of Communications Services collect the Local CST and may deduct 0.75% as a collection fee (or 0.25% in the case of providers who do not employ an enhanced zip code database or a database that is either supplied or certified by the Florida Department of Revenue (the "FDOR")). The communications services providers remit the remaining proceeds to the FDOR for deposit into the Local Communications Services Tax Clearing Trust Fund (the "CST Trust Fund") and the FDOR then makes monthly contributions from the CST Trust Fund to the appropriate local governments after deducting up to 1% of the total revenues generated as an administrative fee.

The Communications Services Tax Act provides, to the extent that a provider of Communications Services is required to pay to another state or a local taxing jurisdiction a tax, charge, or other fee under any franchise agreement or ordinance with respect to the services or revenues that are also subject to the Local CST, that such provider is entitled to a credit against the amount of such Local CST payable to the State in the amount of such tax, charge, or fee with respect to such service or revenues. The amount of such credit is deducted from the amount that such state or local taxing jurisdiction is entitled to receive.

The amount of Local CST revenues received by the City is subject to increase or decrease due to (1) increases or decreases in the dollar volume of taxable sales within the City; (2) legislative changes; and/or (3) technological advances which could affect consumer preferences, such as VoIP. VoIP is a less expensive technology that allows telephone calls to be made in digital form using a broadband internet connection, rather than an analog phone line, and has the potential to supplant traditional telephone service. It is possible that VoIP could reduce the dollar volume of taxable sales within the City. The amount of the Local CST revenues collected within the City may also be adversely affected by de-annexation. Such de-annexation would decrease the number of addresses contained within the City. At this time there are no de-annexations anticipated within the City.

**Intergovernmental Revenues**

All revenues received by a local unit from federal, state, and other local government sources in the form of grants, shared revenues, and payments in lieu of taxes are included in the intergovernmental revenues category. The category is further classified into eight subcategories: federal grants, federal payments in lieu of taxes ("PILOT"), state grants, state shared revenues, state PILOT, local grants, local shared revenues, and local PILOT. If a particular grant is funded from separate intergovernmental

sources, then the revenue is recorded proportionately. The largest components of intergovernmental revenues are the Local Government Half-Cent Sales Tax (the "Half-Cent Sales Tax") and the Municipal Revenue Sharing.

Local Government Half-Cent Sales Tax. Section 212.05, Florida Statutes (the "Sales Tax Act"), authorizes the levy and collection by the State of a sales tax upon, among other things, the sales price of each item or article of tangible personal property sold at retail in the State, subject to certain exceptions and dealer allowances. In 1982, with the enactment of Chapter 218, Part VI, Florida Statutes, the State Legislature created the Local Government Half-Cent Sales Tax Program (the "Half-Cent Sales Tax Program"), which distributes a portion of the sales tax revenue distributions to eligible county or municipal governments. Additionally, the Half-Cent Sales Tax Program distributes a portion of communication services tax revenue to eligible local governments.

The Half-Cent Sales Tax Program includes three distributions of State sales tax revenues collected pursuant to Chapter 212, Florida Statutes. The ordinary distribution to eligible county and municipal governments is possible due to the transfer of 8.9744% of net sales tax proceeds to the Local Government Half-Cent Sales Tax Clearing Trust Fund (the "Half-Cent Sales Tax Trust Fund"). The emergency and supplemental distributions are possible due to the transfer of 0.0966% of net sales tax proceeds to the Half-Cent Sales Tax Trust Fund. The emergency and supplemental distributions are available to select counties that meet certain fiscal-related eligibility requirements or have an inmate population greater than 7% of the total county population, respectively. As of July 1, 2006, the Half-Cent Sales Tax Program includes a separate distribution from the Half-Cent Sales Tax Trust Fund to select counties that meet statutory criteria to qualify as a fiscally constrained county. This separate distribution is in addition to the qualifying county's ordinary distribution and any emergency or supplemental distribution. The City does not receive any emergency, supplemental, or fiscally constrained county distributions.

Monies remitted by a sales tax dealer located within the county and transferred into the Half-Cent Sales Tax Trust Fund are earmarked for distribution to the governing body of that county and each municipality within that county. Such distributions are made after funding is provided pursuant to Section 218.64(3), Florida Statutes. Monies in the Half-Cent Sales Tax Trust Fund are appropriated to the FDOR and distributed monthly to participating units of local government.

Each participating county and municipal government receives a proportion of monies earmarked for the ordinary distribution within that county. The allocation factor for each county government is computed by dividing the sum of the county's unincorporated area population plus two-thirds of the county's incorporated area population by the sum of the county's total population plus two-thirds of the county's incorporated area population. Each county's distribution is determined by multiplying the allocation factor by the sales tax monies earmarked for distribution within that county. The allocation factor for each municipal government is computed by dividing the municipality's total population by the sum of the county's total population plus two-thirds of the county's incorporated population. Each municipality's distribution is determined by multiplying the allocation factor by the sales tax monies earmarked for distribution within its respective county. For purposes of the foregoing formulas, "population" is based upon the latest official State estimate of population certified prior to the beginning of the local government fiscal year. Should the City annex any area or should any area of the City de-annex from the City, the share of the Half-Cent Sales Tax received by the City would be respectively increased or decreased according to the foregoing formula. The City has no de-annexation plans at this time.

Only those county and municipal governments that meet the eligibility requirements for revenue sharing pursuant to Section 218.23, Florida Statutes, may participate in the Half-Cent Sales Tax Program. Those requirements include, but are not limited to, the following: (1) reported its finances for its most recently completed fiscal year to the Florida Department of Financial Services ("FDFS") as required by State law; (2) made provisions for annual post-audits of financial accounts in accordance with provisions of law; (3) levied, as shown on its most recent financial report, ad valorem taxes, exclusive of taxes levied for debt service or other special millages authorized by the voters, to produce the revenue equivalent to a millage rate of three mills on the dollar based upon 1973 taxable values or, in order to produce revenue equivalent to that which would otherwise be produced by such three mill ad valorem tax, to have received certain revenues from a county (in a case of a municipality), collected an occupational license tax or utility tax, or levied an ad valorem tax, or any combination of those four sources; (4) certified that persons in its employ as law enforcement officers meet certain qualifications for employment, and receive certain compensation; (5) certified that persons in its employ as firefighters meet certain employment qualifications and are eligible for certain compensation; (6) certified that each dependent special district that is budgeted separately from the general budget of such county or municipality has met the provisions for annual post-audit of its financial accounts in accordance with law; and (7) certified to the FDOR that it has complied with certain procedures regarding the establishment of the ad valorem tax millage of the county or municipality as required by law (collectively, the "Eligibility Requirements").

If a county or municipal government does not comply with the Eligibility Requirements, such county or municipal government would lose its Half-Cent Sales Tax Trust Fund distributions for 12 months following a "determination of noncompliance" by the FDOR. The City has continuously maintained eligibility to receive the Half-Cent Sales Tax.

Although the Sales Tax Act does not impose any limitation on the number of years during which a county and municipal government can receive distribution of the Half-Cent Sales Tax from the Half-Cent Sales Tax Trust Fund, there may be amendments to the Sales Tax Act in subsequent years imposing additional requirements of eligibility for counties and municipalities participating in the Half-Cent Sales Tax Program, or the distribution formulas may be revised.

The amount of Half-Cent Sales Tax received by the City is subject to increase or decrease due to (1) increases or decreases in the dollar volume of taxable sales within the County; (2) legislative changes relating to the overall sales tax, which may include changes in the scope of taxable sales, changes in the tax rate and changes in the amount of sales tax revenue deposited into the Half-Cent Sales Tax Trust Fund; (3) changes in the relative population of the City, which affect the percentage of Half-Cent Sales Tax received by the City; and (4) other factors which may be beyond the control of the City, including but not limited to the potential for increased use of electronic commerce and other internet-related sales activity that could have a material adverse impact upon the amount of sales tax collected by the State and then distributed to the City.

Municipal Revenue Sharing. Chapter 218.215, Florida Statutes, created the Revenue Sharing Trust Fund for Municipalities (the "Revenue Sharing Trust Fund"), which currently receives 1.3653% of sales and use tax collections and the net collections from the one-cent municipal fuel tax. Effective January 1, 2014, the trust fund no longer receives 12.5% of the State alternative fuel user decal fee collections due to the repeal of the annual decal fee program for motor vehicles powered by alternative fuels. However, beginning January 1, 2019, 25% of the $0.04 of excise tax levied upon each motor fuel equivalent gallon of

natural gas fuel, pursuant to Section 206.9955(2)(a), Florida Statutes, will be transferred to the Revenue Sharing Trust Fund. Currently, the percentage of each revenue source transferred into the Revenue Sharing Trust Fund is 76.3% from sales and use tax collections and 23.7% from the one-cent municipal fuel tax on motor fuel.

The municipal revenue sharing program is administered by the FDOR, and monthly distributions are made to eligible municipal governments. To be eligible for municipal revenue sharing funds beyond the minimum entitlement, a local government must have satisfied the Eligibility Requirements. As it relates to municipal revenue sharing, the minimum entitlement is defined as the amount of revenue, as certified by the municipal government and determined by the FDOR, which must be shared with the municipality so that the municipality will receive the amount of revenue necessary to meet its obligations as the result of pledges, assignments, or trusts entered into which obligated funds received from revenue sources or proceeds distributed out of the Revenue Sharing Trust Fund. It is the duty of the local government to submit the certified information required for the program's administration to the FDOR in a timely manner. A local government's failure to provide timely information authorizes the FDOR to utilize the best information available, or if no such information is available, to take any necessary action including, disqualification. Additionally, the local government waives any right to challenge the FDOR's determination as to the jurisdiction's share of program revenues. No unit of local government which was eligible to participate in the municipal revenue sharing program in the three years prior to initially participating in the Half-Cent Sales Tax Program shall be ineligible to participate in municipal revenue sharing program solely due to a millage or utility tax reduction afforded by the Half-Cent Sales Tax.

In each fiscal year, the FDOR computes apportionment factors for use during the fiscal year. An apportionment factor is calculated for each eligible municipality using a formula consisting of the following equally weighted factors: adjusted municipal population, derived municipal sales tax collections, and municipality's relative ability to raise revenue, as more fully described in Section 218.245, Florida Statutes. In short, the distribution to an eligible municipality is determined by the following procedure: first, a municipal government's entitlement is computed on the basis of the apportionment factor applied to all Revenue Sharing Trust Fund receipts available for distribution; second, the revenue to be shared via the formula in any fiscal year is adjusted so that no municipality receives fewer funds than its guaranteed entitlement, which is equal to the aggregate amount received from the State in Fiscal Year 1971-72 under then-existing statutory provisions; third, the revenue to be shared via the formula in any fiscal year is adjusted so that all municipalities receive at least their minimum entitlement, which means the amount of revenue necessary for a municipality to meet its obligations as the result of pledges, assignments, or trusts entered into that obligated the Revenue Sharing Trust Fund monies; and fourth, after making these adjustments, any remaining Revenue Sharing Trust Fund monies are distributed on the basis of the additional money of each qualified municipality in proportion to the total additional money for all qualified municipalities.

Funds derived from the municipal fuel tax on motor fuel may only be used to pay debt service allocable to the purchase of transportation facilities and road and street rights-of-way; construction, reconstruction, and maintenance of roads, streets, bicycle paths, and pedestrian pathways; adjustment of city-owned utilities as required by road and street construction; and construction, reconstruction, transportation-related public safety activities, maintenance, and operation of transportation facilities. In addition, municipalities may assign, pledge, or set aside as trust for the payment of principal or interest on bonds an amount up to 50% of the funds received in the prior year.

**Licenses and Permits**

Franchise Fees. Local governments may exercise their home rule authority to impose a franchise fee upon businesses for the grant of a franchise and privilege of using local government's public streets, alleys, highways, waterways, bridges, easements, and other public rights-of-ways to conduct their business. The imposition of the fee requires the adoption of a franchise agreement, which grants a special privilege that is not available to the general public.

The City has a franchise agreement with Florida Power and Light ("FPL") for the privilege of constructing upon and operating within the rights-of-ways owned by the City. In consideration for this privilege, FPL has agreed to pay the City 5.9% of its gross revenues from the sale of electric energy to all customers within the City limits, less property taxes and minor fees previously paid to the City. The agreement entered into between the City and FPL is currently due to be renegotiated in 2039.

The City has a franchise agreement with horse and carriage operators for the privilege of operating within the rights-of-way owned by the City. In consideration for this privilege, the horse and carriage operators have agreed to pay the City 6% of the sale of horse and carriage rides. The franchise agreement between the City and each horse and carriage operator is a 10-year agreement up for renegotiation in 2020.

The City has a franchise agreement with TECO Gas for the privilege of construction upon and operating within the rights-of-ways owned by the City. In consideration for this privilege, TECO Gas has agreed to pay the City 6% of its sale of gas to all customers within the City limits. The franchise agreement between the City and TECO gas is a 15-year agreement up for renegotiation in 2024.

The City has a franchise agreement with sightseeing trains and trolleys for the privilege of construction upon and operating within the rights-of-way owned by the City. In consideration for this privilege, the sightseeing vehicle companies have agreed to pay the City 3.5% of ticket sales to customers. The franchise agreement between the City and each sightseeing vehicle company allows for a 0.5% increase in the franchise fee every three years. The City has budgeted to raise the franchise fee to 4% beginning in Fiscal Year 2018.

The City has a franchise agreement with private sanitation haulers for the privilege of operating within the rights-of-way owned by the City. In consideration for this privilege, the private sanitation haulers have agreed to pay the City 10% of their gross revenues along with a franchise fee and an annual fee per vehicle.

Permits. On all buildings, structures, electrical, plumbing, mechanical and gas systems or alterations within the City requiring a permit, a fee for each permit shall be paid as required at the time of filing such application. The City charges a fee for the regulation of archaeological investigations and excavation in enumerated archaeological zones for ground disturbances associated with building permits, utility permits, or right-of-way permits. The City assesses a fee for the administrative review of new or existing public works projects and rights-of-way. The amount of the fees vary based on the size of the public works project.

**Charges for Services**

All revenues resulting from a local unit's charges for services are reflected in this category and include those charges received from private individuals or other governmental units. The following functional areas include such charges: (1) general government (document reproduction fees, sales of maps and publications, and board application and appeal fees); (2) public safety (fees for police and fire protection services); (3) physical environment (charges including cemetery fees); (4) planning and zoning (fees for zoning changes and planning reviews); (5) indirect services (fees associated with services provided to City proprietary funds); (6) transportation and parking (parking fees, permits, pre-filled cards, and marina dockage and mooring field); (7) recreation and culture (fees for special events, and parks and recreation activities such as athletics programs and swimming pool usage); (8) stormwater services; and (9) other (fees for services not specifically mentioned above).

**Fines and Forfeitures**

Fines and forfeitures reflect those penalties and fines imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations, and for neglect of official duty. Forfeitures include revenues resulting from parking and court fines as well as proceeds from the sale of contraband property seized by law enforcement agencies.

**Miscellaneous Revenues**

This category includes a variety of revenues and transfers from other funds, including: (1) interest earnings; (2) gains (or losses) on sale of investments; (3) rents and royalties; (4) disposition of fixed assets; (5) sales of surplus materials and scrap; and (6) contributions from private sources.

**Recent Legislation Regarding Sales Tax and State Communication Services Tax**

Chapter 2015-221, Laws of Florida, amends several State laws related to taxation. Among the provisions contained in Chapter 2015-221 are expanded sales tax exemptions and a reduction in the State communications services tax. As described above, some of the revenues distributed from the Half-Cent Sales Tax Trust Fund and the Revenue Sharing Trust Fund include certain proceeds of the State communications services tax. The provisions of Chapter 2015-221 with respect to the reduction of the State communications services tax ensure that local governments will continue to receive the same amount of revenues they receive under current law. The City does not believe that Chapter 2015-221 will have a material adverse impact on the City's receipt of revenues from the Half-Cent Sales Tax Trust Fund and the Revenue Sharing Fund for Municipalities.

**Historical Non-Ad Valorem Revenues**

Set forth below is a table showing the major sources of historical non-ad valorem revenues of the City for the Fiscal Years 2014 through 2016 (unaudited), Fiscal Year 2017 (projected), and Fiscal Year 2018 (budgeted). The Fiscal Year 2017 ended on September 30, 2017, and the City is in the early stages of its closeout process. The projected amounts shown for Fiscal Year 2017 in the table below are as of November 17, 2017, and are preliminary and not ready to be submitted for audit. Such amounts are subject to completion and adjustment upon completion of the closeout process as well as the final auditing process.

The table below is only an indication of the relative amounts of non-ad valorem revenues of the City which may be available for the payment of principal of and interest on the Bonds and other general governmental expenditures; however, such table is not intended to represent non-ad valorem revenues of the City which would necessarily be available to pay debt service on the Bonds. The ability of the City to appropriate Non-Ad Valorem Revenues in sufficient amounts to pay the principal of and the interest on the Bonds is subject to a variety of factors, including the City's satisfaction of funding requirements for obligations having an express lien on or pledge of such revenues and after satisfaction of funding requirements for essential governmental services of the City. No representation is being made by the City that any particular Non-Ad Valorem Revenues will be available in future years, or if available, will be budgeted to pay debt service on the Bonds.

Continued consistent receipt of Non-Ad Valorem Revenues is dependent upon a variety of factors, including annexation and/or de-annexation policies by the City or greater growth in the unincorporated areas of the County as compared to the City which could have an adverse effect on Non-Ad Valorem Revenues. The amounts and availability of any of the Non-Ad Valorem Revenues to the City are also subject to change, including reduction or elimination by change of State law or changes in the facts or circumstances according to which certain of the Non-Ad Valorem Revenues are allocated. In addition, the amount of certain Non-Ad Valorem Revenues collected by the City is directly related to the general economy of the City. Accordingly, adverse economic conditions could have a material adverse effect on the amount of Non-Ad Valorem Revenues collected by the City. The City may also specifically pledge certain of the Non-Ad Valorem Revenues or covenant to budget and appropriate Non-Ad Valorem Revenues of the City to future obligations. In the case of a specific pledge, such Non-Ad Valorem Revenues would be required to be applied to such obligations prior to paying the principal of and interest on Bonds.

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## HISTORICAL NON-AD VALOREM REVENUES
## (UNAUDITED)

| | Fiscal Year Ended September 30 | | | | |
|---|---|---|---|---|---|
| Non-Ad Valorem Revenues: | 2014 | 2015 | 2016 | 2017 (Projected) | 2018 (Budgeted) |
| Franchise Fees | $1,449,609 | $1,588,110 | $1,642,163 | $1,539,964 | $1,662,000 |
| Public Service Taxes | 1,206,941 | 1,212,827 | 1,341,218 | 1,495,577 | 1,510,000 |
| Communication Service Tax | 818,429 | 918,884 | 902,282 | 1,483,667 | 925,004 |
| Occupational Licenses | 121,226 | 128,644 | 98,805 | 122,836 | 126,000 |
| Building and Sign Permits | 249,050 | 361,423 | 363,410 | 379,830 | 405,000 |
| Other Permits and Licenses | 106,482 | 166,477 | 195,855 | 187,687 | 187,700 |
| State Revenue Sharing | 1,683,747 | 1,739,969 | 1,821,356 | 1,897,422 | 1,892,719 |
| County Revenue Sharing | 28,880 | 29,349 | 24,460 | 26,699 | 23,000 |
| Parking Fees | 1,810,910 | 1,947,260 | 1,971,842 | 1,789,451 | 2,300,870 |
| County Court Fines | 56,694 | 34,192 | 21,595 | 22,624 | 22,000 |
| Violations of Local Ordinance | 29,174 | 29,405 | 20,800 | 30,386 | 15,000 |
| Parking Fines and Forfeitures | 185,564 | 376,653 | 307,576 | 301,572 | 378,750 |
| Interest Earnings[1] | 48,062 | 47,245 | 64,917 | 115,577 | 120,540 |
| Rental Income | 1,259,263 | 1,332,322 | 1,240,286 | 1,132,628 | 1,130,339 |
| Other Miscellaneous Revenue | 633,442 | 440,371 | 277,857 | 977,827 | 373,536 |
| Administrative Transfers | 2,134,031 | 2,532,364 | 3,536,037 | 3,423,132 | 3,545,795 |
| Operating Transfers | 1,079,279 | 1,727,012 | 1,376,946 | 1,323,719 | 1,383,223 |
| Other Transfers | - | 362,291 | 735,176 | 728,050 | 1,530,690 |
| Total General Fund Non-Ad Valorem Revenues | $12,901,143 | $14,974,796 | $15,942,581 | $16,978,667 | $17,532,166 |
| | | | | | |
| Historic Area Community Redevelopment Area ("HACRA")[2] | $524,318 | $466,426 | $633,821 | $726,006 | $847,511 |
| Utility Fund[2] | 12,158,715 | 15,304,108 | 15,299,008 | 17,934,968 | 15,714,040 |
| Stormwater[2] | 879,070 | 949,553 | 932,543 | 932,559 | 950,350 |
| Solid Waste Fund[3] | 3,428,324 | 3,379,294 | 3,673,363 | 3,695,683 | 3,977,079 |
| Municipal Marina[2] | 2,508,385 | 2,533,583 | 2,362,932 | 2,632,321 | 2,960,105 |
| Visitor Information Center ("VIC") Fund[2] | 2,897,449 | 3,720,400 | 3,926,294 | 3,869,939 | 4,778,405 |
| All Non-Ad Valorem Revenues | $35,297,404 | $41,328,160 | $42,770,543 | $46,770,143 | $46,759,656 |
| | | | | | |
| Not Legally Available to Pay Debt Service on the Bonds | (20,878,199) | (23,988,483) | (24,445,329) | (27,292,602) | (26,730,890) |
| Legally Available to Pay Debt Service on the Bonds | $14,419,205 | $17,339,677 | $18,325,213 | $19,477,541 | $20,028,766 |

*Source: City of St. Augustine, Florida, Finance Department.*

[1] The portion attributable to earnings on ad valorem tax revenues may not be available to pay debt service on the Bonds; however, the City does not keep records to enable it to determine with precision the amount of earnings allocable to such ad valorem tax revenues.

[2] The HACRA revenues, utility fund revenues, stormwater revenues, municipal marina revenues, and VIC revenues can be used to pay the portion of debt service on the Bonds that is allocable to HACRA, utility, stormwater, municipal marina, and VIC capital projects, respectively. Such revenues may not be available for the issuance of additional debt payable from a covenant to budget and appropriate Non-Ad Valorem Revenues, if such additional debt is not financing an eligible capital projects.

[3] The solid waste fund revenues are not legally available to pay debt service on the Bonds because the Bonds did not finance an eligible solid waste capital project.

**Other Debt of the City**

Set forth below is a table showing debt that is payable from non-ad valorem revenues of the City. As of October 1, 2017, the City has approximately $43,609,845 aggregate principal amount of debt secured by only a covenant to budget and appropriate non-ad valorem revenues. In 2017, the City entered into a Drinking Water State Revolving Fund Construction Loan Agreement (the "SRF Loan") with the State Department of Environmental Protection to finance certain public water system improvements. The SRF Loan is secured by the net revenues of the City's utility systems; however, if such revenues are insufficient in any fiscal year to pay the debt service on the SRF Loan, the City covenanted to budget and appropriate legally available Non-Ad Valorem Revenues in the amount of the deficiency. At this time, the City anticipates that the net revenues of the City's utility systems will be sufficient to pay the debt service due under the SRF Loan.

**Future Financing Plans**

Subject to the provisions of the Resolution, the City may in the future issue additional debt payable from a covenant to budget and appropriate Non-Ad Valorem Revenues, which is the security for the Bonds, or issue debt payable from a specific source of Non-Ad Valorem Revenues. In 2018, the City may issue additional debt payable from a covenant to budget and appropriate Non-Ad Valorem Revenues to finance capital costs associated with the repair of damages to the municipal marina caused by Hurricane Matthew and Hurricane Irma.

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**DEBT SERVICE SCHEDULE**
**FOR NON-AD VALOREM REVENUE OBLIGATIONS**

The following presents the debt service requirements on the City's Non-Ad Valorem Revenue debt obligations after the issuance of the Bonds and the refunding of the Refunded Series 2004 Bonds and the Refunded Series 2011 Bonds.

| Bond Year Ended October 1 | Capital Improvement Refunding Revenue Bonds, Series 2011B | Capital Improvement Refunding Revenue Bonds, Series 2013 | Capital Improvement Refunding Revenue Bonds, Series 2017 | Aggregate Debt Service[1] |
|---|---|---|---|---|
| 2018 | $719,850 | $1,434,000 | $846,805 | $3,000,655 |
| 2019 | 724,163 | 1,505,850 | 1,062,900 | 3,292,913 |
| 2020 | 717,538 | 1,505,000 | 1,061,500 | 3,284,038 |
| 2021 | 723,438 | 1,503,550 | 1,064,900 | 3,291,888 |
| 2022 | 722,513 | 1,501,500 | 1,062,900 | 3,286,913 |
| 2023 | 719,206 | 1,508,850 | 1,060,700 | 3,288,756 |
| 2024 | 720,356 | 1,500,300 | 1,063,300 | 3,283,956 |
| 2025 | 718,756 | 1,508,300 | 860,500 | 3,087,556 |
| 2026 | 721,356 | 1,504,700 | 860,500 | 3,086,556 |
| 2027 | 722,225 | 1,504,900 | 860,500 | 3,087,625 |
| 2028 | 722,063 | 1,508,700 | 870,500 | 3,101,263 |
| 2029 | 719,281 | 1,510,900 | 870,000 | 3,100,181 |
| 2030 | 725,406 | 486,500 | 1,929,500 | 3,141,406 |
| 2031 | | 2,321,500 | 826,000 | 3,147,500 |
| 2032 | | 2,314,750 | 825,000 | 3,139,750 |
| 2033 | | 2,318,750 | 824,000 | 3,142,750 |
| 2034 | | 2,317,750 | 823,000 | 3,140,750 |
| 2035 | | 316,750 | 2,772,000 | 3,088,750 |
| 2036 | | 315,500 | 2,773,500 | 3,089,000 |
| 2037 | | 318,750 | 2,770,000 | 3,088,750 |
| 2038 | | 321,250 | 2,771,500 | 3,092,750 |
| 2039 | | 318,000 | 2,772,500 | 3,090,500 |
| 2040 | | 314,250 | 2,772,750 | 3,087,000 |
| 2041 | | 315,000 | 2,772,000 | 3,087,000 |
| Totals | $9,376,151 | $29,975,300 | $36,176,755 | $75,528,206 |

[1] Does not include capital lease obligations payable by a covenant to budget and appropriate non-ad valorem revenues in the amount of $46,744 and maturing on October 1, 2019.

*Source: City of St. Augustine, Florida, Finance Department.*

Since there is no lien on the Non-Ad Valorem Revenues in favor of the Holders of the Bonds, the exercise of remedies by the holders of the other obligations heretofore or hereafter issued which are payable from Non-Ad Valorem Revenues may result in the payment of debt service on any such obligations prior to the payment of debt service on the Bonds.

## CERTAIN FINANCIAL MATTERS

### Investment Policy

The City's comprehensive investment policy follows the requirements of Section 218.415, Florida Statutes, which establishes permitted investments, asset allocation limits, credit ratings requirements, and maturity limits to protect the City's case and investment assets. The basic allowable investment instruments include the Local Government Surplus Funds Trust Fund; 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; and other investments authorized by law or ordinance for a county or municipality.

### Financial and Operating Plan (Budget) and Capital Program

The City has consistently received the Government Finance Officers Association of the United States and Canada ("GFOA") Certificate of Achievement for its budget presentations. The City primarily uses incremental budgeting with input from all City departments. The budget process begins in January of each year and the final budget for the upcoming fiscal year beginning October 1 is usually approved by the Commission in September of each year.

The Commission has adopted a long-term major capital improvement plan, which requires periodic asset reviews to include maintenance and replacement costs. The long-term major capital improvement plan, which is part of the policy coordinates capital needs and the impact of those capital needs on operating budgets.

### Financial Reporting

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the Fiscal Year 2016. This is the 25th consecutive year that the City has achieved this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

### General Fund

The General Fund is the general operating fund of the City. It accounts for all financial resources except for those required to be accounted for in another fund. The largest source of revenue in this fund is ad valorem taxation (ad valorem taxes are not legally available to pay debt service on the Bonds). Revenues deposited in the General Fund do not directly correspond to the Pledged Funds or the Non-Ad Valorem Revenues from which debt service on the Bonds is payable as some General Fund revenues are not legally available to pay debt service on the Bonds and some Non-Ad Valorem Revenues are not deposited into the General Fund, but rather other Governmental Funds. Operations are removed from the General Fund only when they are deemed to be true enterprise operations.

Although the Bonds are not payable from ad valorem taxation, approximately 35% of General Fund revenues which are collected by the City currently come from ad valorem taxes. To the extent that the future collection of ad valorem tax revenues or non-ad valorem revenues is adversely affected, a larger portion of non-ad valorem revenues would be required to balance the budget and provide for the payment of services and programs which are for essential public purposes affecting the health, safety, and welfare of the inhabitants of the City or which are mandated by applicable law. See "APPENDIX A – GENERAL INFORMATION CONCERNING THE CITY OF ST. AUGUSTINE, FLORIDA" for a description of the City's ad valorem tax revenues and certain ad valorem tax reforms and initiatives put forth by the State Legislature.

The table below shows information regarding the General Fund for the City's Fiscal Years 2014 through 2016 (audited), the Fiscal Year 2017 (projected), and the Fiscal Year 2018 (budgeted). The Fiscal Year 2017 ended on September 30, 2017, and the City is in the early stages of its closeout process. The projected amounts shown for Fiscal Year 2017 in the table below are as of November 17, 2017, and are preliminary and not ready to be submitted for audit. Such amounts are subject to completion and adjustment upon completion of the closeout process as well as the final auditing process.

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## GENERAL FUND REVENUES AND EXPENSES

| | 2014 (Audited) | 2015 (Audited) | 2016 (Audited) | 2017 (Projected) | 2018 (Budgeted) |
|---|---|---|---|---|---|
| REVENUES | | | | | |
| Ad Valorem Taxes | $8,136,439 | $8,509,408 | $9,338,782 | $10,052,522 | $10,410,970 |
| Sales, Use and Gas Taxes | 856,593 | 885,819 | 886,755 | 885,540 | 832,672 |
| Utility and Communications Service Taxes | 2,025,371 | 2,131,711 | 2,243,500 | 2,978,298 | 2,435,004 |
| Grants | 230,349 | 678,234 | 43,354 | 20,000 | - |
| Intergovernmental | 1,730,263 | 1,788,627 | 1,865,806 | 1,873,332 | 1,936,479 |
| Franchise Fees | 1,449,609 | 1,588,110 | 1,642,163 | 1,623,408 | 1,662,000 |
| Licenses, Permits and Other Fees | 3,311,097 | 3,698,959 | 3,655,864 | 3,675,974 | 4,247,308 |
| Fines and Forfeitures | 282,512 | 466,019 | 621,657 | 360,707 | 429,450 |
| Administrative Overhead Charges | 2,134,031 | 2,532,364 | 3,536,037 | 3,423,132 | 3,545,797 |
| Investment Income | 48,134 | 47,443 | 65,234 | 116,109 | 120,540 |
| Miscellaneous | 2,392,080 | 2,415,453 | 2,920,483 | 2,325,012 | 1,686,455 |
| TOTAL REVENUES | $22,596,478 | $24,742,147 | $26,819,635 | $27,334,034 | $27,306,675 |
| | | | | | |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General Government | $7,782,616 | $7,641,790 | $6,453,343 | $6,704,018 | $6,915,719 |
| Public Safety | 8,858,310 | 9,263,984 | 9,784,975 | 9,600,126 | 10,285,813 |
| Physical Environment | 3,883,309 | 2,459,077 | 2,602,746 | 2,576,672 | 3,040,549 |
| Transportation | 223,122 | 1,949,930 | 2,979,462 | 3,348,403 | 3,759,749 |
| Culture/Recreation | 471,297 | 1,452,229 | 1,424,595 | 1,264,047 | 1,600,082 |
| Capital Outlay | 639,783 | 1,689,104 | 1,044,099 | 2,451,351 | 2,130,450 |
| Total Expenditures | $21,858,437 | $24,456,114 | $24,289,220 | $25,944,167 | $27,732,362 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | $738,041 | $286,033 | $2,530,415 | $1,162,659 | $(425,687) |
| | | | | | |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Borrowing from Capitalized Lease | $215,000 | - | - | - | - |
| Transfers in | 2,458,674 | $3,649,038 | $2,972,439 | $2,912,086 | $3,774,230 |
| Transfers out | (3,714,113) | (5,293,333) | (3,414,950) | (5,560,097) | (3,348,543) |
| Issuance of Refunding Bonds | - | - | - | - | - |
| Total Other Financing Sources (Uses) | $(1,040,439) | $(1,644,295) | $(442,511) | $(2,648,011) | $425,687 |
| | | | | | |
| Net Change in Fund Balance | $(302,398) | $(1,358,262) | $2,087,904 | $(1,258,594) | - |
| | | | | | |
| BEGINNING FUND BALANCE | $10,233,812 | $9,931,414 | $8,573,152 | $10,661,056 | $9,402,462 |
| ENDING FUND BALANCE | $9,931,414 | $8,573,152 | $10,661,056 | $9,402,462 | $9,402,462 |
| Nonspendable Portion | 634,204 | 636,991 | 783,289 | 577,385 | 577,385 |
| Restricted Portion | 70,933 | 64,333 | 70,806 | 49,331 | 49,331 |
| Committed | 7,871,887 | 7,305,641 | 8,538,824 | 7,650,265 | 7,650,265 |
| Assigned | 555,497 | 555,541 | 1,047,221 | 1,042,120 | 1,042,120 |
| Unassigned | 798,893 | 10,646 | 220,916 | 83,361 | 83,361 |

*Source: For Fiscal Years 2014 through 2016, City of St. Augustine, Florida, Comprehensive Annual Financial Report for Fiscal Years Ended September 30, 2014 through 2016. For Fiscal Years 2017 and 2018, City of St. Augustine, Florida, Finance Department.*

## LIABILITIES OF THE CITY

### Insurance Considerations Affecting the City

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

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 "FMIT"). The City pays an annual premium to the FMIT for its coverage. The premiums are designed to fund the liability risk assumed by the FMIT 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 FMIT. 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, 2017, will not materially affect the financial condition of the City. See "LITIGATION" herein.

On October 7, 2016, Hurricane Matthew impacted both the residents and infrastructure of the City. Immediately after the storm, the City expended approximately $2 million for debris removal. Up to 92% of these costs are expected to be reimbursed by FEMA and the State. The City saw significant damage to 13 sewer lift stations in the City and the large breakwater dock at the municipal marina. These combined costs are expected to exceed $10 million. Several smaller scale damages were experienced with City buildings and equipment. The City expects that up to 87.5% of the City's storm costs will be reimbursed by FEMA and the State. Any required spending matches and any costs that are not deemed reimbursable by FEMA and the State will be spent from the City's committed reserves (emergency reserves).

On September 9, 2017, Hurricane Irma impacted both the residents of and the infrastructure of the City. Immediately after the storm, the City expended approximately $1.2 million for debris removal throughout the City. Up to 92% of these costs are expected to be reimbursed by FEMA and the State. The City saw flooding to sewer lift stations and significant damage to one sewer lift station. The City also saw major damage to the south and interior docks at the municipal marina. These combined costs are expected to exceed $4 million. The City is currently working with FEMA and the State to obtain estimates and begin work on these larger projects. Several smaller scale damages were experienced with City buildings and equipment. The City expects that up to 87.5% of the City's storm costs will be reimbursed by FEMA and the State. Any required spending matches and any costs that are not deemed reimbursable by FEMA and the State will be spent from the City's committed reserves (emergency reserves).

**Ability to be Sued, Judgments Enforceable**

Notwithstanding the liability limits described below, the laws of the State provide that each city has waived sovereign immunity for liability in tort to the extent provided in Section 768.28, Florida Statutes. Therefore, the City is liable for tort claims in the same manner and, subject to limits stated below, to the same extent as a private individual under like circumstances, except that the City is not liable for punitive damages or interest for the period prior to judgment. Such legislation also limits the liability of a city to pay a judgment in excess of $200,000 to any one person or in excess of $300,000 because of any single incident or occurrence. Judgments in excess of $200,000 and $300,000 may be rendered, but may be paid from City funds only pursuant to further action of the State Legislature in the form of a "claims bill." See "LIABILITIES OF THE CITY – Insurance Considerations Affecting the City" herein. Notwithstanding the foregoing, the City may agree, within the limits of insurance coverage provided, to settle a claim made or a judgment rendered against it without further action by the State Legislature, but the City shall not be deemed to have waived any defense of sovereign immunity or to have increased the limits of its liability as a result of its obtaining insurance coverage for tortuous acts in excess of the $200,000 or $300,000 waiver provided by Florida Statutes. See "LITIGATION" herein.

**Direct Debt of the City**

The City has met certain of its financial needs through debt financing. The table which follows is a schedule of the outstanding debt of the City as of October 1, 2017.

| | Principal Amount Issued | Principal Amount Outstanding |
|---|---|---|
| Capital Improvement & Refunding Revenue Bonds, Series 2004[1] | $22,155,000 | $1,055,000 |
| Capital Improvement Revenue Bonds, Series 2011[1] | 16,215,000 | 16,215,000 |
| Capital Improvement Refunding Revenue Bonds, Series 2011B | 10,440,000 | 7,185,000 |
| Capital Improvement Refunding Revenue Bonds, Series 2013 | 20,645,000 | 19,065,000 |
| Capital Lease Obligation | 89,845 | 46,744 |
| Water and Sewer Revenue Refunding Bonds, Series 2012[2] | 15,930,000 | 9,910,000 |
| Water and Sewer Revenue Refunding Bond, Series 2016[2] | 4,320,000 | 3,455,000 |
| Total Direct Debt | $ 89,794,845 | $56,931,744 |

[1] Amounts will be deposited in an Escrow Account upon issuance of the Bonds to pay all or a portion of the principal of and interest on such debt until paid in full upon maturity or earlier redemption. See "PLAN OF REFUNDING" herein.
[2] Payable and secured by a lien on net revenues of the water and sewer system of the City.

*Source: City of St. Augustine, Florida, Finance Department.*

**Retirement Systems**

The City has established three pension trust funds: General Employees' Retirement System ("GERS"), Police Officers' Retirement System ("PORS"), and Fire Fighters' Retirement System ("FFRS"). All full-time employees are covered under one of these three separate single-employer defined benefit plans. Each plan is a governmental benefit plan and is tax exempt under the Internal Revenue Service Code. Each plan is administered by a Board of Trustees in which City administration and members of the respective plans are represented. Each plan presents separate financial statements, and are included as

part of the City's financial reporting entity (reporting as pension trust funds) since they are not "legally separate". The General Fund would be used to liquidate any of the obligations for these pension funds or any other post-employment benefit.

Membership. On September 30, 2016, employee membership data related to the pension plans was:

| | GERS | PORS | FFRS | Total |
|---|---|---|---|---|
| Active Participants | 221 | 48 | 32 | 301 |
| Inactive Members or Beneficiaries Receiving Benefits | 142 | 24 | 28 | 194 |
| Drop Retirees | - | 1 | 1 | 2 |
| Disabled Members | - | 4 | - | 4 |
| Vested Terminated | 12 | 9 | 1 | 22 |
| Inactive or Limited Participants | 39 | 3 | - | 42 |
| Total Participants | 414 | 89 | 62 | 565 |
| | | | | |
| Total Covered Payroll | $9,681,447 | $2,943,236 | $1,635,855 | $13,681,342 |

*Source: City of St. Augustine, Florida, Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2016.*

Plan Descriptions.

***General Employee's Retirement System***. The GERS was authorized in its original form by City Ordinance 88-54, amending Chapter 20, Article IV of the City Code, effective September 26, 1988. The Ordinance, along with five additional amendments, is used to govern the GERS.

As stipulated by City Ordinance 88-54, authority to establish and amend benefit provisions of the GERS rest with the 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 2.5% 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 0.5% of final average compensation times credited service up to 35 years for service in pay grades 32 through 35 and 1% 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% continued to a surviving eligible spouse, unless optional forms of payments are elected. Eligibility for normal retirement is the earlier of age 65 and five 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 10 years of service. The member, however, will receive his or her contribution to the plan, along with 3% interest.

If a member of the GERS 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 five years of service, the eligible spouse will receive 60% of the projected benefits (with service credit extended to age 60) and eligible children will receive 10% of the projected benefits to a maximum of 20%. Duty related disability with five or more years of service provides benefits under the group disability insurance contract. Upon termination of insurance, the pension benefit is computed as a normal retirement with additional service credit granted.

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

In the event the GERS terminates, the assets of the GERS shall be apportioned and distributed in accordance with the established provisions of Section 20-135 of the City Code, which provides for the distribution of assets in the following order: (a) to provide for all expenses of the GERS including any cost of liquidation; then (b) to provide for 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.

***Police Officers' Retirement System***. The PORS was created June 1, 1957, by Article X of the City Code, under Chapter 185, Florida Statutes, pertaining to Municipal Police Officers' Retirement Trust Fund.

As stipulated by City Ordinance 88-75, authority to establish and amend benefit provisions of the retirement system rests with the 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% to 3% 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.

The Deferred Retirement Option Program (the "DROP") allows participants eligible for regular retirement to continue employment for a maximum of five years, and receive retirement benefits during this period. Employee contributions to the plan are discontinued, and the retirement benefits are transferred to the DROP reserve monthly, payable in full upon retirement. As of September 30, 2016, the balance of the PORS DROP plan is $443,713.

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

In the event the plan terminates, or upon written notice to the Board of Trustees of the PORS that contributions they are under are being permanently discontinued, the assets of the PORS 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 PORS may be determined to be inadequate.

***Fire Fighters' Retirement System***. The FFRS was authorized in its present form by City Ordinance 87-60, amending Chapter 20, Article V of the City Code, effective December 4, 1987.

As stipulated by City Ordinance 87-60, authority to establish and amend benefit provisions of the Fund rests with the Commission, along with the authority to provide for cost of living adjustments. Benefits are calculated using the average of the highest five years of earnings within ten years of retirement or termination. For each year of credited service to a maximum of 35 years, monthly benefits shall be earned at the rate of 3% 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 3% interest.

The DROP allows participants eligible for regular retirement to continue employment for a maximum of five years, and receive retirement benefits during this period. Employee contributions to the plan are discontinued, and the retirement benefits are transferred to the DROP reserve monthly, payable in full upon retirement. As of September 30, 2016, the balance of the FFRS DROP plan is $95,063.

If a member of the FFRS dies a non-duty death prior to five years of service, the beneficiary will receive the member's contribution with 3% 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 and credited service. Disability benefits, as determined by the Board of Trustees of the FFRS, are the member's accrued benefits, but not less than 42% of AFC for service incurred and 25% 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 FFRS shall be apportioned and distributed in accordance with the established provisions of Section 20-210 of the City Code. 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 FFRS may be determined to be inadequate.

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Actuarial Assumptions. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | GERS | PORS | FFRS |
|---|---|---|---|
| Valuation Date | 9/30/2016 | 9/30/2016 | 9/30/2016 |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age | 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 13 to 15 Years | Weighted Average of 27 Years |
| Asset Valuation Method | 5-Year Weighted Average of Difference Between Market and Expected Market | 5-Year Weighted Average of Difference Between Market and Expected Market | 4-Year Net FMV Smoothing |
| Investment Rate of Return | 7.70% Annually | 7.70% Annually | 7.5% Annually |
| Projected Salary Increases | 3.5-7% | 3.5-7% | 4.5-6.5% |
| Cost of Living Adjustments | None | Up to 3% Annually | None |

*Source: City of St. Augustine, Florida, Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2016.*

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## CHANGES IN NET PENSION LIABILITY

| | GERS | PORS | FFRS | TOTAL |
|---|---|---|---|---|
| Total Pension Liability | | | | |
| Service Cost | $877,693 | $535,582 | $234,355 | $1,647,630 |
| Interest on the Total Pension Liability | 3,199,137 | 1,667,171 | 787,330 | 5,653,638 |
| Benefit Changes | - | - | 378,685 | 378,685 |
| Change in Excess State Money | - | - | (295,791) | (295,791) |
| Difference Between Expected and Actual Experience | 292,529 | (19,092) | 124,845 | 398,282 |
| Change to Assumption | 293,019 | 93,784 | 393,462 | 780,265 |
| Benefit Payments Including Refunds of Contributions | (2,318,001) | (799,841) | (699,127) | (3,816,969) |
| Net Changes in Total Pension Liability | 2,344,377 | 1,477,604 | 923,759 | 4,745,740 |
| | | | | |
| Total Pension Liability, Beginning | 41,560,498 | 16,641,994 | 11,243,280 | 69,445,772 |
| Total Pension Liability, Ending | 43,904,875 | 18,119,598 | 12,167,039 | 74,191,512 |
| | | | | |
| Plan Fiduciary Net Position | | | | |
| Employer Contributions | $1,981,476 | $399,211 | $196,389 | $2,577,076 |
| State Contributions | - | 175,835 | 157,404 | 333,239 |
| Employee Contributions | 403,094 | 153,529 | 82,717 | 639,340 |
| Pension Plan Net Investment Income | 2,936,911 | 1,654,228 | 1,082,244 | 5,673,383 |
| Benefit Payments Including Refunds of Contributions | (2,318,001) | (799,841) | (700,051) | (3,817,893) |
| Pension Plan Administrative Expense | (57,582) | (59,938) | (47,394) | (164,914) |
| Net Change in Plan Fiduciary Net Position | 2,945,898 | 1,523,024 | 771,309 | 5,240,231 |
| | | | | |
| Plan Fiduciary Net Position, Beginning | 31,936,427 | 15,967,713 | 10,874,410 | 58,778,550 |
| Plan Fiduciary Net Position, Ending | 34,882,325 | 17,490,737 | 11,645,719 | 64,018,781 |
| | | | | |
| Net Pension Liability—Ending | $9,022,550 | $628,861 | $521,320 | $10,172,731 |
| | | | | |
| Plan Fiduciary Net Position as Percentage of Total Pension Liability | 79.45% | 96.53% | 95.72% | 86.29% |
| | | | | |
| Covered Employee Payroll | $9,681,447 | $2,943,236 | $1,635,855 | $14,260,538 |
| | | | | |
| Net Pension Liability as Percentage of Covered Employee Payroll | 93.19% | 21.37% | 31.87% | 71.33% |

*Source: City of St. Augustine, Florida, Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2016.*

***Discount Rate***. The discount rate used to measure the total pension liability was 7.75% for the GERS and PORS and 7.5% for the FFRS. The projection of cash flows used to determine the discount rate assumed that City contributions will continue to be made at actuarially determined contribution rates based on the funding requirements of Florida Statutes, taking into account the applicable member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was used as the discount rate and applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability of the City, calculated using the discount rate, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

| City's Net Pension Liability (Asset) | One Percent Decrease | Current | One Percent Increase |
|---|---|---|---|
| GERS (current rate of 7.70%) | $13,183,407 | $9,022,550 | $4,348,482 |
| PORS (current rate of 7.70%) | 2,646,341 | 628,861 | 1,105,011 |
| FFRS (current rate of 7.50%) | 1,954,602 | 521,320 | (671,411) |

*Source: City of St. Augustine, Florida, Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2016.*

***Pension Expense and Deferred Outflows and Inflows of Resources***. For the year September 30, 2016, the City recognized pension expense is as follows:

| | |
|---|---|
| General Employees' Retirement System | $1,727,288 |
| Police Officers' Retirement System | 1,004,807 |
| Fire Fighters' Retirement System | (481,991) |
| Total | $2,250,104 |

*Source: City of St. Augustine, Florida, Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2016.*

At September 30, 2016, the City reported deferred outflow of resources and deferred inflow of resources related to pensions from the following sources:

Deferred Outflow of Resources:

| | GERS | PORS | FFRS | TOTAL |
|---|---|---|---|---|
| Changes in Assumptions | $272,873 | $93,601 | $327,885 | $694,359 |
| Difference Between Projected and Actual Earnings on Investments | 1,028,972 | 662,104 | 240,830 | 1,931,906 |
| Difference Between Projected and Actual Experience | 808,504 | - | 203,140 | 1,011,644 |
| Total | $2,110,349 | $755,705 | 771,855 | $3,637,909 |

*Source: City of St. Augustine, Florida, Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2016.*

Deferred Inflow of Resources:

| | GERS | PORS | FFRS | TOTAL |
|---|---|---|---|---|
| Difference Between Projected and Actual Earnings on Investments | $369,182 | $343,812 | $ - | $712,994 |
| Difference Between Projected and Actual Experience | - | 120,415 | - | 120,415 |
| Total | $369,182 | $464,227 | $ - | $833,409 |

*Source: City of St. Augustine, Florida, Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2016.*

Amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized in pension expense in subsequent fiscal years. See "APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2016" herein.

Funding Policy, Contributions, Status, and Progress.

***General Employees' Retirement System***. The GERS is funded under the provisions of Chapter 20, Article IV of the City Code and Chapter 112, Florida Statutes. Funding arrangements include contributions by retirement system members, the City, and investment income from retirement system assets. Administrative costs of the GERS are financed through investment earnings.

Effective November 8, 1988, contributions by the GERS members are based on 4% of compensation while the City contributes 1% of compensation on behalf of the employees. Previously, the GERS members contributed 5% of compensation.

The GERS'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. For the year ended September 30, 2016, the City made an actuarial contribution of 19.49% in addition to the required 1% contributed on behalf of the employees.

***Police Officers' Retirement System***. The PORS is funded under the provisions of Article X, Section 10.03 of the City Code and Chapter 185.07, Florida Statutes. Funding arrangements include contributions by the PORS members, the City, percentage of casualty insurance premiums collected on property located within the corporate limits of the City, 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, 2016, contributions by the PORS members are based on 5.5% of compensation while the City contributes a minimum of 2.5% of compensation. Previously, the PORS members contributed 4% of fixed monthly compensation. The Board of Trustees for the PORS anticipates the above funding methods will result in all the PORS's benefits being fully provided for by the time of their retirement. Effective October 1, 1993, the PORS contributions were changed from after-tax compensation to pre-tax compensation. Administrative costs are funded by City and PORS member contributions.

The PORS's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. The City made an actuarial contribution of 13.28% during the fiscal year ended September 30, 2016.

***Fire Fighters' Retirement System***. The FFRS was created in 1987 under City Ordinance 87-60 amending Section 20, Article V of the City Code. The FFRS was substantively amended in 1993, 1995, 2000, 2001, and 2005. In addition, the FFRS is a local law plan subject to provisions of Chapter 175, Florida Statutes. Funding arrangements include contributions by the FFRS members, the City, 1.85% 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 $157,404.

Effective September 22, 2008, contributions by the FFRS members are based on 5% of compensation while the City contributes 1% of compensation on behalf of the FFRS members. Previously, the FFRS members contributed 4%.

The FFRS'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 11.89% during the fiscal year ended September 30, 2016, in addition to the ordinance-required contribution of 3.5%.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

| | GERS | PORS | FFRS | TOTAL |
|---|---|---|---|---|
| Actuarially Determined Contributions | $1,907,612 | $606,441 | $303,615 | $2,817,668 |
| Contributions in Relation to the Actuarially Determined Contribution | 2,058,258 | 597,329 | 336,351 | 2,991,938 |
| Contribution Deficiency (Excess) | (150,646) | 9,112 | (32,736) | (174,270) |
| Covered-Employee Payroll | 9,681,447 | 2,943,236 | 1,635,855 | 14,260,538 |
| Contributions as a Percentage of Covered Employee Payroll | 21.26% | 20.29% | 20.56% | 20.98% |

*Source: City of St. Augustine, Florida, Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2016.*

**Other Post-Employment Benefit Plan**

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

Based on Governmental Accounting Standards Board ("GASB") approval of Statement Nos. 43 and 45, which set forth the guidelines and a future implementation timetable for reporting and disclosure of Other Post-Employment Benefits ("OPEB"), the City had an actuary calculate future funding requirements using an appropriate actuarial cost method. The valuation was performed as of September 30, 2016 and covers subsidies for medical insurance benefits. The City has elected to implement the provisions of GASB Statement No. 45 prospectively. The City's annual OPEB cost for the OPEB Plan is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The projected unit credit cost method was used to determine all liabilities, with the liability for each active employee assumed to accrue over the working lifetime based on elapsed time from the date of hire until retirement.

Plan Description. The City provides optional post-employment benefits to all eligible individuals including lifetime medical, prescription, dental, and certain life insurance coverage. Eligible individuals include all employees of the City who retire from active service under one of the pension plans sponsored by the City. Under certain conditions, eligible individuals also include spouses and dependent children. As of September 30, 2016, the data used for the most recent actuarial report, there were 330 future retirees, nine retired and disabled participants receiving benefits, no spouses receiving benefits and no other dependents receiving benefits for a total of 339 included in the valuation. The OPEB Plan does not issue a publicly available financial report.

Funding Policy. The Commission is authorized to establish benefit levels and approve the actuarial assumptions used in the determination of contributions levels. The Commission establishes the contributions requirements of OPEB Plan members and the City. These contributions are neither mandated nor guaranteed. The retiree contributes the blended-rate premium costs each month. Spouses and other dependents are also eligible for coverage, although the retiree pays the blended-premium costs. The premium varies depending on whether the retiree elects single, single plus spouse, single plus dependents, or family coverage. Currently, the City's subsidy to OPEB benefits is unfunded. There are no separate trust funds or equivalent arrangements into which the City makes contributions to advance-fund the OPEB obligations, as it does for its retiree pension plans. The City's annual retiree cost of the OPEB benefits, funded on a pay-as-you-go basis, was $231,284 for the year ended September 30, 2016. The ultimate implicit and explicit subsidies which are provided over time are financed directly by general assets of the City, which are invested in short-term fixed income instruments according to its current investment policy. The City selected an interest discount rate of 4.5% per annum, which is the long range expected return on such short-term fixed income instruments, to calculate the present values and costs of the OPEB. This is consistent with GASB Statement No. 45 guidance. Significant actuarial assumptions and methods used to estimate the OPEB liability are as follows:

| | |
|---|---|
| Valuation date: | September 30, 2016 |
| Actuarial cost method: | Projected Unit Credit Cost Method |
| Amortization method: | Level Dollar Payment |
| Amortization period: | 30-Year Period |
| Assumed rate of return on investments: | 4.50% per annum |
| Inflation rate: | 5.00% |
| Projected salary increases: | 0.00% |
| Post-retirement benefit increases: | 0.00% |
| Assumed healthcare cost trend rates: | 5.00% |

*Source: City of St. Augustine, Florida, Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2016.*

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

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Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the Annual Required Contribution (the "ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize the actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City's annual OPEB cost for the fiscal year ended September 30, 2016, was $208,817. The City's annual OPEB cost and the net OPEB obligation for the fiscal year ended September 30, 2016 is as follows:

| | |
|---|---|
| Annual Required City Contribution (ARC) | $245,055 |
| Interest on Plan Obligation | 37,806 |
| Adjustment to ARC | (51,577) |
| Annual Plan Retiree Cost | 231,284 |
| Contributions Made | 45,308 |
| Increase in Plan Obligation | 185,976 |
| Plan Obligation Beginning of Year | 840,130 |
| Plan Obligation End of Year | $1,026,106 |

*Source: City of St. Augustine, Florida, Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2016.*

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

| Fiscal Year Ending | Annual City Retiree Cost | City Contributions[1] | Percentage of Retiree Cost Contributed | Net Obligation (Asset) |
|---|---|---|---|---|
| 2016 | $231,284 | $45,308 | 20% | $1,026,105 |
| 2015 | 208,817 | 25,980 | 12 | 840,130 |
| 2014 | 201,362 | 79,253 | 39 | 657,293 |
| 2013 | 187,915 | 103,993 | 55 | 535,184 |

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

*Source: City of St. Augustine, Florida, Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2016.*

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Funded Status and Funding Progress. The Fiscal Year 2016 contribution represented 20% of the annual required contribution. The actuarial valuation for the OPEB Plan was done as of September 30, 2015. As of September 30, 2016, the most recent actuarial valuation date, the OPEB Plan was unfunded. The Annual Accrued Liability (the "AAL") for benefits was $2,359,001, and the actuarial value of assets was $0.00, resulting in an unfunded actuarial accrued liability ("UAAL") of $2,359,001. The covered payroll was $14,545,313, and the ratio of the UAAL to the covered payroll was 16.22%.

**SCHEDULE OF FUNDING PROGRESS**
**(Dollar Amounts in Thousands)**

| Actuarial Valuation Date | Actuarial Value of Assets (1) | Actuarial Accrued Liability (AAL) (2) | Unfunded AAL (UAAL) (2-1) | Funded Ratio (1/2) | Covered Payroll (5) | UAAL as a Percentage of Covered Payroll [(2-1)/5] |
|---|---|---|---|---|---|---|
| 9/30/2016 | $0.00 | $2,359 | $2,359 | 0.0% | $14,545 | 16.22% |
| 9/30/2015 | 0.00 | 2,249 | 2,249 | 0.0 | 13,986 | 16.08 |
| 9/30/2014 | 0.00 | 2,104 | 2,104 | 0.0 | 13,913 | 15.12 |
| 9/30/2013 | 0.00 | 1,866 | 1,866 | 0.0 | 13,378 | 13.94 |
| 9/30/2012 | 0.00 | 1,818 | 1,818 | 0.0 | 12,829 | 14.17 |

*Source: City of St. Augustine, Florida, Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2016.*

**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, 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.

## LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of Bryant Miller Olive P.A., Jacksonville, Florida, Bond Counsel. The proposed legal opinion, in the form attached hereto as APPENDIX D, will be delivered with the Bonds. The actual legal opinion to

be delivered by Bond Counsel may vary from the form attached hereto if necessary to reflect facts and law on the date of delivery of the opinion. The opinion will speak only as of its date, and subsequent distribution by recirculation of this Official Statement or otherwise shall create no implication that Bond Counsel has renewed or expressed any opinion concerning any of the matters referenced in the opinion subsequent to the date of the opinion. Certain other legal matters will be passed upon for the City by the City Attorney, Isabelle C. Lopez, Esq., St. Augustine, Florida, and by Bryant Miller Olive P.A., Jacksonville, Florida, Disclosure Counsel.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment of the transaction on which the opinion is rendered or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## FINANCIAL ADVISOR

The City has retained PFM Financial Advisors LLC, as financial advisor, in connection with the City's financing plans and with respect to the authorization and issuance of the Bonds. The Financial Advisor is not obligated to, and has not undertaken to, independently verify or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. The Financial Advisor, or an affiliate, may receive a fee for bidding certain investments to be deposited into the Escrow Account.

## LITIGATION

There is no pending or, to the knowledge of the City, any threatened litigation against the City of any nature whatsoever which in any way questions or affects the validity of the Bonds, or any proceedings or transactions relating to their issuance, sale, execution, or delivery, or the adoption of the Resolution, or the pledge of the Pledged Funds or the covenant and agreement by the City to budget and appropriate Non-Ad Valorem Revenues, or the use of the proceeds of the Bonds to refund the Refunded Bonds. Neither the creation, organization, or existence, nor the title of the present members of the Commission, nor other officers of the City is being contested.

The City experiences routine litigation and claims incidental to the conduct of its affairs. In the opinion of the City Attorney, to the best of her knowledge, except as described below, there are no actions presently pending or threatened, the adverse outcome of which would have a material adverse effect on the availability of the Pledged Funds or Non-Ad Valorem Revenues or the ability of the City to pay the Bonds from the Pledged Funds or Non-Ad Valorem Revenues. From time to time, the City is party to other various legal proceedings which individually are not expected to have a material adverse effect on the operations or financial condition of the City or the General Fund, but may, in the aggregate, have a material impact thereon.

On May 5, 2010, the City received notice pursuant to the requirements of the J. Bert Harris Private Property Rights Protection Act (the "Harris Act") of a claim for damages exceeding $3,400,000 allegedly arising out of the denial by the Commission of approval for demolition of structures designated as historically significant. The City satisfied the requirements of the Harris Act by responding to that claim

with a bona fide offer of settlement and a ripeness decision. The City denied the claim and expressly denied the damages asserted. On July 14, 2011, the owners filed suit in pursuit of this claim. On May 15, 2012, the presiding judge entered judgment in favor of the City, holding that the plaintiffs failed to pursue this claim in a timely manner. The owners appealed this judgment, and on March 15, 2013, the appellate court reversed the trial court and entered an order retreating from their previous decision and finding the owners' claim and lawsuit timely, returning the case to circuit court. On January 19, 2017, the City obtained a summary judgment from the circuit court, and the plaintiffs have appealed this to the appellate court, where oral arguments are scheduled to take place on February 22, 2018. The City intends to defend the action vigorously.

## TAX MATTERS

### General

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements which must be met subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the Bonds to be included in federal gross income retroactive to the date of issuance of the Bonds, regardless of the date on which such non-compliance occurs or is ascertained. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the Bonds and the other amounts are to be invested and require that certain investment earnings on the foregoing must be rebated on a periodic basis to the Treasury Department of the United States. The City has covenanted in the Resolution with respect to the Bonds to comply with such requirements in order to maintain the exclusion from federal gross income of the interest on the Bonds.

In the opinion of Bond Counsel, assuming compliance with certain covenants, under existing laws, regulations, judicial decisions, and rulings, interest on the Bonds is excluded from gross income for purposes of federal income taxation. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations; however, interest on the Bonds may be subject to the federal alternative minimum tax when any Bond is held by a corporation. The federal alternative minimum taxable income of a corporation must be increased by 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (before this adjustment and the alternative tax net operating loss deduction). "Adjusted Current Earnings" will include interest on the Bonds.

Except as described above, Bond Counsel will express no opinion regarding other federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of Bonds. Prospective purchasers of the Bonds should be aware that the ownership of the Bonds may result in collateral federal income tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by 15% of certain items, including interest on the Bonds; (iii) the inclusion of interest on the Bonds in earnings of certain foreign corporations doing business in the United States for purposes of the branch profits tax; (iv) the inclusion of interest on the Bonds in passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year; and (v) the inclusion of interest on the Bonds in "modified adjusted gross income" by recipients of certain Social Security and Railroad Retirement benefits for the purposes of determining whether such benefits are included in gross income for federal income tax purposes.

As to questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the City, certificates of appropriate officers, and certificates of public officials (including certifications as to the use of proceeds of the Bonds and of the property financed or refinanced thereby), without undertaking to verify the same by independent investigation.

PURCHASE, OWNERSHIP, SALE, OR DISPOSITION OF THE BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

**Information Reporting and Backup Withholding**

Interest paid on tax-exempt bonds, such as the Bonds, is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of the Bonds, under certain circumstances, to "backup withholding" at the rate specified in the Code with respect to payments on the Bonds and proceeds from the sale of the Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of the Bonds. This withholding generally applies if the owner of the Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"); (ii) furnished the payor an incorrect TIN; (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

**Other Tax Matters**

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Bonds. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Bonds. Congress is currently considering changes to the Internal Revenue Code which, if enacted, may have an effect on both the federal tax consequences resulting from ownership of the Bonds and their market value. No assurance can be given that legislative proposals will not be enacted that would apply to, or have an adverse effect upon, the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of owning the Bonds in their particular state or local jurisdiction and regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

**Tax Treatment of Bond Premium**

The difference between the principal amount of the Bonds maturing on October 1 in the years 2018 through and including 2024, 2030, 2037, and 2041 (collectively, the "Premium Bonds"), and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity and, if applicable, interest rate, was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each of the Premium Bonds, which ends on the earlier of the maturity or call date for each of the Premium Bonds which minimizes the yield on such Premium Bonds to the purchaser. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Holders of the Premium Bonds are advised that they should consult with their own tax advisors with respect to the state and local tax consequences of owning such Premium Bonds.

## UNDERWRITING

The Bonds are being purchased by RBC Capital Markets, LLC (the "Underwriter") at an aggregate purchase price of $20,938,339.88 (equal to the par amount of the Bonds of $18,395,000.00, plus a bond premium of $2,617,026.05, and less an Underwriter's discount of $73,686.17). The Underwriter's obligations are subject to certain conditions precedent, and it will be obligated to purchase all of the Bonds if any the Bonds are purchased. The Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter. The Underwriter has reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guaranty the accuracy or completeness of such information.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Issuer. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

## RATINGS

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), have assigned ratings of "Aa3" and "AA-" (stable outlook).

Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007; and S&P Global Inc., 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

## FINANCIAL STATEMENTS

The audited financial statements of the City as of September 30, 2016, and for the year then ended, included in the attached "APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2016," have been audited by Masters, Smith & Wisby, P.A., independent auditors, as stated in their report appearing therein. The City's auditor has consented to the inclusion of the aforementioned report in this Official Statement.

## CONTINUING DISCLOSURE

The Board has agreed and undertaken for the benefit of Bondholders and in order to assist the Underwriter in complying with the continuing disclosure requirements of Rule 15c12-12 of the SEC (the "Rule"), to provide certain financial information and operating data relating to the City and the Bonds in each year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. Such undertaking shall only apply so long as the Bonds remain outstanding under the Resolution. The covenant shall also terminate upon the termination of the Rule by legislative, judicial, or administrative action. The Annual Report will be filed annually by the City or its dissemination agent pursuant to the undertaking with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR"), which currently consists of only the Electronic Municipal Market Access ("EMMA") system, as described in the Disclosure Dissemination Agent Agreement. The notices of material events will be filed with each NRMSIR. The specific nature of the information to be contained in the Annual Report and the notices of material events, are described in the Disclosure Dissemination Agent Agreement. See "APPENDIX E – FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT" attached hereto. With respect to the Bonds, no party other than the City is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the Rule.

Upon a recent review of the City's information on file with EMMA, it was discovered that the annual financial and operating information filed on EMMA for the Fiscal Year 2012 did not include all of the information required to be included with respect to the City's Capital Improvement Refunding Revenue Bonds, Series 2004; the Capital Improvement Revenue Bonds, Series 2011A; and the Capital Improvement Refunding Revenue Bonds, Series 2011B. On November 14, 2012, the City filed a Notice of

Material Events with EMMA containing the annual financial information and operating data with respect to such bonds. The City also failed to timely file a material event notice related to an insurer rating change with respect to the City's Water and Sewer Revenue Refunding Bonds, Series 2005. The City did not subsequently file such notice with EMMA as such bonds were defeased shortly thereafter. The City's dissemination agent is Digital Assurance Certification, LLC.

## DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Pursuant to Section 517.051, Florida Statutes, as amended, no person may directly or indirectly offer or sell securities of the City except by an offering circular containing full and fair disclosure of all defaults as to principal or interest on its obligations since December 31, 1975, as provided by rule of the Office of Financial Regulation within the Florida Financial Services Commission (the "FFSC"). Pursuant to administrative rulemaking, the FFSC has required the disclosure of the amounts and types of defaults, any legal proceedings resulting from such defaults, whether a trustee or receiver has been appointed over the assets of the City, and certain additional financial information, unless the City believes in good faith that such information would not be considered material by a reasonable investor. The City is not and has not been in default on any bond issued since December 31, 1975, that would be considered material by a reasonable investor.

The City has not undertaken an independent review or investigation of securities for which it has served as conduit issuer. The City does not believe that any information about any default on such securities is appropriate and would be considered material by a reasonable investor in the Bonds because the City would not have been obligated to pay the debt service on any such securities except from payments made to it by the private companies on whose behalf such securities were issued and no funds of the City would have been pledged or used to pay such securities or the interest thereon.

## ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Bonds upon an event of default under the Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically the federal bankruptcy code or the remedies specified by the Resolution or the Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds, including Bond Counsel's approving opinion, will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency, or other similar laws affecting the rights of creditors enacted before or after such delivery. See "APPENDIX C – FORM OF RESOLUTION" attached hereto for a description of events of default and remedies.

## CONTINGENT FEES

The City has retained Bond Counsel, the Financial Advisor, and Disclosure Counsel with respect to the authorization, sale, execution, and delivery of the Bonds. Payment of the fees of such professionals and an underwriting discount to the Underwriter are contingent upon the issuance of the Bonds.

## ACCURACY AND COMPLETENESS OF OFFICIAL STATEMENT

The references, excerpts, and summaries of all documents, statutes, and information concerning the City and certain reports and statistical data referred to herein do not purport to be complete, comprehensive, or definitive, and each such summary and reference is qualified in its entirety by reference to each such document for full and complete statements of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights and obligations of the owners thereof and to each such statute, report, or instrument.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Bonds.

The Appendices attached hereto are integral parts of this Official Statement and must be read in their entirety together with all foregoing statements.

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## AUTHORIZATION OF AND CERTIFICATION CONCERNING OFFICIAL STATEMENT

The execution and delivery of this Offering Statement has been duly authorized and approved by the City. At the time of delivery of the Bonds, the undersigned will furnish a certificate to the effect that nothing has come to their attention which would lead them to believe that the Official Statement (except for the information related to DTC and its book-entry-only system of registration, as to all of which no opinion will be expressed), as of its date and as of the date of delivery of the Bonds, contains an untrue statement of a material fact or omits to state a material fact which should be included therein for the purposes for which the Official Statement is intended to be used, or which is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

**CITY OF ST. AUGUSTINE, FLORIDA**

By: */s/ Nancy Shaver*
Mayor-Commissioner

By: */s/ John P. Regan*
City Manager

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## APPENDIX A

## GENERAL INFORMATION CONCERNING THE CITY OF ST. AUGUSTINE, FLORIDA

### General Information and Location

The City of St. Augustine, Florida (the "City") is an incorporated municipality of the State of Florida (the "State") located within the County of St. Johns, Florida (the "County"). The City is located on upper east coast of the State on the Atlantic Ocean about 15 miles south of Jacksonville and is the county seat of the County. The City was founded by the Spanish in 1565 and was a municipality under Spanish colonial law until 1822. The City was originally incorporated under the jurisdiction of the United States by the Territorial Acts of 1822. Since that incorporation, it was reincorporated in 1824, 1889, 1915, 1923, and 1925, when the present Charter, Chapter 11148, Laws of Florida, Special Acts of 1925, was enacted (the "Charter"). It covers an area of 13.89 square miles.

The City is the oldest permanent European settlement in the United States. Among the many historical attractions are the Castillo de San Marco, built by the Spaniards in the seventeenth century, the City Gates which date to the Spanish Colonial period, and numerous old Spanish and English buildings. The City is the home of the oldest Catholic Church parish in the United States. Other tourist attractions of importance include the Lightner Museum of Hobbies, Marine Studios at Marineland (near the City), and over 43 miles of beaches on the Atlantic Ocean.

### Organization and Administration

The City operates as a full-service municipality. The City derives its government authority from the Charter. The City operates under a "City Manager" form of government. Five commission members, including the Mayor-Commissioner, are elected at large on a non-partisan basis. Four of the seats are staggered four-year terms with the mayor's seat elected every two years. The City Commission appoints the City Manager who directs the business of the City and its various departments. The City Commission determines policy, adopts legislation, approves the budget, sets taxes and appoints the City Attorney, the City Clerk and members of various boards and committees.

The present members of the City Commission and the expiration of their terms are as follows:

| Name | Title | Term Expires |
|---|---|---|
| Nancy Shaver | Mayor/Commissioner | December 2018 |
| Todd Neville | Vice-Mayor/Commissioner | December 2018 |
| Leanna Freeman | Commissioner | December 2020 |
| Roxanne Horvath | Commissioner | December 2020 |
| Nancy Sikes-Kline | Commissioner | December 2018 |

The City provides its constituents with a wide variety of public services: building inspections, code enforcement, community development, cultural affairs, economic development, electrical power, golf course, mass transit, natural gas distribution, parks and recreation, police and fire protection, refuse collection, small business development, stormwater management, street maintenance, traffic engineering and parking, water and wastewater, and telecommunications and data transfer.

Internal support services include the following: accounting and reporting, accounts payable and payroll, billing and collections, budgeting and monitoring, City-wide management, computer systems support, debt management, equal opportunity, fleet maintenance, facilities maintenance, human resources, information systems, investment management, labor relations, mail services, property control, purchasing, risk management and strategic planning.

**Population**

The following table depicts historical and projected population growth for the City and the County:

| Year | City of St. Augustine | St. Johns County |
|---|---|---|
| 2007 | 13,912 | 167,453[(1)] |
| 2008 | 13,874 | 176,570[(1)] |
| 2009 | 13,663 | 183,244[(1)] |
| 2010 | 13,719 | 189,764[(1)] |
| 2011 | 13,056 | 192,570[(1)] |
| 2012 | 13,092 | 195,847[(1)] |
| 2013 | 13,271 | 201,325[(1)] |
| 2014 | 13,414 | 207,443[(1)] |
| 2015 | 13,590 | 226,640 |
| 2016 | 13,747 | 235,078 |
| 2017 | 13,906[2)] | 235,432[(2)] |
| 2022 | 14,500[(2)] | 262,767[(2)] |

[(1)] Estimated population.
[(2)] Projected population.

*Source: City of St. Augustine, Florida, Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2016.*

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**Employment**

The following table sets forth the unemployment rate for the City over the past ten years.

| Year | Unemployment Rate |
|---|---|
| 2007 | 2.7% |
| 2008 | 5.5 |
| 2009 | 8.2 |
| 2010 | 9.6 |
| 2011 | 8.4 |
| 2012 | 6.9 |
| 2013 | 5.2 |
| 2014 | 4.9 |
| 2015 | 4.0 |
| 2016 | 4.3 |

*Source: City of St. Augustine, Florida, Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2016.*

**MAJOR EMPLOYERS IN THE ST. AUGUSTINE AREA**
**September 30, 2016**
**(Unaudited)**

| Establishment | Product | Approximate Employment |
|---|---|---|
| St. Johns County School Board | Educational | 4,388 |
| Flagler Hospital | Health Care | 1,900 |
| St. Johns County | County Government | 1,105 |
| Northrop Grumman | Aircraft Overhaul & Modification | 1,200 |
| US Army National Guard | Florida National Guard HQ | 1,036 |
| Community Hospice of NE Florida | Health Care | 959 |
| Florida School for the Deaf and Blind | Educational Institution | 650 |
| Carlisle Interconnect Technologies | Manufacturer | 650 |
| St. Johns County Sherriff's Office | County Government | 560 |
| Flagler College | Four-Year Liberal Arts College | 525 |
| Ring Power | Heavy Equipment Sales | 445 |

*Source: City of St. Augustine, Florida, Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2016.*

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**Ad Valorem Property Taxes**

The non-ad valorem revenues do not include ad valorem tax revenues. Ad valorem revenues have historically been used, at least in part, by the City for payment of services and programs which are essential government services or which are legally mandated by applicable law. Therefore, a decrease in ad valorem tax revenues may in turn increase the amount of non-ad valorem revenues required for payment of services and programs which are essential government services or which are legally mandated by applicable law and thereby reduce the amount of non-ad valorem revenues available to be budgeted and appropriated to satisfy the obligation of the City under the Resolution. The City has provided the following property tax information for informational and analytical purposes only.

**TOTAL ASSESSED VALUATIONS AND TOTAL EXEMPTIONS**
**LAST TEN FISCAL YEARS**
**(UNAUDITED)**

| Fiscal Year | Real Property | Personal Property | Railroad and Telegraph Property | Total Assessed Valuations | Homestead Exempt Property | Other Exemptions | Total Exempt Property | Total Taxable Value |
|---|---|---|---|---|---|---|---|---|
| 2007 | $2,189,788,053 | $91,299,224 | $2,352,819 | $2,283,440,096 | $83,998,000 | $442,762,407 | $526,760,407 | $1,756,679,689 |
| 2008 | 2,050,830,669 | 89,781,653 | 3,232,997 | 2,143,845,319 | 156,415,412 | 349,967,839 | 506,383,251 | 1,637,462,068 |
| 2009 | 1,671,365,155 | 88,602,566 | 2,478,097 | 1,762,445,818 | 154,994,874 | 225,336,597 | 380,331,471 | 1,382,114,347 |
| 2010 | 1,670,891,378 | 108,370,268 | 2,230,412 | 1,781,492,058 | 141,949,847 | 426,874,275 | 568,824,122 | 1,212,667,936 |
| 2011 | 1,567,068,493 | 103,283,994 | 2,304,747 | 1,672,657,234 | 139,393,599 | 416,816,893 | 556,210,492 | 1,116,446,742 |
| 2012 | 1,506,640,382 | 98,758,852 | 2,148,694 | 1,607,547,928 | 139,761,480 | 394,769,492 | 534,530,972 | 1,073,016,956 |
| 2013 | 1,550,025,682 | 99,441,437 | 2,558,367 | 1,652,025,486 | 141,569,199 | 394,162,661 | 535,731,860 | 1,116,293,626 |
| 2014 | 1,600,223,236 | 101,527,054 | 2,928,245 | 1,704,678,535 | 145,786,764 | 389,557,411 | 535,344,175 | 1,169,334,360 |
| 2015 | 1,718,302,003 | 103,628,284 | 3,369,083 | 1,825,299,370 | 150,699,482 | 402,135,455 | 552,834,937 | 1,272,464,433 |
| 2016 | 1,829,080,525 | 103,885,128 | 3,695,243 | 1,936,660,896 | 155,237,830 | 407,304,069 | 562,541,899 | 1,374,118,997 |

**NOTES:**

Real property is assessed at 100% of fair market value. Tangible Personal Property: Equipment is assessed at current depreciated value. Centrally Assessed Property: (1) State of Florida makes annual assessments of all operating property of railroad and railroad terminal companies in the State. Such assessment is apportioned to each county, based upon actual situs, and, in the case of property not having situs in a particular county, is apportioned based upon track miles. (2) All private car and freight line and equipment companies operating rolling stock in Florida other than in (1) above shall return for taxation the average number of their cars which are habitually present within Florida and shall state the fair market value thereof. Property is assessed as of January 1st. Tax bills are mailed November 1st. Four percent discount if paid in November, 3% discount if paid in December, 2% discount if paid in January, 1% discount if paid in February, full amount due in March, delinquent April 1st.

*Source: City of St. Augustine, Florida, Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2016.*

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

| | Direct | Overlapping | | | | |
|---|---|---|---|---|---|---|
| Fiscal Year Ended | City of St. Augustine | St. Johns County | School District | Management District | Other | Total |
| 2007 | 6.313 | 5.004 | 7.721 | 0.416 | 0.395 | 19.848 |
| 2008 | 6.823 | 5.037 | 7.642 | 0.416 | 0.382 | 20.300 |
| 2009 | 7.500 | 5.547 | 7.801 | 0.416 | 0.381 | 21.645 |
| 2010 | 7.500 | 5.547 | 8.069 | 0.416 | 0.228 | 21.760 |
| 2011 | 7.500 | 5.937 | 7.979 | 0.331 | 0.228 | 21.976 |
| 2012 | 7.500 | 5.937 | 7.693 | 0.331 | 0.231 | 21.682 |
| 2013 | 7.500 | 5.937 | 7.544 | 0.328 | 0.231 | 21.540 |
| 2014 | 7.500 | 5.937 | 7.342 | 0.316 | 0.343 | 21.439 |
| 2015 | 7.500 | 5.875 | 7.228 | 0.302 | 0.273 | 21.178 |
| 2016 | 7.500 | 5.867 | 6.928 | 0.289 | 0.311 | 20.894 |

**NOTES:**

Millage rates are per $1,000 of assessed value.

*Source: City of St. Augustine, Florida, Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2016.*

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**PROPERTY TAX LEVIES AND COLLECTIONS**
**LAST TEN FISCAL YEARS**
**(UNAUDITED)**

| Fiscal Year Ended | Total Tax Levy | Current Tax Collection | Percent of Levy Collected | Assessed Taxable Value | Estimated Actual Value (Thousands) | Estimated % of Fair Market Value |
|---|---|---|---|---|---|---|
| 2007 | $10,805,480 | $10,548,105 | 97.62% | $2,283,440,096 | $2,283,440 | 100% |
| 2008 | 10,396,491 | 10,487,209 | 100.87 | 2,143,845,319 | 2,143,845 | 100 |
| 2009 | 11,172,404 | 10,743,591 | 96.16 | 1,762,445,818 | 1,762,446 | 100 |
| 2010 | 10,352,987 | 9,939,071 | 96.00 | 1,781,492,058 | 1,781,492 | 100 |
| 2011 | 9,099,510 | 8,797,391 | 96.68 | 1,672,657,234 | 1,672,657 | 100 |
| 2012 | 8,341,338 | 8,088,994 | 96.97 | 1,607,547,928 | 1,607,548 | 100 |
| 2013 | 8,023,465 | 7,858,707 | 97.95 | 1,652,025,486 | 1,652,025 | 100 |
| 2014 | 8,366,909 | 8,136,439 | 97.25 | 1,704,678,535 | 1,704,679 | 100 |
| 2015 | 8,775,490 | 8,509,409 | 96.97 | 1,825,299,370 | 1,825,299 | 100 |
| 2016 | 9,502,422 | 9,338,782 | 98.28 | 1,936,660,896 | 1,936,661 | 100 |

**NOTES:**

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

*Source: City of St. Augustine, Florida, Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2016.*

**PRINCIPAL TAXPAYERS**
**SEPTEMBER 30, 2016**
**(UNAUDITED)**

| Taxpayer | Taxable Assessed Value | Percent of Total Assessment |
|---|---|---|
| Patris Real Estate LLC | $14,230,358 | 1.12% |
| The Flagler Resort, LTD | 12,479,026 | 0.98 |
| SHP IV Harbour Island LLC | 7,211,273 | 0.57 |
| Target Corporation | 5,918,700 | 0.47 |
| Sea Wall Motor Lodge, INC | 5,150,193 | 0.40 |
| Home Depot USA, Inc. | 5,001,600 | 0.39 |
| 116 San Marco LLC. | 4,802,024 | 0.38 |
| Ponce Hospital Inc. | 4,562,867 | 0.36 |
| Orthopedic Associates Partners | 4,450,962 | 0.35 |
| Gates of St. Johns, LLC | 4,154,246 | 0.33 |

*Source: City of St. Augustine, Florida, Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2016.*

The following discussion of property tax reform in the State is given to illustrate the various initiatives put forth by the State Legislature and their respective impact, if any, on the City's financial and budgetary matters.

*Millage Rollback Legislation*. In 2007, the State Legislature adopted a property tax plan which significantly impacted ad valorem tax collections for State local governments (the "Millage Rollback Legislation"). One component of the Millage Rollback Legislation required counties, cities and special districts to rollback their millage rates for the 2007-2008 Fiscal Year to a level that, with certain adjustments and exceptions, would generate the same level of ad valorem tax revenue as in Fiscal Year 2006-2007; provided, however, depending upon the relative growth of each local government's own ad valorem tax revenues from 2001 to 2006, such rolled back millage rates were determined after first reducing 2006-2007 ad valorem tax revenues by zero to nine percent (0% to 9%). In addition, the Rollback Legislation also limited how much the aggregate amount of ad valorem tax revenues may increase in future fiscal years. A local government may override certain portions of these requirements by a supermajority, and for certain requirements, a unanimous vote of its governing body.

*Constitutional Exemptions*. Certain exemptions from property taxes have been enacted. Constitutional exemptions include, but are not limited to, property owned by a municipality and used exclusively by it for municipal or public purposes, certain household goods and personal effects to the value fixed by general law, certain locally approved community and economic development ad valorem tax exemptions to new businesses and expansions of existing businesses, as defined by general law and historic preservation ad valorem tax exemptions to owners of historic properties, $25,000 of the assessed value of property subject to tangible personal property tax, the assessed value of solar devices or renewable energy source devices subject to tangible personal property tax may be exempt from ad valorem taxation, subject to limitations provided by general law, and certain real property dedicated in perpetuity for conservation purposes, including real property encumbered by perpetual conservation easements or by other perpetual conservation protections, as defined by general law.

*Homestead Exemption*. In addition to the exemptions described above, the State Constitution also provides for a homestead exemption. Every person who has the legal title or beneficial title in equity to real property in the State and who resides thereon and in good faith makes the same his or her permanent residence or the permanent residence of others legally or naturally dependent upon such person is eligible to receive a homestead exemption of up to $50,000. The first $25,000 applies to all property taxes, including school district taxes. The additional exemption, up to $25,000, applicable to the assessed value of the property between $50,000 and $75,000, applies to all levies other than school district levies. A person who is receiving or claiming the benefit of an ad valorem tax exemption or a tax credit in another state where permanent residency, or residency of another legally or naturally dependent upon the owner, is required as a basis for the granting of that ad valorem tax exemption or tax credit is not entitled to the homestead exemption. In addition to the general homestead exemption described in this paragraph, the following additional homestead exemptions are authorized by State law:

*Certain Persons 65 or Older*. A board of county commissioners or the governing authority of any municipality may adopt an ordinance to allow an additional homestead exemption equal to (i) of up to $50,000 for persons age 65 or older with household income that does not exceed the statutory income limitation of $20,000 (as increased by the percentage increase in the average cost of living index each year since 2001) or (ii) the assessed value of the property with a just value less than $250,000, as determined the first tax year that the owner applies and is approved, for any person 65 or older who has maintained the residence as his or her permanent residence for not less than 25 years and whose household income does not exceed the statutory income. The City enacted an ordinance providing for the exemption from City ad valorem taxes described in this paragraph.

In addition, veterans 65 or older who are partially or totally permanently disabled may receive a discount from tax on homestead property if the disability was combat related and the veteran was honorably discharged upon separation from military service. The discount is a percentage equal to the percentage of the veteran's permanent, service-connected disability as determined by the United States Department of Veteran's Affairs. The City has not enacted an ordinance providing for the exemption from City ad valorem taxes described in this paragraph.

*Deployed Military Personnel*. The State Constitution provides that by general law and subject to certain conditions specified therein, each person who receives a homestead exemption who was a member of the United States military or military reserves, the United States Coast Guard or its reserves, or the Florida National Guard; and who was deployed during the preceding calendar year on active duty outside the continental United States, Alaska, or Hawaii in support of military operations designated by the legislature shall receive an additional exemption equal to a percentage of the taxable value of his or her homestead property. The applicable percentage shall be calculated as the number of days during the preceding calendar year the person was deployed on active duty outside the continental United States, Alaska, or Hawaii in support of military operations designated by the legislature divided by the number of days in that year.

*Certain Active Duty Military and Veterans*. A military veteran who was honorably discharged, is a resident of the State, and who is disabled to a degree of 10% or more because of misfortune or while serving during wartime may be entitled to a $5,000 reduction in the assessed value of his or her property. This exemption is not limited to homestead property. A military veteran who was honorably discharged with a service-related total and permanent disability may be eligible for a total exemption from taxes on homestead property. Under certain circumstances, the veteran's surviving spouse may be entitled to carry over these exemptions.

*Permanently and Totally Disabled Veterans*. A military veteran who is a resident of the State and was honorably discharged with a service-related total and permanent disability may be eligible for a total exemption from taxes on property they own and use as their homesteads. A similar exemption is available to disabled veterans confined to wheelchairs. Under certain circumstances, the veteran's surviving spouse may be entitled to carry over these exemptions.

*Discounts for Disabled Veterans*. Each veteran who is age 65 or older and is partially or totally permanently disabled may receive a discount on the assessed value of the property that the veteran owns and uses as a homestead. The discount is a percentage equal to the percentage of the veteran's permanent, service-connected disability as determined by the United States Veteran's Affairs.

*Deployed Military Personnel*. Each person who receives a homestead exemption; who was a member of the United States military or military reserves, the United States Coast Guard or its reserves, or the Florida National Guard; and who was deployed during the preceding calendar year on active duty outside the continental United States, Alaska, or Hawaii in support of military operations designated by the State Legislature shall receive an additional exemption equal to a percentage of the taxable value of his or her homestead property. The applicable percentage shall be calculated as the number of days during the preceding calendar year the person was deployed on active duty outside the continental United States, Alaska, or Hawaii in support of military operations designated by the legislature divided by the number of days in that year.

*Survivors of First Responders*. Any real estate that is owned and used as a homestead by the surviving spouse of a first responder (law enforcement officer, correctional officer, firefighter, emergency medical technician or paramedic), who died in the line of duty may be granted a total exemption on homestead property if the first responder and his or her surviving spouse were permanent residents of the State on January 1 of the year in which the first responder died.

*Certain Totally and Permanently Disabled Persons*. Any real estate used and owned as a homestead by a quadriplegic, less any portion used for commercial purposes, is exempt from all ad valorem taxation. Real estate used and owned as a homestead by a paraplegic, hemiplegic, or other totally and permanently disabled person, who must use a wheelchair for mobility or who is legally blind, is exempt from taxation if the gross household income is below statutory limits.

*Recent Amendments Relating to Ad Valorem Taxation*. In the 2016 legislative session, several amendments were passed affecting ad valorem taxation, including classification of agricultural lands during periods of eradication or quarantine, deleting requirements that conservation easements be renewed annually, providing that just value of real property shall be determined in the first tax year for income restricted persons age 65 or older who have maintained such property as the permanent residence for at least 25 years, authorizing a first responder who is totally and permanently disabled as a result of injuries sustained in the line of duty to receive relief from ad valorem taxes assessed on homestead property, revising procedures with respect to assessments, hearings and notifications by the value adjustment board, and revising the interest rate on unpaid ad valorem taxes.

In the 2017 State legislative session, which concluded on May 8, 2017, the State legislature passed House Joint Resolution 7105 which proposes an amendment to Section 6, Article VII of the State Constitution that would increase the homestead exemption by exempting the assessed valuation of homestead property greater than $100,000 and up to $125,000 for all levies other than school district levies. If approved by the voters in November 2018, such amendment would be effective beginning with the 2019 tax roll. The City does not believe that the impact will adversely affect the City's ability to pay debt service on the Bonds.

*Future Amendments Relating to Ad Valorem Taxation*. Historically, various legislative proposals and constitutional amendments relating to ad valorem taxation have been introduced in each session of the State legislature. Many of these proposals have provided for new or increased exemptions to ad valorem taxation and limited increases in assessed valuation of certain types of property or have otherwise restricted the ability of local governments in the State to levy ad valorem taxes at then current levels.

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# APPENDIX B

## COMPREHENSIVE ANNUAL FINANCIAL REPORT
## FOR FISCAL YEAR ENDED SEPTEMBER 30, 2016

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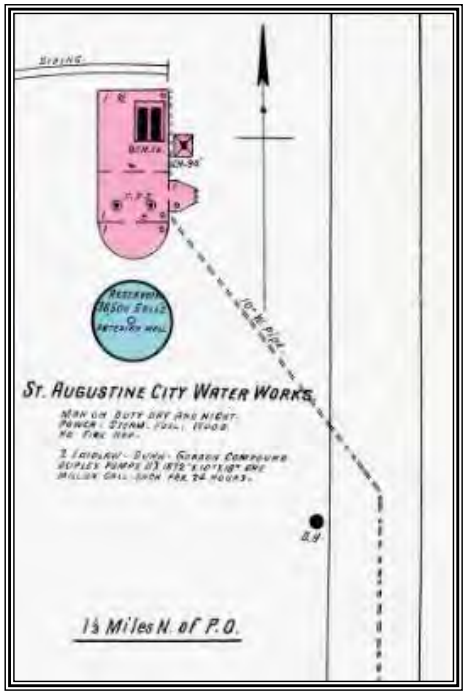
# Comprehensive Annual Financial Report

## Fiscal Year Ended September 30, 2016

## City of St. Augustine, Florida

Until 1898 St. Augustine did not have a municipal water system. Historically shallow wells were used and eventually a private utility was formed in 1887. A rising awareness of health and fire safety needs along with the increasing demand from the developing tourism market influenced city officials to develop a municipal water system. By this time Henry Flagler was operating three large hotels, a railroad company, and a residential development in the city and so he advocated for improved city infrastructure. To this end, he conveyed a large parcel of land north of town to the city which would became the pumping station for the city waterworks in 1898. Just thirty years later, a new water facility was built on King Street and the original building was converted to a community center in 1928 – that property would be renamed Davenport Park.

The original brick pumping station is currently undergoing major restoration sponsored in part by the Department of State, Division of Historical Resources and the State of Florida. Two separate grants from 2014 and 2015 have kicked off this significant preservation project which will result in a stable and restored building envelope. One of the adaptive use strategies being studied is a multi-use facility for archaeological and preservation research and education in tandem with a small concession that could serve the park and adjacent neighborhoods. The building has been closed since 2005 and this preservation project represents a team effort of all City of St. Augustine departments.






# City of St. Augustine, Florida

## Comprehensive Annual Financial Report
## Fiscal Year Ended September 30, 2016

Prepared By:
**Financial Services Department**

**Mark R. Litzinger**
Director

**L. Carl LaFleur, CPA**
Deputy Director

**Lyudmila Hodges**
Financial Analyst

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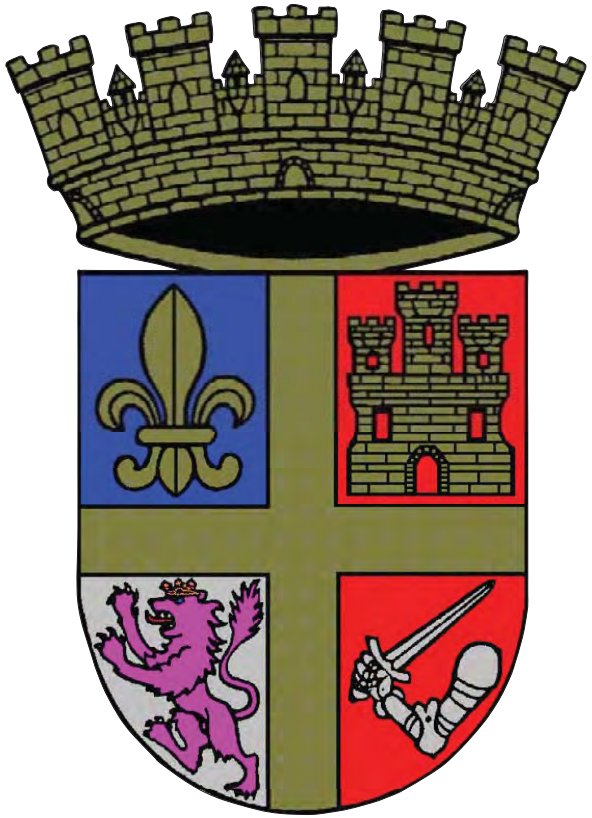

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**CITY OF ST. AUGUSTINE, FLORIDA**
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**
**For the Year Ended September 30, 2016**

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# INTRODUCTORY SECTION

This Section Contains the Following:

**Letter of Transmittal**

**Certificate of Achievement**

**Principal City Officials**

**Organizational Chart**

# Letter of Transmittal

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City of St. Augustine
St. Augustine, Florida
Nation's Oldest City
Financial Services

March 31, 2017

Honorable Mayor and Commissioners
City of St. Augustine, Florida

Mayor and Commissioners:

The Comprehensive Annual Financial Report of the City of St. Augustine, Florida, for the fiscal year ended September 30, 2016, is submitted herewith, pursuant to Florida Statutes Chapter 166.241 (4) and Chapter 10.550 of the Rules of the Auditor General of the State of Florida. This Comprehensive Annual Financial Report was prepared by the staff of the City's Financial Services Department, therefore, responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of activity of its various funds, and that all disclosures necessary to enable the readers to gain the maximum understanding of the City's financial activity have been included.

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

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

50 Bridge Street, 32084 – PO Box 210, 32085 – Office 904/825-1030 – FAX 904/825-1039

## GOVERNMENT PROFILE

Often called the City of the Centuries because of its antiquity, St. Augustine was founded by Spain in 1565 and is the oldest continuously occupied settlement of European origin in what is now the United States. The City was founded 42 years before the arrival of British colonists in Jamestown, 55 years before the Pilgrims landed at Plymouth Rock and was already two centuries old at the time of the American Revolution.

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

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

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

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

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







The City budget process begins in March and concludes in September with two public hearings. The budgets are prepared by each department and submitted to the budget committee for review. The budgets are then balanced and approved by the legal governing body. The General Fund, Special Revenue Fund and all Proprietary Funds have legally adopted annual budgets. The legal level of budgetary control is at the fund level without approval of the governing body. Actual spending, however, can exceed the appropriated amount of the fund to the extent revenues exceed the fund's budget.

## ECONOMIC CONDITIONS AND OUTLOOK

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

Founded by the Spanish 451 years ago, St. Augustine's historical and resort attractions draw millions of visitors every year. Tourism is responsible for over $1.1 billion annually and 22,000 jobs for St. Johns County. It is estimated nearly 9.6 million tourists visit St. Johns County annually with St. Augustine being the principal destination. St. Johns County estimates that just less than half of these people visit and return home the same day. This type of tourism, short-term and daily visitors, is less affected by downturns in the economy and has even seen an increase as people avoid popular high-priced venues.

As predicted, the City's ad valorem tax revenues have continued to rise in the fiscal year 2016. This growth has been due to new construction and renovation activity. For 2016 the City's total taxable value increased to $1,374,118,997. This represents the total taxable value for the 2017 budget year.

## MAJOR INITIATIVES/PROGRAMS

Management's purpose is to continue to provide the same or an improved level of service while managing future growth through sound fiscal management being cognizant of limited financial resources. The City is very fortunate to continue experiencing substantial growth in both development and tourism within the local economy. The City's challenge now is managing these fortunes in a way that promotes a successful economic environment and protects the quality of life for the community.

### *Strategic Planning*

The City continues to integrate our strategic planning initiative at every organizational level to guide and implement planning and resource allocation that is engrained in community engagement, broad transparency and measured results. After completing a community-wide visioning exercise to update the City's Vision Plan, the Commission developed a strategic action

plan that reflected the community's priorities to be incorporated into the City's budget process and business plan.

The City will begin the second year of the Citizen Survey which will be used to review the strategic plan prior to the budget process and proposed business plan. This will enable the City to make adjustments based on citizen input and measure results of the current decision making and resource allocation.

***Fiscal Management***

The City continues conducting financial reviews and policy adoptions that show the City's commitment to the highest level of fiscal management. The goal of the 2018 budget process is to develop a long-term revenue forecasting model for the General Fund that identifies anticipated future revenue to forecast with five years of predicted expenditures for operations and capital outlays. This five year budget will enable the Commission to make decisions and establish policies that impact the City beyond the next fiscal year.

The City anticipates bringing another capital improvement refunding bond to the Commission early this summer during the budget process for discussion purposes. The discussion will include the potential for borrowing additional monies, the associated cost and analysis of potential revenue that could be dedicated to finance this borrowing.



***Technology Upgrades***

The City is currently in different stages of the process of five major technology initiatives. The first is an upgrade of City View software in the Planning and Building Department that has been delayed to summer of 2017. This project has been ongoing for approximately one year and five months. This will expand the department's functionality and operational efficiency on a City-wide level.

The second system being deployed is a public records software package in the City Clerk's Office that will continue our goal of the reaching the highest level of transparency for our community.

The third system is a City-wide Voice Over IP (VoIP) phone system. This project continues to move forward but, due to several unanticipated hurdles, at a much slower pace than originally projected. It is anticipated that the Marina, Wastewater Treatment Plant, Water Treatment Plant, Fire Station and Financial Services Center will be fully functional in the first half of the 2017 fiscal year and the Lightner Building will come online by the end of the same fiscal year.

The City completed a City-wide geographic information system (GIS) evaluation and is now moving forward with the implementation. With the aid of consultants, a major upgrade to the department's GIS was completed in 2016. The City GIS system is now a server-based system that will allow multiple users to enter data and as-built updates to the database. Such data is





critically important to asset management, locating facilities and in analyzing future improvements. The City developed a strategy to secure grant funding to upgrade the software system that is critical at all levels of our public safety function.

The CTS America Law Enforcement Software Package (Smart Cop) software will be fully integrated with the St. Johns County Sheriff's Department and St. Augustine Beach Police Department. This project is schedule to go live at the end of the second quarter of the 2017 fiscal year.

***Land Development Code Updates and Revisions***

The Planning and Building Department has completed a Neighborhood Zoning Workbook initiative, which created a flexible planning tool so individual neighborhoods can create zoning overlay districts within their neighborhoods. This will allow greater control over quality of life issues and guide future growth.

The department has in progress updates to the Entry Corridor Design Standards guidelines, which regulates the appearance of new development on King Street, San Marco Avenue and Anastasia Boulevard. The Anastasia Boulevard Entry Corridor Design Standards guidelines have been completed in draft form and are anticipated to be adopted in May 2017.

The San Marco Avenue design standards update will begin after the Anastasia Boulevard design standards receive final approval. The statutorily required "Perils of Flooding" comprehensive plan element has begun with the data and analysis completed and this comprehensive plan amendment is anticipated to be adopted by the fall 2017.

***Historic Preservation Master Plan***

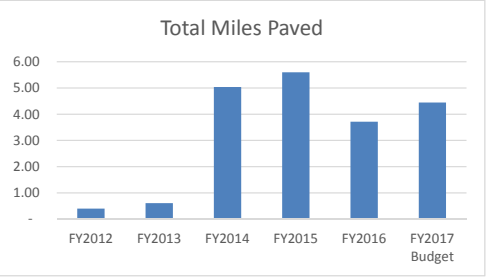
The City Planning and Building Department is in the final stages of developing a Historic Preservation Master Plan. Currently, the City relies on the Land Development Code, Historic Preservation Element of the Comprehensive Plan, and the Architectural Guidelines for Historic Preservation to regulate new development and conduct demolition review for historic properties and sites in the City.

The Historic Preservation Master Plan is a comprehensive document that sets the City's historic preservation priorities and establishes goals for historic preservation. The Historic Preservation Master Plan is scheduled for final approval in early summer 2017.

***Transportation and Mobility Planning***

**Street Paving**

In 2014 the City adopted a pavement management system, assessing the condition and assigning a rating to all City streets. Utilizing objective criteria upon which to prioritize spending will assure the best utilization of pavement maintenance dollars. Since 2014 the City has paved over 14 miles of streets and continues to allocate dollars toward road rehabilitation. Engineering staff work closely coordinating utilities and streets operations so as to effectively plan and program roadway rehabilitation. In 2016, the City resurfaced close to 4 miles and since 2014 the pavement condition index (PCI) has risen from 69 to 72.




**Mobility Planning**

The City hosts over 6 million visitors a year. The success of the tourism has strained the transportation and parking systems in the City. The number one strategic initiative resulting from the "Visioning 2014 and Beyond" study was to improve mobility. In an effort to ease congestion and parking stress, the City completed a Phase 1 Mobility Plan in 2016 through the work of a consultant, Littlejohn & Co. The plan encompasses all of St. Augustine and the first phase entitled the Framework Plan is now complete.

The second phase has begun and entails developing/analyzing alternative solutions. While the Mobility Plan continues to evolve, the City is concurrently implementing several of the derived Mobility Improvements. A shuttle system for bringing in visitors from satellite parking lots to the City's Visitor Information Center is being tested. It was implemented during the 4th of July weekend in 2016, on Saturdays during of the Nights of Lights season and during the Spring of 2017. As the shuttle system progresses, it is intensely monitored and improved.





With funding provided by St. Johns County, the City is participating with St. Augustine Beach to explore the feasibility of public shuttle systems connecting the downtown historic areas with the beaches.

**Freight Loading Zone Management Study**

Maintaining commerce in a congested, historic city presents its challenges to keep businesses and restaurants well provisioned with goods and supplies. Handling and managing the amount of deliveries is a challenge.

In 2015, a Truck Parking Management Plan was prepared by the North Florida Transportation Planning Organization and the City is working on implementing its recommendations. Initiatives include modifications to City parking lots, such as the Tolomato Lot, for construction of additional freight delivery parking.

All Loading Zones throughout the City have been inventoried and are being improved as budget and time allows. Truck routes have been developed and are being improved. The recommendation of a Smart Parking Management System is being examined and as funds become available it will be implemented.

**Downtown Improvement District**

This district was awarded 2016 Project of the Year by American Public Works Association. The City's Downtown Improvement District is made up of Spanish Street, Treasury Street and Hypolita Street.

In fiscal year 2014, the City committed to improving the streetscapes with new brick streets, sidewalks and lighting. The property owners along these streets entered into a special assessment taxing district with the City, allowing them to share the costs of these improvements.

The Downtown Improvement District streetscaping project was completed on time and within budget in April 2015 before the City's 450th celebration. The Downtown Improvement District project was awarded 2016 Project of the Year for Historic Restoration Category under 5 million dollars by the American Public Works Association.

**San Marco Intersection**

In May 2015, the City reached a settlement agreement with the property owner at the corner of May Street and San Marco Avenue with the City agreeing to purchase the property. The intent of the City's purchase was to use the property for improving traffic congestion at this major intersection. Being that both streets are owned by the Florida Department of Transportation (FDOT), the City and state worked together over the course of several months to conceptually design a solution that was both effective for moving traffic and accommodating growth while simultaneously being acceptable to the community.

Five different scenarios were examined. Alternative 5 which is sometimes referred to as a jug-handle or signalized roundabout was ultimately selected and approved by the City Commission in December 2015. Alternative 5 significantly reduced the queue length for May Street across a 20-year design horizon. The FDOT will begin construction of the preferred design in the Summer of 2017.

***Other City Projects***

**2015 Baseline Assessment ~ Condition Rating Grade "C"**

For the first time, the Public Works Department, with assistance from engineering consultants, prepared a comprehensive baseline assessment of the City's roads, water & sewer utility and stormwater infrastructure. The analysis included a condition rating, which set a baseline level of service, determined the value of the infrastructure, and estimated the cost to bring the facilities to the baseline level of service.

The purpose of the report was to provide a comprehensive look at the City's infrastructure and financial needs looking towards the future. The staff utilized the American Society of Civil Engineer's criteria and methods to arrive at their conclusion that rated, on average, the City's roadway, water & sewer and stormwater facilities a grade "C". A more detailed breakdown of this grade "C" is listed below:

| Area | Grade |
|---|---|
| Roads | D+ |
| Sewer Collection System | C |
| Stormwater | D+ |
| Wastewater Treatment Sytem | C |
| Water Distibution System | C |
| Water Treatment System | C+ |

**Utility Rates**

New utility rates were implemented in 2016, as the first year of a five year rate plan. New rates incorporated a tiered/block rate structure so as to aid in water conservation, offered a lower base rate and a reduction in surcharges for services provided outside the City. The new rate analysis and subsequently adopted rates incorporated a revenue sufficiency analysis, 10-year capital improvement plan outlook, and analysis of the utility connection fees. The adopted rate structure is approved through 2020, which will provide revenue stability and reliability.





**Renewal & Replacements**

Major water and sewer construction projects currently underway, which started in 2016, include Charlotte Street reconstruction (utility replacements and brick street refurbishment) and San Marco Avenue, Fullerwood and North City (watermain replacements). All projects are design complete and ready for construction in 2017.

On-going improvements to the sewer collection and water transmission system continue under a program of replacements and upgrades. Watermain replacement in the Magnolia area was completed in 2016. Lift station maintenance, to include improved motor controls and communications, continues to be a high priority as well as slip-lining aging sewers to significantly extend the system's lifespan.

The City is utilizing operating, and renewal and replacement funding to manage smaller projects that help improve the maintenance and operability of the system. Projects include hydrant maintenance and flushing, valve assessment and exercising, and unidirectional flushing. These projects will improve the reliability of the system and keep the system flushed, reducing occurrences of sediment or discoloration in the distribution system.

**Meter Upgrades and Water Conservation**

With the assistance of a cost-share grant from the St. Johns River Water Management District (SJRWMD) the City is working, through a pilot project (completed in 2016), to upgrade the visually read water meters to automatic readers. A feasibility study was completed that identified improvements and costs associated with upgrading the meters, such as efficiencies in collecting usage, reduction of injuries and staff, and allowing resources for maintenance activities.

It is anticipated the pilot program will provide data demonstrating water conservation, lost water, and economy/efficiency in collecting water consumption data.

**Salt Run Dredging**

The City, in conjunction with the St. Augustine Port, Waterway & Beach District (SAPWBD) and the Florida Inland Navigation District (FIND), has been working on a multiple phase dredging project in the Salt Run Navigation Channel. To date, a total of 60,124 cubic yards of material has been dredged and disposed of from the navigation channel between the Lighthouse Park Boat Ramp and the confluence of Salt Run with the Atlantic Intracoastal Waterway at the St. Augustine Inlet.

The City has secured grant funding from FIND totaling $300,000 and has entered into interlocal agreements with the SAPWBD for matching funds in the amount of $100,000 for a sixth and a seventh phase of continued operation and maintenance dredging. This work, which commenced in January 2017, allows for the removal of an additional 11,876 cubic yards of spoil material.

**San Sebastian River Dredging**

The City, in conjunction with the SAPWBD and FIND, has been working on a multiple phase dredging project of the San Sebastian River channel, which has not been dredged since 1956. The City secured a third grant from the SAPBD and FIND, totaling $300,000, to complete the project.

During this final phase, 9,009 cubic yards of material was removed from the river's navigation channel and disposed of, bringing the total amount of dredged spoil and sediment to 20,389 cubic yards and increasing depth along the navigational channel for the river's working waterfront.

**City Buildings and Historic Features**

The City has also completed or is working towards completing several brick and mortar projects within the City: re-roofing of the Dental Building located at Francis Field, the gazebo located in the Plaza, and the Casa Del Hidalgo. The most recognizable project the City completed this past fiscal year was the addition of light cages around City hall. These light cages are authentic reproductions of the cages that were once part of the original, historical landscape.

**Stormwater**

The stormwater system remains on the forefront of major infrastructure issues for the City. Stormwater projects in 2016 included Sidney Street and design completion for the South Dixie Highway culvert crossing. Island stormwater collection system construction was completed in 2016. Under a grant from the National Oceanic and Atmospheric Administration (NOAA), the Department of Economic Opportunity (DEO) has selected St. Augustine to be a pilot City to perform a vulnerability assessment and identify adaptive planning measures related to resiliency against rising sea levels.

This on-going project began in 2016. The City has participated in numerous workshops and training sessions related to sea level rise and are positioning for planning initiatives and technical understanding of these issues to help guide the City through future decision making on these issues.

**ECONOMIC DEVELOPMENT**

**Historic Downtown**

A major redevelopment of the site at 1 St. George Street, a critical area at the City Gates, with three new commercial buildings, and the rehabilitation of the historic Mill Top Tavern are underway and anticipated to be completed by fall 2017.





**Marriott Renaissance – The San Marco Hotel**

A new Marriott Renaissance hotel is anticipated to obtain final approval for its parking lot and will proceed with construction at the intersection of San Marco Avenue and Castillo Drive, north of the Visitor Information Center, and directly adjacent to the Historic Downtown Parking Facility. This redevelopment will eliminate three outdated commercial buildings at the entrance to the Historic District and provide an additional hotel experience for St. Augustine visitors.

**Lincolnville Development Activity**

The Lincolnville Community Redevelopment Area (LCRA) has been established and the St. Augustine Community Redevelopment Agency (CRA) has budgeted $315,000 for various aspects of community redevelopment for this fiscal year. This includes the "fix-it-up" program and emergency assistance program, a partnership with the St. Johns Housing Partnership, to rehabilitate distressed homes for qualified individuals in the neighborhood. Property values are increasing in Lincolnville with the construction of new homes and renovation of older ones. This neighborhood is experiencing dynamic positive change as properties are being refurbished and transformed.

**Anastasia Island**

Business growth on this corridor continues to be very active with construction of two new hotels (La Quinta Inn and Mile Marker 8 Boutique Hotel), as well as two commercial redevelopment projects of service stations that have been converted; one into a craft brewery and the other into a coffee house. These projects represent the ongoing growth pattern of the corridor, which is anticipated to continue. In support of this, the City is updating the Anastasia Boulevard Entry Corridor Design Standards guidelines, which is anticipated to be completed in May 2017.

**San Marco Avenue and King Street Corridors**

Along San Marco Avenue the most significant transformation is the continued rehabilitation of the City-owned Waterworks Building and the new Lagasse Racing Team headquarters, both of which are under construction. A new hotel at 5 Prawn Street has been approved and permitted along the King Street corridor and the site is being prepared for construction. Flagler College has a new 150-bed dormitory and a 520-space parking garage on the corner of King Street and Malaga Street that is under construction and anticipated to be completed by fall 2017. Business growth is evident on the west side of King Street with the new Bog Street Brewery.

**Antigua at St. Augustine**

This 450-unit residential development includes a marina and associated commercial components. Docks and viewing platforms have been constructed along the north side of the development for residential access to the water. The development agreement for this project was recently

approved by the City Commission and the first phase, which includes 165 homes, is being permitted and anticipated to break ground in summer 2017.

**Plantation Island Drive South (PIDS)**

This commercial corridor on Anastasia Island continues to show development interest with a franchise restaurant in the development review phase.

**Fish Island Development**

The Fish Island Development has recently been re-energized with a proposed residential community of 200 homes and associated docks. This project will require a rezoning which has not yet been submitted.

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

Projects in the U.S. 1/Lewis Speedway area remain robust with regard to permitting and construction.

**Flagler Crossing**

Flagler Crossing is located on the west side of U.S. 1 North and south of the St. Johns County Government complex. This project recently underwent a Planned Unit Development amendment to convert the project from a multifamily residential project to 107 single family homes. A developer is proceeding with the subdivision platting to initiate the project.

**The Landing**

The Landing is a multifamily development of 585 apartments, located on the west side of U.S.1 North, which has received development approval by the Planning and Zoning Board. Phase 1 of The Landing includes 273 apartments as well as three commercial outparcels which has been submitted for development approval. Approval of the civil engineering plan and building permits is anticipated to be issued in early May 2017.

**Madeira**

Madeira is a 750-unit residential development, with companion commercial development and a future 11-acre public park, along the east side of U.S. 1 North. This project is currently under construction in Phase 1. The civil engineering plans for Phase 2 have been submitted and are being approved for the infrastructure and final subdivision plat. This phase is anticipated to begin in summer 2017.





**Dr. Robert B. Hayling Freedom Park**

A 9-acre City park was created at the southern end of Riberia Street and named after local civil rights leader, the late Dr. Robert B. Hayling. The City staff completed a comprehensive plan amendment to assign the recreation and open space land use designation to the park and is in the process of finalizing the designs for access to this passive park for City residents to enjoy for generations.

**CHALLENGES AND CONCERNS**

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

**Budget and Growth Concerns**

The rapid growth, as seen by an increase in permitting and interest in development, is straining current resources of the City. The revenue associated with the growth lags behind required services. The increase in tourism although healthy for the economy, requires additional resources to successfully manage the increase in visitors while protecting the community's quality of life. We continue to face the challenge of providing a sufficient workforce that can respond to and meet the needs of increasing demand for external and internal services, as they are specifically related to community growth, increased tourism, and City staffing requirements.

**Technology Upgrades**

Implementation of technology solutions brings with it the challenge of providing both initial and continuing employee training and resources, as well as technical support. Without staff to support these solutions, those needs must be addressed in the future by prioritizing projects, outsourcing technical support, or hiring additional employees to better manage the implementation.

**Utility and Stormwater Infrastructure**

Development continued to grow through 2016 for new connections and the re-start of dormant projects. Demand for services and revenue continue to grow placing burdens on limited staff resources. After years of aggressively attacking water line replacements, the City is preparing to move into a capital plan focused on the sewer system and its infrastructure.

**Proposed Legislation and Potential for Negative Financial Impacts**

The City continues to monitor proposed legislation that has a high potential for negative financial impacts on current operations. These proposed financial threats to local government are coupled with less federal and state monies being available through grants and other programs that have traditionally help fund items related to historic preservation, environmental preservation, and

public safety. Local government is not designed to maintain these categories financially on a large scale without supplemental.

**Vehicular Congestion**

The City's mobility initiative is a comprehensive approach that will result in long-term improvements in transportation management for our community. However, understanding the extent of the planning process and the development of long-term comprehensive mobility solutions will require effective communication to reassure the community that demonstrable and measurable mobility improvements are the highest priority on the agenda.

## MANAGEMENT DISCUSSION AND ANALYSIS

Included in the Financial Section of this Comprehensive Annual Financial Report is the Management Discussion and Analysis. This section provides a broad overview and analysis of the City's activities and should be used in conjunction with the Letter of Transmittal.

## DEBT ADMINISTRATION

The City does not have any outstanding property tax supported debt. Each of the proprietary debt issues are considered to be self-supporting because revenues derived from operations provide for the debt requirements on an annual basis. A summary of outstanding bond issues and long-term notes payable as of September 30, 2016, for the City are as follows:

| Outstanding Bond Issue | Balance |
|---|---|
| Water and Sewer Revenue Refunding Bond, Series 2016 | $ 4,145,000 |
| Fire Truck Lease Purchase | 133,012 |
| Public Service Tax and Guaranteed Entitlement, 2004 | 1,055,000 |
| Public Service Tax and Guaranteed Entitlement, 2011 | 16,215,000 |
| Public Service Tax and Guaranteed Entitlement, 2011B | 7,625,000 |
| Water and Sewer Revenue Refunding Bond, Series 2012 | 11,505,000 |
| Public Service Tax and Guaranteed Entitlement, 2013 | 19,955,000 |
| **Total Outstanding Debt** | **$ 60,633,012** |





The table below shows the City's debt service coverage for the Utility Fund for the year ended September 30, 2016.

| Fiscal Year Ended | Gross Revenue | Operating Expenses | Net Revenue | Debt Service Requirements | Debt Service Coverage |
|---|---|---|---|---|---|
| 2016 | 15,230,758 | 8,907,224 | 6,323,535 | 3,828,544 | 1.65 |

## REPORTING ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of St. Augustine, Florida, for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2015. This is the 24th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

## ACKNOWLEDGEMENTS

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

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

Respectfully submitted,

John P. Regan, P.E.
City Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of St. Augustine**

**Florida**

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

**September 30, 2015**

Executive Director/CEO



# Principal City Officials

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# City of St. Augustine

**Comprehensive Annual Financial Report**
**For the Year Ended September 30th, 2016**

**Principal City Officials**

## City Commission

Mayor-Commissioner……...Nancy Shaver
Vice Mayor-Commissioner……Roxanne Horvath
Commissioner……Leanna Freeman
Commissioner……Nancy Sikes-Kline
Commissioner……Todd Neville

## City Staff

City Manager……John Regan
City Attorney……Isabelle Lopez
City Clerk……Darlene Galambos
Assistant City Manager……Timothy Burchfield
Director, Financial Services……Mark Litzinger
Director, Budget & Performance Management……Meredith Breidenstein
Police Chief……Loran Lueders
Fire Chief……Carlos Aviles
Director, General Services……James Piggott
Director, Planning & Building……David Birchim
Director, Public Affairs……Paul Williamson
Director, Public Works……Martha Graham

**City Boards & Committees**

Civil Service Board
Code Enforcement, Adjustments & Appeals Board
Firefighters' Retirement Board of Trustees
General Employees' Retirement Board
Historic Architectural Review Board (HARB)
Parking & Traffic Committee
Planning & Zoning Board (PZB)
Police Officers' Retirement Board
Street Tree Advisory Committee (STAC)

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# Organizational Chart

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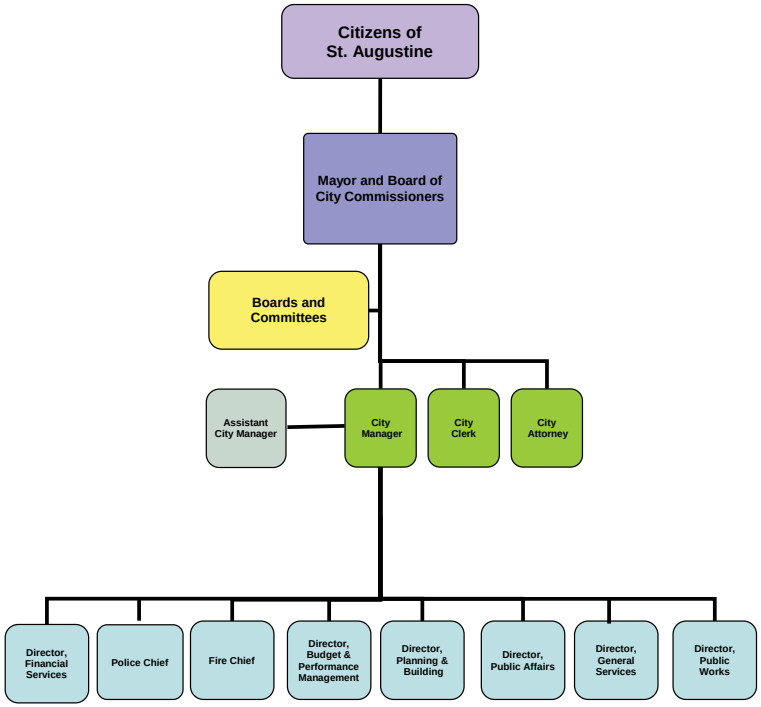
# City of St. Augustine

**Comprehensive Annual Financial Report**
**For the Year Ended September 30th, 2016**

**City Government Organizational Chart**



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# FINANCIAL SECTION

This Section Contains the Following:

**Independent Auditors' Report**

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

**Basic Financial Statements**

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

**Combining Statements**

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

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# Independent Auditors' Report

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MSW
MASTERS, SMITH & WISBY, P.A.
ACCOUNTANTS & BUSINESS ADVISORS

STEVEN D. RAWLINS, CPA
GARY M. HUGGETT, CPA
DAVID W. HOWIE, CPA

## INDEPENDENT AUDITORS' REPORT

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

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of St. Augustine, Florida (the City) as of and for the year ended September 30, 2016 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Managements Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Fire Pension Trust Fund , which represents 19%, 19%, and 15%, respectively of the assets, net position and additions to the pension trust fiduciary fund. Those statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the Fire Pension Trust Fund, is based solely on the report of the other auditors. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

JACKSONVILLE OFFICE
4811 BEACH BLVD., SUITE 300
JACKSONVILLE, FL 32207
P 904.396.2202 F 904.398.1315
WWW.MSWCPA.COM

PONTE VEDRA OFFICE
822 A1A NORTH, SUITE 310
PONTE VEDRA BEACH, FL 32082
P 904.247.1565 F 904.247.1665
WWW.MSWCPA.COM

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2016 and the respective changes in financial position, and where applicable, cash flows thereof, and the respective budgetary comparison for the general fund and Community Redevelopment Agency special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### *Other Matters*

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining financial statements, schedule of expenditures of federal awards and state financial assistance and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the financial statements taken as a whole.

The introductory and statistical section have not been subjected to the auditing procedures applied in the audit of the financial statements and , accordingly, we do not express an opinion or provide any assurance on them.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2017 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mastera, Smith & Wisly, P.A.
Certified Public Accountants
Jacksonville, Florida

March 31, 2017

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# Management Discussion & Analysis

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**Management Discussion and Analysis**

The City of St. Augustine's Management Discussion and Analysis (MD&A) is designed to provide an objective and easy to read analysis of the City of St. Augustine's financial activities based on currently known facts, decisions and conditions. It is intended to provide a broad overview and short-term and long-term analysis of the City's activities based on information presented in the financial statements. Specifically, this information is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, distinguish material deviations from the approved budget and recognize any individual fund concerns.

The information contained within this MD&A is designed to focus on the current year's activities, resulting changes and currently known facts and is only a component of the entire financial statement report. We encourage readers to consider the information contained in this discussion in conjunction with additional information contained in our transmittal letter beginning on page one in the front of this report, and the City's audited financial statements.

**Financial Highlights**

- The City's total assets and deferred outflows of resources exceeded its total liabilities and deferred inflows of resources at September 30th, 2016 by $97,606,533 (net position). Of this, $12,946,714 (unrestricted) can be used to meet the government's ongoing obligations to citizens and creditors. The City's net position increased during the fiscal year by $5,225,023 (6%).

- Governmental net position increased by $2,661,519 for the current fiscal year increasing governmental unrestricted net assets to $3,039,161(23%).

- Business-type net position increased by $2,563,504 for the current fiscal year and business-type unrestricted net assets were equal to $9,907,553 (76%).

- The governmental activities program revenue decreased by $412,528. The current year's activities produced an increase in net assets of $2,661,519 compared to the previous year's increase of $2,379,875 with less program revenue.

- The business-type activities program revenue increased by $320,968 (4%). Business-type activities reported $3,189,617 in Capital Grants and Contributions in the prior fiscal year. This year, those revenues made up $1,444,259 of business-type activities revenue a $1,745,358 difference. Charges for Services increased by $2,073,984 (8%) primarily from Utility Fund operations.

- The City's total debt associated with bonds and lease obligations decreased by a net $3,152,035 during the fiscal year.

**Overview of the Financial Statements**

***Using the Annual Report***

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

***Government-wide Financial Statements***

The government-wide financial statements found on pages 57-59, report on the City as a whole. The statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. There are two government-wide statements. Both distinguish functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

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

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

***Fund Financial Statements***

The fund financial statements found on pages 60-83, are more familiar to the traditional users of governmental financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate legal compliance with finance-related legal requirements. The City chose to include the required budget-to-actual comparisons in the fund financial statements of its financial report. The City has three fund categories: governmental funds, proprietary funds and fiduciary funds.





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

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City opted to report all funds as major funds which include the following: General Fund, Debt Service Fund, Special Revenue Funds, Capital Projects Fund and Permanent Fund.

The City of St. Augustine adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with their budget.

Proprietary funds are used to account for revenues and expenses from services provided on a user-charge basis to the public. Proprietary fund activities are reported on the same accounting basis and measurement focus as the statement of activities, which is similar to that found in the private sector and provides a periodic measurement of net income. The City's proprietary activities are accounted for in enterprise funds. The City opted to report all funds as major funds which include the following: Utility Fund, Stormwater Fund, Solid Waste Fund, Municipal Marina Fund and Visitor Information Center Fund.

Fiduciary funds report information about financial arrangements in which the City acts solely as an agent or trustee for others. The City is responsible for ensuring these resources are used for their intended purposes. Since the funds are not resources of the City, but are held for the benefit of others, we exclude these activities from the government-wide statements. The City's fiduciary funds include the following: General Pension Fund, Police Pension Fund and Fire Pension Fund.

***Notes to the Financial Statements & Other Information***

The notes to the financial statements begin on page 84, provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The required supplementary information includes the schedules of funding progress and contributions for the fiduciary funds. The combining statements include the fiduciary funds combined but in more detail than the government-wide. Additional statistical information is presented to give users of the report a historical perspective and to assist in determining current financial trends of the City.

## Financial Analysis

### *City as a whole*

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by $97,606,533 as of September 30, 2016. A portion of the City's net position of $77,769,786 (80%) reflects the net investments in capital assets. The City uses capital assets to provide services to citizens; therefore, these assets are not available for future spending.

Restricted net position of the City in the amount of $6,890,033 is reported in both governmental and business-type activities. This restricted net position has limits on its use that are externally imposed.

Unrestricted net position of the City in the amount of $12,946,714 can be used to meet the City's ongoing obligations to citizens and creditors. The terms restricted and unrestricted are governed by generally accepted accounting principles and do not fully consider City management decisions regarding spending limitations. Accounting principles may not restrict some amounts that have been earmarked for future uses governed by policy decisions and plans.





City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2016

# City of St. Augustine

**Summary of Net Position of September 30th, 2016, with comparative data for 2015 (in thousands)**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** | **2016** | **2015** |
| Current and Other Assets | $ 13,183 | $ 11,086 | $ 20,369 | $ 20,797 | $ 33,552 | $ 31,883 |
| Capital Assets | 30,828 | 30,788 | 110,019 | 110,392 | 140,847 | 141,180 |
| **Total Assets** | **44,011** | **41,874** | **130,388** | **131,189** | **174,400** | **173,063** |
| Contributions to Pension Plans | 2,782 | 2202 | 856 | 848 | 3,638 | 3,050 |
| Unamortized Loss on Refunding | - | - | 1,212 | 1,363 | 1,212 | 1,363 |
| **Total Deferred Outflow of Resources** | **2,782** | **2,202** | **2,068** | **2,211** | **4,850** | **4,413** |
| Current and Other Liabilities | 2,212 | 11,449 | 5,075 | 3,054 | 7,287 | 14,503 |
| Long-term Debt Outstanding | 32,083 | 23,072 | 41,439 | 47,108 | 73,522 | 70,180 |
| **Total Liabilities** | **34,295** | **34,521** | **46,514** | **50,162** | **80,809** | **84,683** |
| Pension Deferrals | 693 | 411 | 140 | - | 833 | 411 |
| **Total Deferred Inflow of Resources** | **693** | **411** | **140** | **-** | **833** | **411** |
| Net Position: | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 8,169 | 6,987 | 69,601 | 67,005 | 77,770 | 73,992 |
| Restricted | 597 | 1,151 | 6,293 | 5,280 | 6,890 | 6,431 |
| Unrestricted | 3,039 | 1,005 | 9,908 | 10,953 | 12,947 | 11,958 |
| **Total Net Position** | **$ 11,805** | **$ 9,143** | **$ 85,802** | **$ 83,238** | **$ 97,607** | **$ 92,381** |

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

**Statement of Activities for the year ended September 30th, 2016, with compartive data for 2015**

**(in thousands)**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** | **2016** | **2015** |
| **Revenues** | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | $ 8,801 | $ 8,030 | $ 26,730 | $ 24,655 | $ 35,530 | $ 32,685 |
| Operating Grants and Contributions | 43 | 30 | - | 8 | 43 | 38 |
| Capital Grants and Contributions | 284 | 1,480 | 1,444 | 3,190 | 1,728 | 4,670 |
| General Revenues: | | | | | - | - |
| Taxes | 14,129 | 13,011 | - | - | 14,129 | 13,011 |
| Fees | 1,642 | 1,588 | - | - | 1,642 | 1,588 |
| Revenue Sharing | 565 | 563 | - | - | 565 | 563 |
| Investment Income | 67 | 50 | 71 | 95 | 138 | 145 |
| Miscellaneous | 2,131 | 1,088 | - | - | 2,131 | 1,088 |
| **Total Revenues** | **27,663** | **25,840** | **28,245** | **27,948** | **55,908** | **53,788** |
| **Program Expenses Including** | | | | | | |
| **Indirect Expenses** | | | | | | |
| General Administration | 8,786 | 9,064 | - | - | 8,786 | 9,064 |
| Public Safety | 9,406 | 9,327 | - | - | 9,406 | 9,327 |
| Physical Environment | 2,707 | 2,572 | - | - | 2,707 | 2,572 |
| Transportation | 2,980 | 1,956 | - | - | 2,980 | 1,956 |
| Culture/Recreation | 1,425 | 1,453 | - | - | 1,425 | 1,453 |
| Interest/Fiscal Charges on Long-term Debt | 1,213 | 1,227 | - | - | 1,213 | 1,227 |
| Utilities | - | - | 13,137 | 12,425 | 13,137 | 12,425 |
| Stormwater | - | - | 1,258 | 904 | 1,258 | 904 |
| Solid Waste | - | - | 3,945 | 3,569 | 3,945 | 3,569 |
| Municipal Marina | - | - | 2,138 | 2,238 | 2,138 | 2,238 |
| Visitor Information Center | - | - | 3,688 | 3,331 | 3,688 | 3,331 |
| **Total Expenses** | **26,518** | **25,599** | **24,165** | **22,467** | **50,683** | **48,066** |
| **Increase in Net Position Before Transfers** | **1,146** | **241** | **4,079** | **5,481** | **5,225** | **5,722** |
| Transfers | 1,516 | 2,139 | (1,516) | (2,139) | - | - |
| **Increase (Decrease) in Net Position** | **2,662** | **2,380** | **2,564** | **3,342** | **5,225** | **5,722** |
| **Net Position - Beginning,** | **9,143** | **6,763** | **83,238** | **79,896** | **92,382** | **86,659** |
| **Net Assets - Ending** | **$ 11,805** | **$ 9,143** | **$ 85,802** | **$ 83,238** | **$ 97,607** | **$ 92,381** |





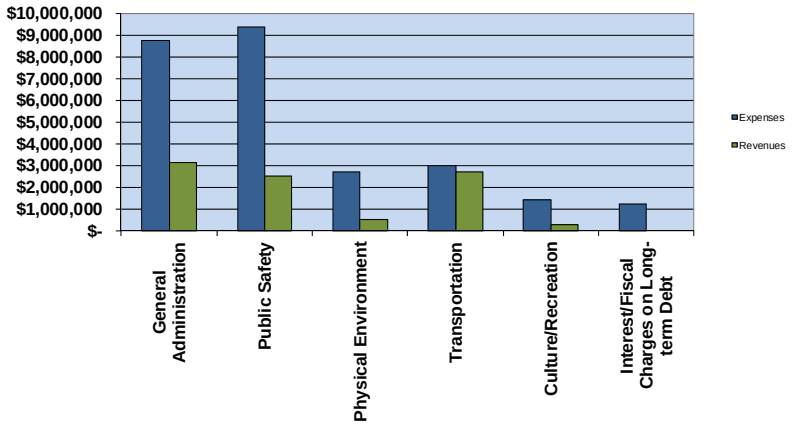
***Governmental Activities***

Governmental activities resulted in an increase in the City's net position of $2,661,519. This increase can be attributed to sound fiscal controls, the sale of City owned property and favorable actuarial results from City retirement fund performances.

The City sold a property for $1,228,199 that was purchased in the previous fiscal year with the intent to resale to the Florida Department of Transportation for an intersection improvement. The additional $1,151,676 is a combination of fiscal policies, revenue increases from above average growth in development and tourism impacting the local economy and a $563,650 net position increase related to pension activity.

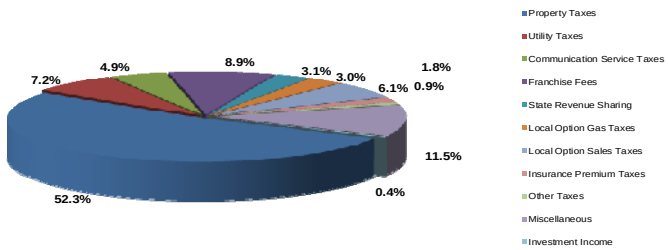
Program revenues are revenues that can be assigned or are attributable to a specific program. These revenues account for $9,127,850 (33%) of total governmental activities revenue. The chart below shows governmental activities by program with their respective expenses and revenues.

**Program Expenses and Revenues - Governmental Activities**



General revenues are revenues that fail to meet the criteria of program specific revenues. General revenues account for $ $18,535,264 (67%) of total governmental activities revenue. The chart below shows total general revenues by category.

**General Revenues - Governmental Activities**




B-29

***Business-type Activities***

Business-type activities increased the City's net position by $2,563,504. Key elements of this increase are as follows:

- The Utility received capital grants and contribution of $1,444,259 and had operating income of $3,135,755. This operating income is directly related to the implementation of a new rate structure and above average growth.

- The Utility revenues exceeded the original budget by approximately $1.6 million in flow revenue and $400 thousand in connection fees. Additionally, the Utility activity revenues increased over the previous fiscal year by approximately $2 million.

- The Visitor Information Center had operating income of $1,148,698 but still incurred a slight decrease in net position. This decrease is directly related to the depreciation expense of the parking structure. The City adopted an annual budget transfer to reserves beginning in the 2017 budget year to gradually alleviate the negative position. The estimated timeline to erase the deficit and establish a minimum net position is five years.



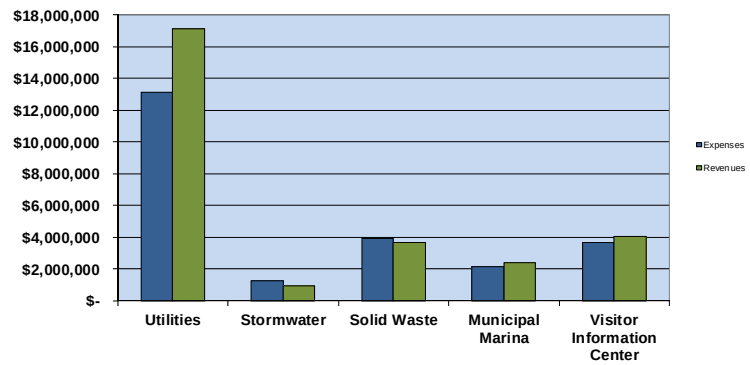


- All other business-type activities produced anticipated results.

Program revenues are revenues that can be assigned or are attributable to a specific program. These revenues account for $28,173,811, of total business-type activities revenue.

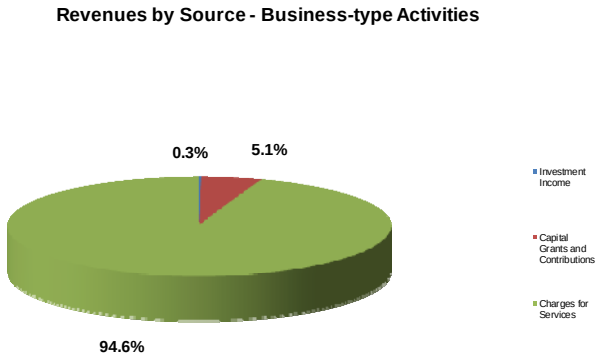
The chart below shows business-type activities by program with their respective expenses and revenues.

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




.

Total revenues for business-type activities amounted to $28,244,507. Below is a chart depicting business-type activities by source.




B-30

***Governmental Funds***

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $11,356,727 an increase of $1,833,233 (19%) from the previous fiscal year. The key element of this decrease was the spending of General Fund reserves on capital projects and purchases.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was $220,916 while the total fund balance was $10,661,056. While the total fund balance shows an increase of $2,087,904 (24%) from the previous fiscal year and the unassigned fund balance of the General Fund shows an increase of $210,270 compared to the previous year.





As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to the total fund expenditures.

The Debt Service Fund is the fund used to set aside resources to meet current debt service requirements on general long-term debt.
The Special Revenue Funds maintains certain revenue to be used for a specific purpose. The City's Special Revenue Funds report the Historic Area Community Redevelopment Area and the Lincolnville Community Redevelopment Area.

The Capital Projects Fund is used to report major capital acquisitions and construction separately from ongoing operating activities. Projects reported here are funded by transfers from the General Fund, grants and bond funds.

The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used to support the City's programs.

### *Proprietary Funds*

The City's proprietary funds provide the same type of information provided in the government-wide statements, but in more detail. The tables below list the net position summaries for the various enterprise funds.

**Summary of Change in Net Position - Proprietary Funds**
**For the Year Ended September 30, 2016**
**(in thousands)**

| | Utility | Storm Water Drainage | Solid Waste | Municipal Marina | Visitor Information Center | Total Proprietary |
|---|---|---|---|---|---|---|
| **Net Position - Beginning** | $ 66,370 | $ 14,882 | $ 2,750 | $ 3,497 | $ (4,260) | $ 83,239 |
| **Change in Net Position** | 3,526 | (505) | (448) | 91 | (101) | 2,563 |
| **Net Position - Ending** | $ 69,896 | $ 14,377 | $ 2,302 | $ 3,588 | $ (4,361) | $ 85,802 |

**Net Position As of September 30, 2016**

| | Utility | Storm Water Drainage | Solid Waste | Municipal Marina | Visitor Information Center | Total Proprietary |
|---|---|---|---|---|---|---|
| **Invested in Capital Assets, Net of Related Debt** | $ 56,919 | $ 13,108 | $ 1,644 | $ 3,849 | $ (5,919) | $ 69,601 |
| **Restricted** | 6,293 | - | - | - | - | 6,293 |
| **Unrestricted** | 6,684 | 1,269 | 658 | (261) | 1,558 | 9,908 |
| **Total Net Position** | $ 69,896 | $ 14,377 | $ 2,302 | $ 3,588 | $ (4,361) | $ 85,802 |





Cumulatively, the proprietary funds had a $ 2,563,504 increase in net position Key factors pertaining to this increase are as follows:

- The Utility Fund had operating income of $3,135,755 and capital grants and other capital contributions of $1,431,361.
- The Stormwater Fund had an operating loss of $332,912.
- The Solid Waste Fund had an operating loss of $303,141.
- The Municipal Marina Fund had operating income of $233,607.
- The Visitor Information Center Fund had operating income of $1,148,698. Interest expense of $924,782 and net transfers out of $1,420,416 resulted in a negative change in net position of $ 100,989 for this fund.
- The operating income of each fund is structured so that it meets or exceeds operating expenses. Operating income that exceeds operating expense is used to meet non-operating needs such as interest expense and transfers out to other funds.

### *General Fund Budgetary Highlights*

There are no material differences between the original budget and the final amended budget for appropriations (expenditures) in the General Fund. There were no material budgetary changes to the General Fund budgets and all budgetary policies and controls were adhered to throughout the year. (See budget to actual comparison on page 67-69.)

## Capital Asset and Long-term Debt Administration

### *Capital Assets*

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to $140,847,360 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment and infrastructure.

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Land | $ 8,055,150 | $ 7,142,426 | $ 1,145,803 | $ 1,145,803 | $ 9,200,953 | $ 8,288,229 |
| Buildings | 8,506,849 | 10,075,153 | 32,550,049 | 33,878,841 | 41,056,898 | 43,953,994 |
| Infrastructure | 12,681,977 | 12,447,543 | 72,330,258 | 71,866,042 | 85,012,235 | 84,313,585 |
| Machinery | 1,298,839 | 1,002,873 | 2,032,773 | 2,128,081 | 3,331,612 | 3,130,954 |
| Total | 30,542,815 | 30,667,995 | 108,058,883 | 109,018,767 | 138,601,698 | 139,686,762 |
| Work in Progress | 285,560 | 119,718 | 1,960,102 | 1,373,268 | 2,245,662 | 1,492,986 |
| Total | $ 30,828,375 | $ 30,787,713 | $ 110,018,985 | $ 110,392,035 | $ 140,847,360 | $ 141,179,748 |

The following reconciliation summarizes the change in capital assets, which is presented in detail on pages 94-96 of the Notes to the Financial Statements.

| | Activities | Activities | Total |
|---|---|---|---|
| Beginning Balance | $ 30,787,713 | $ 110,392,032 | $ 141,179,745 |
| Additions | 1,634,176 | 5,332,684 | 6,966,860 |
| Retirement | (12,960) | (9,311) | (22,271) |
| Depreciation | (1,580,554) | (5,696,420) | (7,276,974) |
| Ending Balance | $ 30,828,375 | $ 110,018,985 | $ 140,847,360 |







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

### Governmental Activities:

| | |
|---|---|
| Water Works Building Rehab | $ 152,692 |
| SeaWall Connectivity | 8,565 |
| KAYAK | 17,240 |
| Lightber Roof | 78,684 |
| Davenport Park Improvements | 28,379 |
| **Total** | $ 285,560 |

### Business Type Activities:

Construction in progress is composed of the following at September 30, 2016:

| | |
|---|---|
| Holmes Blvd Water Main | $ 189,778 |
| Automated Meter Reading Rollup | 244,125 |
| Charlotte St | 80,232 |
| LPRO Concentrate Disposal Per&Constr | 365,272 |
| R0214 Pump Stations 50 and 51 Force | 220,181 |
| R0218 Well D-3 Invest&Repairs | 48,117 |
| Coquina Ave Outfall Improv Rollup | 33,634 |
| Seawell Connection | 33,293 |
| Smith/S. Orange | 64,648 |
| S Dixie Hwy Improv Box Culvert | 75,390 |
| San Marco Water Main | 265,878 |
| Sidney St. Outfall Improvement | 218,129 |
| Woodlawn Road Utility Adj | 121,425 |
| **Total** | $ 1,960,102 |

***Long-Term Debt***

At the end of fiscal year 2016, the City had total debt outstanding of $60,633,012. All of this debt is secured solely by specified revenue sources. More detail on the long-term debt is presented on pages 97-103 of the Notes to the Financial Statements.

**Outstanding Debt at Year-End**

| | 2016 | 2015 |
|---|---|---|
| **Governmental:** | | |
| Revenue Bonds | $ 22,895,020 | $ 23,307,992 |
| Fire Truck Loan | 133,012 | 175,046 |
| **Business Type:** | | |
| Water & Sewer Revenue Bonds | 15,650,000 | 17,750,000 |
| Municipal Marina Revenue Bonds | - | 168,613 |
| Visitor Information Center Revenue Bonds | 21,954,980 | 22,383,428 |
| **Total** | **$ 60,633,012** | **$ 63,785,079** |

**Economic Factors**

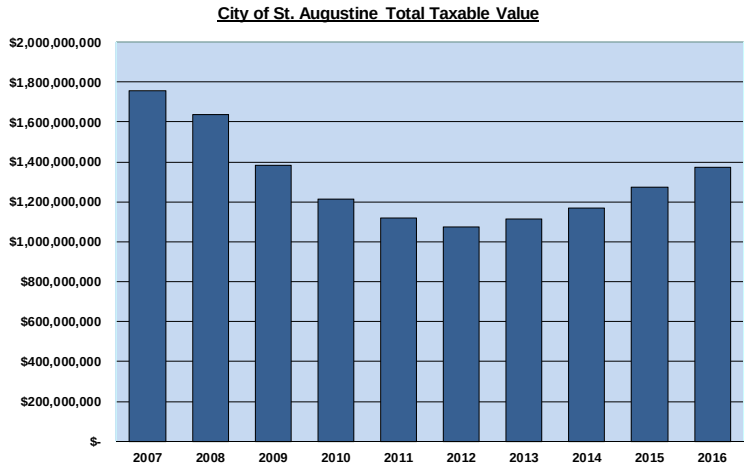
The City primarily relies on property and a limited array of permitted or other taxes and fees for governmental activities. There are a number of state-shared revenues and recurring and non-recurring grants from both the state and federal governments. In addition to new construction and renovations, the tax values of existing properties have seen a minimal increase. This trend is expected to continue in the 2016-2017 fiscal year.

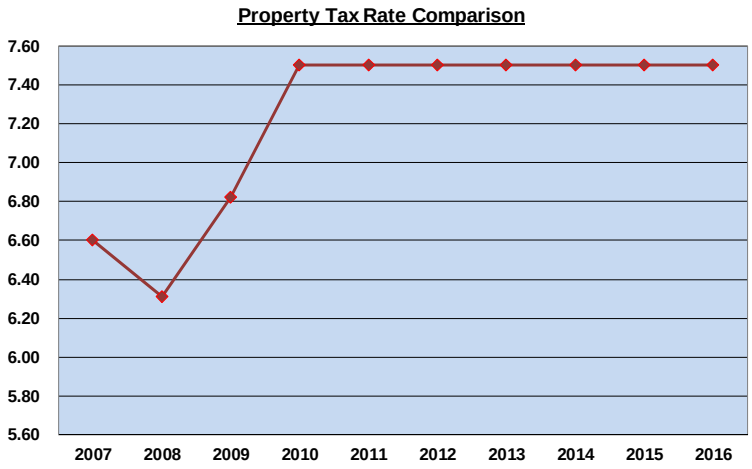
The City regularly competes with the County for growth and expansion of services in an attempt to offset cost and lower customer fees. The level of taxes, fees and charges for services will have a bearing on the City's specific competitive ability to annex additional land into its corporate limits and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





City of St. Augustine, Florida
Management Discussion and Analysis
For the year ended September 30, 2016










**Financial Contact**

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, contact the Finance Department office located at the Financial Services Center, 50 Bridge Street, St. Augustine, Florida 32084, (904) 825-1030.

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# Basic Financial Statements

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**CITY OF ST. AUGUSTINE, FLORIDA**
**Statement of Net Position**
**September 30, 2016**

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and Cash Equivalents | $ 11,241,169 | $ 10,579,443 | $ 21,820,612 |
| Receivables (Net) | 771,860 | 2,781,845 | 3,553,705 |
| Due from Other Governments | 6,000 | - | 6,000 |
| Internal Balances | 19,748 | (19,748) | - |
| Inventories | 581,677 | 198,093 | 779,770 |
| Prepaid Items | 201,612 | - | 201,612 |
| Restricted Assets: | | | |
| Cash and Cash Equivalents | 360,891 | 6,829,577 | 7,190,468 |
| Capital Assets: | | | |
| Non-Depreciable | 8,340,710 | 3,105,905 | 11,446,615 |
| Depreciable (Net) | 22,487,665 | 106,913,080 | 129,400,745 |
| **Total Assets** | **44,011,332** | **130,388,195** | **174,399,527** |
| **Deferred Outflows of Resources:** | | | |
| Pension Related | 2,781,679 | 856,230 | 3,637,909 |
| Unamortized Loss on Refunding | - | 1,212,004 | 1,212,004 |
| **Total Deferred Outflows of Resources** | **2,781,679** | **2,068,234** | **4,849,913** |
| **LIABILITIES** | | | |
| Accounts Payable and Accrued Expenses | 1,692,261 | 1,209,876 | 2,902,137 |
| Deposits | - | 536,518 | 536,518 |
| Unearned Revenue | 133,969 | 736 | 134,705 |
| **Non-Current Liabilities:** | | | |
| Due Within One Year: | | | |
| Compensated Absences | 86,427 | 33,963 | 120,390 |
| Bonds Payable | 299,712 | 3,293,838 | 3,593,550 |
| Due in More Than One Year | | | |
| Net Retiree Healthcare Obligation | 1,026,105 | - | 1,026,105 |
| Net Pension Liability | 6,493,865 | 3,678,866 | 10,172,731 |
| Compensated Absences | 2,202,706 | 636,632 | 2,839,338 |
| Bonds Payable | 22,360,040 | 37,123,984 | 59,484,024 |
| **Total Liabilities** | **34,295,085** | **46,514,413** | **80,809,498** |
| **Deferred Inflows of Resources:** | | | |
| Pension Related | 693,168 | 140,241 | 833,409 |
| **Total Deferred Inflows of Resources** | **693,168** | **140,241** | **833,409** |
| **NET POSITION** | | | |
| Net Investment in Capital Assets | 8,168,623 | 69,601,163 | 77,769,786 |
| Restricted for: | | | |
| Expendable | | | |
| Capital Projects | 18,990 | - | 18,990 |
| Renewal and Replacement | - | 6,276,415 | 6,276,415 |
| Other | 70,806 | 16,644 | 87,450 |
| Non-Expendable | | | |
| Permanent Fund | 305,566 | - | 305,566 |
| Prepaid Expenses | 201,612 | - | 201,612 |
| Unrestricted | 3,039,161 | 9,907,553 | 12,946,714 |
| **Total Net Position** | **$ 11,804,758** | **$ 85,801,775** | **$ 97,606,533** |

*See accompanying notes to basic financial statements*

**CITY OF ST. AUGUSTINE, FLORIDA**
**Statement of Activities**
**For Year Ended September 30, 2016**

| FUNCTION/PROGRAM ACTIVITIES | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities | Business-type Activities | Total |
|---|---|---|---|---|---|---|---|
| **PRIMARY GOVERNMENT:** | | | | | | | |
| **Governmental Activities:** | | | | | | | |
| General Government | $ 8,785,585 | $ 2,841,127 | $ 6,000 | $ 283,770 | $ (5,654,688) | $ - | $ (5,654,688) |
| Public Safety | 9,406,370 | 2,481,220 | 37,354 | - | (6,887,796) | - | (6,887,796) |
| Physical Environment | 2,707,200 | 505,033 | - | - | (2,202,167) | - | (2,202,167) |
| Transportation | 2,980,385 | 2,717,606 | - | - | (262,779) | - | (262,779) |
| Culture/Recreation | 1,424,595 | 255,740 | - | - | (1,168,855) | - | (1,168,855) |
| Interest/Fiscal Charges on Long-term Debt | 1,213,391 | - | - | - | (1,213,391) | - | (1,213,391) |
| **Total Governmental Activities** | **26,517,526** | **8,800,726** | **43,354** | **283,770** | **(17,389,676)** | **-** | **(17,389,676)** |
| **Business-type Activities:** | | | | | | | |
| Utilities | 13,136,527 | 15,688,770 | - | 1,431,361 | - | 3,983,604 | 3,983,604 |
| Stormwater | 1,258,474 | 925,562 | - | - | - | (332,912) | (332,912) |
| Solid Waste | 3,944,582 | 3,668,890 | - | - | - | (275,692) | (275,692) |
| Municipal Marina | 2,137,892 | 2,362,775 | - | 12,898 | - | 237,781 | 237,781 |
| Visitor Information Center | 3,687,597 | 4,083,555 | - | - | | 395,958 | 395,958 |
| | | | | | - | - | - |
| **Total Business-type Activities** | **24,165,072** | **26,729,552** | **-** | **1,444,259** | **-** | **4,008,739** | **4,008,739** |
| **Total Primary Government** | **$ 50,682,598** | **$ 35,530,278** | **$ 43,354** | **$ 1,728,029** | **(17,389,676)** | **4,008,739** | **(13,380,937)** |
| **General Revenues:** | | | | | | | |
| Property Taxes | | | | | 9,698,505 | - | 9,698,505 |
| Utility Taxes | | | | | 1,341,218 | - | 1,341,218 |
| Communication Service Taxes | | | | | 902,282 | - | 902,282 |
| Franchise Fees | | | | | 1,642,163 | - | 1,642,163 |
| State Revenue Sharing, Unrestrict | | | | | 565,395 | - | 565,395 |
| Local Option Gas Taxes | | | | | 553,516 | - | 553,516 |
| Local Option Sales Taxes | | | | | 1,138,289 | - | 1,138,289 |
| Insurance Premium Taxes | | | | | 333,239 | - | 333,239 |
| Other Taxes | | | | | 162,123 | - | 162,123 |
| Miscellaneous | | | | | 2,131,273 | - | 2,131,273 |
| Investment Income | | | | | 67,261 | 70,696 | 137,957 |
| **Transfers** | | | | | 1,515,931 | (1,515,931) | - |
| **Total General Revenues and Transfers** | | | | | **20,051,195** | **(1,445,235)** | **18,605,960** |
| **Change in Net Position** | | | | | **2,661,519** | **2,563,504** | **5,225,023** |
| **Net Position - Beginning of Year** | | | | | **9,143,239** | **83,238,271** | **92,381,510** |
| **Net Position - End of Year** | | | | | **$ 11,804,758** | **$ 85,801,775** | **$ 97,606,533** |

*See accompanying notes to basic financial statements*

**CITY OF ST. AUGUSTINE, FLORIDA**
**Balance Sheet**
**Governmental Funds**
**September 30, 2016**

| | General | Debt Service | Special Revenue HACRA | Special Revenue LCRA | Capital Projects | Permanent | Total Governmental |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| Cash and Cash Equivalents | $ 11,059,410 | $ - | $ - | $ 136,622 | $ 45,137 | $ - | $ 11,241,169 |
| Receivables (Net of Allowance for Uncollectibles) | 601,705 | - | - | - | 170,155 | - | 771,860 |
| Due from Other Funds | 20,096 | - | - | - | - | - | 20,096 |
| Due from Other Governments | 6,000 | - | - | - | - | - | 6,000 |
| Inventories, At Cost | 581,677 | - | - | - | - | - | 581,677 |
| Prepaid Expenditures | 201,612 | - | - | - | - | - | 201,612 |
| Restricted Assets: | | | | | | | - |
| Cash and Cash Equivalents | - | - | - | - | 54,977 | 305,914 | 360,891 |
| **Total Assets** | **$ 12,470,500** | **$ -** | **$ -** | **$ 136,622** | **$ 270,269** | **$ 305,914** | **$ 13,183,305** |
| **LIABILITIES AND FUND BALANCES** | | | | | | | |
| **Liabilities:** | | | | | | | |
| Accounts Payable | $ 1,589,644 | $ - | $ - | $ 7,401 | $ 9,385 | $ - | $ 1,606,430 |
| Unearned Revenue | 133,969 | - | - | - | - | - | 133,969 |
| Accrued Expenditures | 85,831 | - | - | - | - | - | 85,831 |
| Due to Other Funds | - | - | - | - | - | 348 | 348 |
| **Total Liabilities** | **1,809,444** | **-** | **-** | **7,401** | **9,385** | **348** | **1,826,578** |
| **Fund Balances:** | | | | | | | |
| Nonspendable: | | | | | | | |
| Inventories | 581,677 | - | - | - | - | - | 581,677 |
| Prepaid Expenditures | 201,612 | - | - | - | - | - | 201,612 |
| Restricted for: | - | - | - | - | - | - | - |
| Police Education/Confiscation/Donations | 70,806 | | | | | | 70,806 |
| Trust | - | - | - | - | - | 305,566 | 305,566 |
| Bond Projects | - | - | - | - | 18,990 | - | 18,990 |
| Committed | 8,538,824 | - | - | 129,221 | 241,894 | - | 8,909,939 |
| Assigned | 1,047,221 | - | - | - | - | - | 1,047,221 |
| Unassigned | 220,916 | - | - | - | - | - | 220,916 |
| **Total Fund Balances** | **10,661,056** | **-** | **-** | **129,221** | **260,884** | **305,566** | **11,356,727** |
| **Total Liabilities and Fund Balances** | **$ 12,470,500** | **$ -** | **$ -** | **$ 136,622** | **$ 270,269** | **$ 305,914** | **$ 13,183,305** |

*See accompanying notes to basic financial statements*

**CITY OF ST. AUGUSTINE, FLORIDA**
**Reconciliation of Governmental Funds Balance Sheet**
**to the Statement of Net Position**
**September 30, 2016**

| | | |
|---|---|---|
| **Total Governmental Fund Balances** | | $ 11,356,727 |
| *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 | 57,188,762 | |
| Less accumulated depreciation | (26,360,387) | |
| | 30,828,375 | |
| | | 30,828,375 |
| Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities (net of discounts/premiums and deferred amounts on refunding) at year-end consist of: | | |
| Governmental bonds payable | (22,659,752) | |
| Compensated absences | (2,289,133) | |
| | | (24,948,885) |
| Deferred outflows of resources related to pensions and insurances are applicable to future periods and, therefore, are not reported in the governmental funds. | | |
| Net pension assets (obligations) | (4,405,354) | |
| Net retiree healthcare assets (obligations) | (1,026,105) | |
| | | (5,431,459) |
| **Net Position of Governmental Activities** | | **$ 11,804,758** |

*See accompanying notes to basic financial statements*



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## CITY OF ST. AUGUSTINE, FLORIDA
### Statement of Revenues, Expenditures and Changes in Fund Balances
### Governmental Funds
### For the Year Ended September 30, 2016

| | General | Debt Service | Special Revenue HACRA | Special Revenue LCRA | Capital Projects | Permanent | Total Governmental |
|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | |
| Ad Valorem Taxes | $ 9,338,782 | $ - | $ 257,953 | $ 101,770 | $ - | $ - | $ 9,698,505 |
| Sales, Use and Gas Taxes | 886,755 | - | - | - | - | - | 886,755 |
| Utility and Communications Service Taxes | 2,243,500 | - | - | - | - | - | 2,243,500 |
| Grants | 43,354 | - | - | - | 283,770 | - | 327,124 |
| Intergovernmental | 1,865,806 | - | - | - | - | - | 1,865,806 |
| Franchise Fees | 1,642,163 | - | - | - | - | - | 1,642,163 |
| Licenses, Permits and Other Fees | 3,655,864 | - | - | - | - | - | 3,655,864 |
| Fines and Forfeitures | 621,657 | - | - | - | - | - | 621,657 |
| Administrative Overhead Charges | 3,536,037 | - | - | - | - | - | 3,536,037 |
| Investment Income | 65,234 | - | 26 | - | 515 | 1,486 | 67,261 |
| Miscellaneous | 2,920,483 | - | - | - | 197,959 | - | 3,118,442 |
| **Total Revenues** | **26,819,635** | **-** | **257,979** | **101,770** | **482,244** | **1,486** | **27,663,114** |
| **EXPENDITURES** | | | | | | | |
| Current Operating: | | | | | | | |
| General Government | 6,453,343 | - | - | 165,069 | 633,081 | - | 7,251,493 |
| Public Safety | 9,784,975 | - | - | - | - | - | 9,784,975 |
| Physical Environment | 2,602,746 | - | - | - | - | - | 2,602,746 |
| Transportation | 2,979,462 | - | - | - | - | - | 2,979,462 |
| Culture/Recreation | 1,424,595 | - | - | - | - | - | 1,424,595 |
| Capital Outlay | 1,044,099 | - | - | - | 590,077 | - | 1,634,176 |
| Debt Service: | | | | | | | - |
| Principal Retirement | - | 454,974 | - | - | - | - | 454,974 |
| Interest and Other | - | 1,213,391 | - | - | - | - | 1,213,391 |
| **Total Expenditures** | **24,289,220** | **1,668,365** | **-** | **165,069** | **1,223,158** | **-** | **27,345,812** |
| **Excess (Deficiency) of Revenues Over (Under) Expenditures** | **2,530,415** | **(1,668,365)** | **257,979** | **(63,299)** | **(740,914)** | **1,486** | **317,302** |
| **OTHER FINANCING SOURCES (USES)** | | | | | | | |
| Borrowing from capitalized lease | - | - | - | - | - | - | - |
| Transfers In | 2,972,439 | 1,668,365 | 375,842 | 148,281 | 437,907 | - | 5,602,834 |
| Transfers (Out) | (3,414,950) | - | (636,777) | (25,000) | - | (10,176) | (4,086,903) |
| **Total Other Financing Sources (Uses)** | **(442,511)** | **1,668,365** | **(260,935)** | **123,281** | **437,907** | **(10,176)** | **1,515,931** |
| **Net Change in Fund Balances** | 2,087,904 | - | (2,956) | 59,982 | (303,007) | (8,690) | 1,833,233 |
| **Fund Balances - Beginning** | 8,573,152 | - | 2,956 | 69,239 | 563,891 | 314,256 | 9,523,494 |
| **FUND BALANCES - ENDING** | **$ 10,661,056** | **$ -** | **$ -** | **$ 129,221** | **$ 260,884** | **$ 305,566** | **$ 11,356,727** |

*See accompanying notes to basic financial statements*

**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, 2016**

| | | |
|---|---|---|
| **Net Change in Fund Balances - Total Governmental Funds** | | $ 1,833,233 |
| *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 | 1,634,176 | |
| Less: current year depreciation and amortization | (1,580,554) | 53,622 |
| The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. | | |
| Net book value of disposed assets | (12,960) | (12,960) |
| 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. | | |
| Payment on debt | 454,974 | |
| Amortization of discount and premium | (42,838) | 412,136 |
| Government funds do not report negative net pension obligations or net insurance obligations as assets/liabilities of the general fund. | | |
| Net pension liability | 563,650 | |
| Net retiree healthcare asset (obligation) | (185,975) | 377,675 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Change in long-term compensated absences | (2,187) | (2,187) |
| **Change in Net Position of Governmental Activities** | | **$ 2,661,519** |

*See accompanying notes to basic financial statements*



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## CITY OF ST. AUGUSTINE, FLORIDA
### Statement of Revenues, Expenditures and Changes in Fund Balances
### Budget and Actual
### General Fund
### For the Year Ended September 30, 2016

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Taxes | $ 12,366,553 | $ 12,518,953 | $ 12,469,038 | $ (49,915) |
| Intergovernmental | 1,823,820 | 1,864,888 | 1,909,159 | 44,271 |
| Licenses, Permits and Fees | 5,104,147 | 5,196,147 | 5,298,027 | 101,880 |
| Fines and Forfeitures | 426,500 | 694,616 | 621,657 | (72,959) |
| Administrative Service Charges | 3,536,037 | 3,536,037 | 3,536,037 | - |
| Investment Income | 24,360 | 54,360 | 65,234 | 10,874 |
| Miscellaneous | 1,878,658 | 1,889,860 | 2,920,483 | 1,030,623 |
| **Total Revenues** | **25,160,075** | **25,754,861** | **26,819,635** | **1,064,774** |
| **EXPENDITURES** | | | | |
| Current Operating: | | | | |
| General Government | 7,393,469 | 6,619,118 | 6,453,343 | 165,775 |
| Public Safety | 9,895,242 | 10,012,381 | 9,784,975 | 227,406 |
| Physical Environment | 2,744,114 | 2,745,996 | 2,602,746 | 143,250 |
| Transportation | 2,333,681 | 3,314,444 | 2,979,462 | 334,982 |
| Culture/Recreation | 1,387,207 | 1,542,665 | 1,424,595 | 118,070 |
| Capital Outlay | 1,514,734 | 1,968,897 | 1,044,099 | 924,798 |
| **Total Expenditures** | **25,268,447** | **26,203,501** | **24,289,220** | **1,914,281** |
| **Excess of Revenues Over Expenditures** | **(108,372)** | **(448,640)** | **2,530,415** | **2,979,055** |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers In | 2,990,881 | 3,428,788 | 2,972,439 | (456,349) |
| Transfers (Out) | (2,882,509) | (2,980,148) | (3,414,950) | (434,802) |
| **Total Other Financing Sources (Uses)** | **108,372** | **448,640** | **(442,511)** | **(891,151)** |
| **Net Change in Fund Balances** | **-** | **-** | **2,087,904** | **2,087,904** |
| **Fund Balances - Beginning** | **8,573,152** | **8,573,152** | **8,573,152** | **-** |
| **FUND BALANCES - ENDING** | **$ 8,573,152** | **$ 8,573,152** | **$ 10,661,056** | **$ 2,087,904** |

*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, 2016

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Intergovernmental | 270,456 | 270,456 | $ 257,953 | $ (12,503) |
| Investment Income | - | - | 26 | 26 |
| **Total Revenues** | **270,456** | **270,456** | **257,979** | **(12,477)** |
| **EXPENDITURES** | | | | |
| Current Operating: | | | | |
| General Government | - | - | - | - |
| Capital Outlay | - | - | - | - |
| **Total Expenditures** | **-** | **-** | **-** | **-** |
| **Excess of Revenues Over Expenditures** | **270,456** | **270,456** | **257,979** | **(12,477)** |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers In | $ 376,330 | $ 376,330 | 375,842 | (488) |
| Transfers (Out) | (646,786) | (646,786) | (636,777) | 10,009 |
| **Total Other Financing Sources (Uses)** | **(270,456)** | **(270,456)** | **(260,935)** | **9,521** |
| **Net Change in Fund Balances** | **-** | **-** | **(2,956)** | **(2,956)** |
| **Fund Balances - Beginning** | **-** | **-** | **2,956** | **-** |
| **FUND BALANCES - ENDING** | **$ -** | **$ -** | **$ -** | **$ (2,956)** |

*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 - Lincolnville Community Redevelopment Agency**
**For the Year Ended September 30, 2016**

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Intergovernmental | $ 106,997 | $ 106,997 | $ 101,770 | $ (5,227) |
| Investment Income | - | - | - | - |
| **Total Revenues** | **106,997** | **106,997** | **101,770** | **(5,227)** |
| **EXPENDITURES** | | | | |
| Current Operating: | | | | |
| General Government | 292,003 | 292,003 | 165,069 | 126,934 |
| Capital Outlay | - | - | - | - |
| **Total Expenditures** | **292,003** | **292,003** | **165,069** | **126,934** |
| **Excess of Revenues Over Expenditures** | **(185,006)** | **(185,006)** | **(63,299)** | **121,707** |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers In | 185,006 | 185,006 | 148,281 | (36,725) |
| Transfers (Out) | - | - | (25,000) | (25,000) |
| **Total Other Financing Sources (Uses)** | **185,006** | **185,006** | **123,281** | **(61,725)** |
| **Net Change in Fund Balances** | **-** | **-** | **59,982** | **59,982** |
| **Fund Balances - Beginning** | **-** | **-** | **69,239** | **-** |
| **FUND BALANCES - ENDING** | **$ -** | **$ -** | **$ 129,221** | **$ 59,982** |

*See accompanying notes to basic financial statements*



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**CITY OF ST. AUGUSTINE, FLORIDA**
**Statement of Net Position**
**Proprietary Funds**
**September 30, 2016**

| | Utility | Stormwater Drainage | Solid Waste | Municipal Marina | Visitor Information Center | Total Proprietary |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| **Current Assets:** | | | | | | |
| Cash and Cash Equivalents | $ 7,264,147 | $ 1,319,616 | $ 1,043,205 | $ 32,267 | $ 920,208 | $ 10,579,443 |
| Accounts Receivable (Net) | 2,361,594 | 92,474 | 302,471 | 12,303 | 13,003 | 2,781,845 |
| Due from Other Funds | - | - | - | - | - | - |
| Inventories, at Cost | 44,335 | - | - | 55,136 | 98,622 | 198,093 |
| Total Current Assets | 9,670,076 | 1,412,090 | 1,345,676 | 99,706 | 1,031,833 | 13,559,381 |
| **Non-Current Assets:** | | | | | | |
| **Restricted Assets** | | | | | | |
| Cash and Cash Equivalents | 6,829,577 | - | - | - | - | 6,829,577 |
| Total Restricted Assets | 6,829,577 | - | - | - | - | 6,829,577 |
| **Property, Plant and Equipment:** | | | | | | |
| Land and Improvements | 1,145,803 | - | - | - | - | 1,145,803 |
| Buildings and Structures | 31,346,502 | - | 333,163 | 2,921,408 | 25,612,366 | 60,213,439 |
| Infrastructure | 92,535,356 | 14,502,387 | 51,154 | 4,573,028 | 1,321,424 | 112,983,349 |
| Machinery and Equipment | 3,421,786 | 335,215 | 3,360,738 | 164,906 | 23,287 | 7,305,932 |
| Construction in Progress | 1,599,656 | 327,154 | - | 33,292 | - | 1,960,102 |
| Accumulated Depreciation | (56,043,324) | (2,057,283) | (2,100,283) | (3,843,523) | (9,545,227) | (73,589,640) |
| Net Property, Plant and Equipment: | 74,005,779 | 13,107,473 | 1,644,772 | 3,849,111 | 17,411,850 | 110,018,985 |
| Total Non-Current Assets | 80,835,356 | 13,107,473 | 1,644,772 | 3,849,111 | 17,411,850 | 116,848,562 |
| **Total Assets** | **90,505,432** | **14,519,563** | **2,990,448** | **3,948,817** | **18,443,683** | **130,407,943** |
| **DEFERRED OUTFLOW OF RESOURCES** | | | | | | |
| Contributions to Pension Plan | 537,946 | 30,582 | 143,365 | 78,231 | 66,106 | 856,230 |
| Unamortized Loss on Refunding | 317,847 | - | - | - | 894,157 | 1,212,004 |
| **Total Deferred Outflow of Resources** | **855,793** | **30,582** | **143,365** | **78,231** | **960,263** | **2,068,234** |
| **LIABILITIES** | | | | | | |
| **Current Liabilities:** | | | | $ 5,212 | $ 34,587 | $ 1,209,876 |
| Accounts Payable and Accrued Expenses | $ 1,066,288 | $ 2,263 | $ 101,526 | - | - | 536,518 |
| Customer Deposits | 536,518 | - | - | - | 778,255 | 3,293,838 |
| Revenue Bonds Payable, Current Portion | 2,515,583 | - | - | - | - | 736 |
| Unearned Revenues - Other | 736 | - | - | 19,748 | - | 19,748 |
| Due to Other Funds | - | - | - | 2,674 | 7,987 | 33,963 |
| Compensated Absences, Current Portion | 14,952 | 1,668 | 6,682 | 27,634 | 820,829 | 5,094,679 |
| Total Current Liabilities | 4,134,077 | 3,931 | 108,208 | | | |

***(Continued)***

*See accompanying notes to basic financial statements*

**CITY OF ST. AUGUSTINE, FLORIDA**
**Statement of Net Position**
**Proprietary Funds**
**September 30, 2016**
**(Continued)**

| | Utility | Stormwate Drainage | Solid Waste | Municipal Marina | Visitor Information Center | Total Proprietary |
|---|---|---|---|---|---|---|
| **LIABILITIES** | | | | | | |
| **Non-Current Liabilities:** | | | | | | |
| Net Pension Liability | $ 2,312,757 | $ 131,315 | $ 617,353 | $ 336,465 | $ 280,976 | $ 3,678,866 |
| Revenue Bonds Payable, Less Current Portion | 14,571,034 | - | - | - | 22,552,950 | 37,123,984 |
| Compensated Absences, Less Current Portion | 359,954 | 33,336 | 83,534 | 61,977 | 97,831 | 636,632 |
| Total Non-Current Liabilities | 17,243,745 | 164,651 | 700,887 | 398,442 | 22,931,757 | 41,439,482 |
| **Total Liabilities** | **21,377,822** | **168,582** | **809,095** | **426,076** | **23,752,586** | **46,534,161** |
| **DEFERRED INFLOW OF RESOURCES:** | | | | | | |
| Pension Plan | 87,365 | 5,045 | 22,761 | 12,636 | 12,434 | 140,241 |
| Total Deferred Inflow of Resources | **87,365** | **5,045** | **22,761** | **12,636** | **12,434** | **140,241** |
| **NET POSITION** | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 56,919,162 | 13,107,473 | 1,644,772 | 3,849,111 | (5,919,355) | 69,601,163 |
| Restricted | | | | | | |
| Renewal and Replacement | 6,276,415 | - | - | - | - | 6,276,415 |
| Other | 16,644 | - | - | - | - | 16,644 |
| Unrestricted | 6,683,817 | 1,269,045 | 657,185 | (260,775) | 1,558,281 | 9,907,553 |
| **Total Net Position** | **$ 69,896,038** | **$ 14,376,518** | **$ 2,301,957** | **$ 3,588,336** | **$ (4,361,074)** | **$ 85,801,775** |

*See accompanying notes to basic financial statements*

## CITY OF ST. AUGUSTINE, FLORIDA
### Statement of Revenues, Expenses and Changes in Fund Net Position
### Proprietary Funds
### For the Fiscal Year Ended September 30, 2016

| | Utility | Stormwater Drainage | Solid Waste | Municipal Marina | Visitor Information Center | Total Proprietary |
|---|---|---|---|---|---|---|
| **OPERATING REVENUES** | | | | | | |
| User Charges | $ 13,886,625 | $ - | $ 3,610,410 | $ 2,279,475 | $ 484,705 | $ 20,261,215 |
| Fees | 1,802,146 | 925,562 | 31,031 | - | 3,368,168 | 6,126,907 |
| Rental | - | - | - | 39,863 | 58,640 | 98,503 |
| Other | - | - | - | 43,437 | - | 43,437 |
| **Total Operating Revenues** | **15,688,771** | **925,562** | **3,641,441** | **2,362,775** | **3,911,513** | **26,530,062** |
| **OPERATING EXPENSES** | | | | | | |
| Salaries, Wages and Employee Benefits | 3,815,181 | 203,318 | 1,085,478 | 652,936 | 775,757 | 6,532,670 |
| Utilities | 685,354 | 294 | 9,382 | 115,921 | 120,412 | 931,363 |
| Supplies and Materials | 589,787 | 3,486 | 420,364 | 18,054 | 43,350 | 1,075,041 |
| Contractual Services | 590,371 | 32,822 | 1,349,896 | 6,356 | 187,910 | 2,167,355 |
| Repairs and Maintenance | 904,703 | 66,569 | 219,963 | 66,551 | 164,738 | 1,422,524 |
| Cost of Goods Sold | - | - | - | 728,939 | 227,043 | 955,982 |
| Other | 131,014 | 21,498 | 5,565 | 101,329 | 71,258 | 330,664 |
| Administrative Overhead Charges | 2,190,814 | 299,519 | 591,027 | 244,162 | 210,515 | 3,536,037 |
| Depreciation and Amortization | 3,645,793 | 630,968 | 262,907 | 194,920 | 961,832 | 5,696,420 |
| **Total Operating Expenses** | **12,553,017** | **1,258,474** | **3,944,582** | **2,129,168** | **2,762,815** | **22,648,056** |
| **Operating Income (Loss)** | **3,135,755** | **(332,912)** | **(303,141)** | **233,607** | **1,148,698** | **3,882,007** |
| **NON-OPERATING REVENUES (EXPENSES)** | | | | | | |
| Investment Income | 56,346 | 6,981 | 4,473 | 157 | 2,739 | 70,696 |
| Interest Expense and Fiscal Charges | (574,201) | - | - | (8,724) | (924,782) | (1,507,707) |
| Gain (Loss) on Sale of Capital Assets | (9,311) | - | 25,404 | - | - | 16,093 |
| Bond Costs | - | | | - | - | - |
| Other | - | - | 2,045 | - | 172,042 | 174,087 |
| **Total Non-Operating Revenues (Expenses)** | **(527,166)** | **6,981** | **31,922** | **(8,567)** | **(750,001)** | **(1,246,831)** |
| **Income Before Contributions and Transfers** | **2,608,589** | **(325,931)** | **(271,219)** | **225,040** | **398,697** | **2,635,176** |
| **Capital Grants and Contributions** | 1,431,361 | - | - | 12,898 | - | 1,444,259 |
| **Transfers In** | 2,250,309 | 73,251 | 15,000 | 27,031 | 920,730 | 3,286,321 |
| **Transfers (Out)** | (2,764,668) | (252,482) | (191,337) | (173,349) | (1,420,416) | (4,802,252) |
| **Change in Net Position** | **3,525,591** | **(505,162)** | **(447,556)** | **91,620** | **(100,989)** | **2,563,504** |
| **Net Position - Beginning** | **66,370,447** | **14,881,680** | **2,749,513** | **3,496,716** | **(4,260,085)** | **83,238,271** |
| **Net Position - Ending** | **$ 69,896,038** | **$ 14,376,518** | **$ 2,301,957** | **$ 3,588,336** | **$ (4,361,074)** | **85,801,775** |

*See accompanying notes to basic financial statements*

## CITY OF ST. AUGUSTINE, FLORIDA
### Statement of Cash Flows
### Proprietary Funds
### For the Fiscal Year Ended September 30, 2016

| | Utility | Stormwater Drainage | Solid Waste | Municipal Marina | Visitor Information Center | Total Proprietary |
|---|---|---|---|---|---|---|
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | | | | | |
| **Cash Flows from Operating Activities:** | | | | | | |
| Received from Customers | $ 15,255,402 | $ 907,888 | $ 3,572,993 | $ 2,357,426 | $ 3,913,608 | $ 26,007,317 |
| Payment to Suppliers for Goods and Services | (5,355,980) | (423,989) | (2,662,488) | (1,350,872) | (1,056,729) | (10,850,058) |
| Paid to Employees | (3,815,181) | (203,318) | (1,085,478) | (652,936) | (775,757) | (6,532,670) |
| Other Revenues (Expenses) | - | - | 2,045 | - | 172,042 | 174,087 |
| **Net Cash Flows from Operating Activities** | **6,084,241** | **280,581** | **(172,928)** | **353,618** | **2,253,164** | **8,798,676** |
| **Cash Flows from Capital and Related Financing Activities:** | | | | | | |
| Principal Paid on Outstanding Bond Issues | (2,100,000) | - | - | (168,613) | (428,447) | (2,697,060) |
| Interest Paid on Outstanding Bond Issues | (677,477) | - | - | (3,875) | (919,935) | (1,628,222) |
| Acquisition and Construction of Capital Assets | (4,413,451) | (564,592) | (332,796) | (15,600) | (6,245) | (5,332,684) |
| Proceeds from Sale of Assets | - | - | 25,404 | - | - | 25,404 |
| Bond Costs | (26,935) | - | - | 12,898 | - | 1,444,259 |
| Capital Contributions and Grants | 1,431,361 | - | - | | | |
| **Net Cash Flows from Capital and Related Financing Activities** | **(5,786,502)** | **(564,592)** | **(307,392)** | **(175,190)** | **(1,354,627)** | **(8,188,303)** |
| **Cash Flows from Investing Activities:** | | | | | | |
| Investment Income | 56,346 | 6,981 | 4,473 | 157 | 2,739 | 70,696 |
| **Net Cash Flows from Investing Activities** | **56,346** | **6,981** | **4,473** | **157** | **2,739** | **70,696** |
| **Cash Flows from Non-Capital Financing Activities:** | | | | | | |
| Payments Under Interfund Loan Agreements | - | - | - | - | - | - |
| Transfers from Other Funds | 2,250,309 | 73,251 | 15,000 | 27,031 | 832,065 | 3,197,656 |
| Transfers (to) Other Funds | (2,764,668) | (252,482) | (191,337) | (173,349) | (1,331,751) | (4,713,587) |
| **Net Cash Flows from Non-Capital Financing Activities** | **(514,359)** | **(179,231)** | **(176,337)** | **(146,318)** | **(499,686)** | **(1,515,931)** |
| **Net Change in Cash and Cash Equivalents** | **(160,274)** | **(456,261)** | **(652,184)** | **32,267** | **401,590** | **(834,863)** |
| **Cash and Cash Equivalents at Beginning of Year** | **14,253,998** | **1,775,877** | **1,695,389** | **-** | **518,618** | **18,243,882** |
| **Cash and Cash Equivalents at End of Year** | **$ 14,093,724** | **$ 1,319,616** | **$ 1,043,205** | **$ 32,267** | **$ 920,208** | **$ 17,409,020** |

***(Continued)***

*See accompanying notes to basic financial statements*

**CITY OF ST. AUGUSTINE, FLORIDA**
**Statement of Cash Flows**
**Proprietary Funds**
**For the Fiscal Year Ended September 30, 2016**
**(Continued)**

| | Utility | Stormwater Drainage | Solid Waste | Municipal Marina | Visitor Information Center | Total Proprietary |
|---|---|---|---|---|---|---|
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | |
| **Net Operating Income** | **$ 3,135,755** | **$ (332,912)** | **$ (303,141)** | **$ 233,607** | **$ 1,148,698** | **$ 3,882,007** |
| **Adjustments to Reconcile Net Operating Income to Net Cash Flows from Operating Activities:** | | | | | | |
| Depreciation and Amortization | 3,645,793 | 630,968 | 262,907 | 194,920 | 961,832 | 5,696,420 |
| Provision for Uncollectible Accounts | 87,815 | 20,000 | 23,485 | - | - | 131,300 |
| Other Revenues (Expenses) | - | - | 2,045 | - | 172,042 | 174,087 |
| | | | | | | - |
| **Changes in Operating Assets and Liabilities:** | | | | | | - |
| Accounts Receivable | (482,203) | (17,674) | (68,448) | (5,349) | 2,095 | (571,579) |
| Inventories | 17,905 | - | - | 8,287 | 6,527 | 32,719 |
| Deferred Outflow of Resources | (5,172) | (299) | (1,348) | (748) | (736) | (8,303) |
| Accounts Payable and Compensated Absences | (309,507) | (16,313) | (74,105) | (69,147) | (29,470) | (498,542) |
| Net Pension Liability | (142,344) | (8,234) | (37,084) | (20,588) | (20,258) | (228,508) |
| Deferred Inflow of Resources | 87,365 | 5,045 | 22,761 | 12,636 | 12,434 | 140,241 |
| Deposits Payable | 48,337 | - | - | - | - | 48,337 |
| Deferred Revenues | 497 | - | - | - | - | 497 |
| Total Adjustments | **2,948,486** | **613,493** | **130,213** | **120,011** | **1,104,466** | **4,916,669** |
| **Net Cash Flows from Operating Activities** | **$ 6,084,241** | **$ 280,581** | **$ (172,928)** | **$ 353,618** | **$ 2,253,164** | **$ 8,798,676** |

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

Amortization of unamortized bond refunding loss to interest expense of $120,515
Refunding of 2005 bond $4,320,000

*See accompanying notes to basic financial statements*

## CITY OF ST. AUGUSTINE, FLORIDA
### Statement of Fiduciary Net Position
### Fiduciary Funds
### September 30, 2016

| | Employee Retirement Funds |
|---|---|
| **ASSETS** | |
| Cash and Short-Term Investments | $ 2,536,773 |
| Receivables: | |
| Interest and Dividends | 64,376 |
| Due from State | - |
| **Total Receivables** | 64,376 |
| Prepaid Expense | 650 |
| Investments, at Fair Value: | |
| U.S. Government Obligations Fund | 1,402,407 |
| U.S. Stock Fund | 34,443,882 |
| Mutual Fund - International Equity | 4,436,963 |
| Bond and Mortgage Fund | 10,465,851 |
| International Exchange Fund | 1,041,226 |
| Real Estate Fund | 9,829,799 |
| **Total Investments** | 61,620,128 |
| **Total Assets** | **64,221,927** |
| **LIABILITIES** | |
| Expenses Payable | 203,146 |
| **Total Liabilities** | **203,146** |
| **NET POSITION** | |
| **Held in Trust for Pension Benefits and Other Purposes** | **$ 64,018,781** |

*See accompanying notes to basic financial statements*



## CITY OF ST. AUGUSTINE, FLORIDA
### Statement of Changes in Fiduciary Net Position
### Fiduciary Funds
### For the Year Ended September 30, 2016

| | Employee Retirement Funds |
|---|---|
| **ADDITIONS** | |
| **Contributions:** | |
| Members | $ 639,340 |
| City | 2,577,076 |
| State Insurance Premium Tax from General Fund | 333,239 |
| **Total Contributions** | 3,549,655 |
| **Investment Income:** | |
| Net Decrease in Fair Value of Investments | 4,430,391 |
| Interest and Dividends on Investments | 1,530,154 |
| **Total Investment Income** | 5,960,545 |
| **Less Investment Expenses** | 287,162 |
| **Net Income from Investing Activities** | 5,673,383 |
| **Total Additions** | **9,223,038** |
| **DEDUCTIONS** | |
| Benefit Payments | 3,549,465 |
| Termination Payments | 268,428 |
| Administrative Expenses | 164,914 |
| **Total Deductions** | **3,982,807** |
| **Change in Net Position** | **5,240,231** |
| **Net Position - Beginning** | **58,778,550** |
| **NET POSITION - ENDING** | **$ 64,018,781** |

*See accompanying notes to basic financial statements*

**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).

**A. Financial Reporting Entity**

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

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

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

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

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

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

**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.





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

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

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

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

**The City reports the following funds:**

**Major Governmental Funds**

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

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

**b. Special Revenue Funds**
The Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The Special Revenue Funds are as follows; The St. Augustine Community Redevelopment Agency fund was established by ordinance in 2000 to assist the City in redeveloping the Historic Area Community Redevelopment Area (HACRA), a blighted transportation and parking geographical area principally located in the historic downtown area. The Lincolnville Community Redevelopment Area (LCRA) was established in 2013. The primary focus of the CRA is maintaining Lincolnville's residential character.

**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.

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

**e. Permanent Fund**
The Permanent Fund includes the Anderson Trust Fund, Woodman Trust Fund, and Sanchez House Trust Fund and accounts for assets held by the City as a trustee for individuals.

**Major Proprietary Funds**

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

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

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

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

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

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

**Fiduciary Funds**

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

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

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

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

As a general rule, the effect of inter-fund 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







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

dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

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

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

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

**D. Cash**

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

**E. Investments**

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

**F. Fair Value Measurement and Application**

GSAB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Fair value is described as an exit price. Fair value measurements assume a transaction takes place in a government's principal market, or a government's most advantageous market in the absence of a principal market. The fair value also should be measured assuming that general market participants would act in their economic best interest. Fair value should not be adjusted for transaction costs.

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

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

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

**H. Inventories**

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

**I. Prepaid Items**

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

**J. Restricted Assets**

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

**K. Capital Assets**

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

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

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

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

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

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







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

**L. Deferred Inflows/Outflows of Resources**

Deferred outflows of resources represent the consumption of net position that is applicable to a future reporting period. Deferred outflows have a positive effect on net position, similar to assets. Deferred inflows of resources represents the acquisition of net position that is applicable to a future reporting period. Deferred inflows have a negative effect on net position, similar to liabilities.

**M. Compensated Absences**

Annual vacation leave is accumulated in the following manner:

| | |
|---|---|
| General, Municipal & Police Employees: | 80 hours per year with 5 years or less, 88 hours with 6 years, 96 hours with 7 years, 104 hours with 8 years, 112 hours with 9 years, 120 hours with 10 to 15 years, 128 hours with 16 years, 136 hours with 17 years, 144 hours with 18 years, 152 hours with 19 years, maximum per employee is 160 hours with 20 or more years of service. |
| Fire Department Employees: | 120 hours per year with 5 years of less, 156 hours with 6 years, 165 hours with 7 years, 174 hours with 8 years, 183 hours with 9 years, 192 hours with 10 to 15 years, 216 hours with 16 years, 228 hours with 17 years, 241 hours with 18 years, maximum per employee is 252 hours with 20 or more years of service. |

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

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

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

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

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

The City is financing the post employee benefits on a pay-as-you-go basis. As determined by an actuarial evaluation, the City records a net OPEB obligation in its government-wide financial statements related to the implicit and explicit subsidy. See Note 12 for further information.

**O. Long-Term Obligations**

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

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

**P. Unearned Revenue**

Governmental funds and business-type funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

**Q. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's three pension plans and additions to/deductions from pension plan net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**R. Fund Balance Classifications**

In fiscal year 2011, the City Commission implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* by adopting a fund balance policy. GASB No. 54 provides more clearly defined fund balance categories to make the nature and extent of the constraints place on a government's fund balances more transparent. The policy was adopted by resolution No. 2013-09, therefore any modifications to the policy would require a subsequent resolution and majority vote by the Commission. This policy establishes the Commission as the body authorized to assign amounts to these categories. The following classifications describe the relative strength of the spending constraints.

**Non-spendable fund balance -** is established to report items that are not expected to be converted to cash such as inventory and prepaid items; items not currently in cash form such as the long-term amount of loans and notes receivable as well as property acquired for resale; and, items legally or contractually required to be maintained intact.

**Restricted Fund Balance –** amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. A number of items that would otherwise qualify as restricted fund balance of the General Fund may be reported in special revenue funds or capital project funds as appropriate.

The following Restricted Fund Balance classifications are examples of those that may be used in reporting the City's financial position:

**Unspent Bond Proceeds –** The Unspent Bond Proceeds Reserve reflects those amounts relating to debt issued by the City for specific purposes and which are thereby restricted to be used for those purposes.

**Grants Earned But Not Spent –** The Grants Earned But Not Spent Reserve reflect those amounts relating to legally obligated proceeds issued to the City by another authority.

**Committed Fund Balance –** amounts constrained to specific purposes by the City itself by Commission approval. Commitment of fund balance may be made from time-to-time by ordinance by the City Commission. Commitments may be changed or lifted only by the City Commission taking the same formal action that imposed the constraint originally. The use (appropriation) of committed fund balances will be considered in conjunction with the annual budget adoption process or by budget amendment approved by the City Commission during the fiscal year.







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

**Assigned Fund Balance –** assignment of fund balance may be a) made for a specific purpose that is narrower than the general purposes of the government itself; and/or b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues.

Assigned fund balance shall reflect management's intended use of resources as established by either (1) the annual budget process (and any amendments thereto) or (2) by agreement of the City's administration prior to the end of each fiscal year. Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.

The following Assigned Fund Balance classification is an example of one that may be used in reporting the City's financial position:

**Designated Carry Forward –** The Designated Carry Forward Fund Balance Reserve is assigned by the City as set forth in the annual budget and any amendments thereto to provide funds for open encumbrances.

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

**Spending of Fund Balance -** The General Fund is the only governmental fund that can report a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, if necessary, other governmental funds must report a negative unassigned fund balance when appropriate.

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

In 2013, the City Commission adopted a Resolution establishing a stabilization arrangement. This Resolution is in compliance with the Governmental Accounting Standards Board's issued Statement No. 54, Fund Balance Report and Governmental Fund Type Definitions. It establishes a minimum Committed Fund Balance in the

General Fund Reserve in an amount equal to no less than 33.33% percent (four months) of the City's budgeted general operating revenues as the emergency reserve level.

**S. Unamortized Bond Premium (Discount)**

Unamortized bond premium (discount) represent the amount received above or below par on 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. Unamortized costs at September 30, 2016 are as follows:

| | Original Cost | Accumulated Amortization | Unamortized Costs |
|---|---|---|---|
| Beginning of year | $ 3,281,354 | $ (607,671) | $ 2,673,673 |
| Current year addtions | - | (229,110) | (229,110) |
| End of year | $ 3,281,354 | $ (836,781) | $ 2,444,563 |

**T. Revenue Recognition – Property Taxes**

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

**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.

**U. Community Redevelopment Area**

The City established the HACRA and the LCRA Community Redevelopment special revenue funds to account for revenues and expenditures related to the community redevelopment areas. The financial results of the areas are presented as blended component units through the use of a special revenue funds.

For fiscal year ended September 30, 2016, the funds received $359,723 in property tax revenue, a $524,123 transfer from the general fund, and $26 in interest. The City transfer included the City's portion of the tax increment.

**V. Expenditures**

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

**W. New Accounting Pronouncements**

During the year ended September 30, 2016, the City implemented GASB Statement No. 72, Fair Value Measurement and Application. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. This statement clarifies the definition of fair value as an exit price. This Statement also defines an investment as a security or other asset that: (a) a government holds primarily to generate income or profit, and (b) has a present service capacity based solely on that asset's ability to generate cash or to generate cash when sold.

During the year ended September 30, 2016, the City also implemented GASB Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement allows qualifying external investment pools to elect to measure all investments at amortized cost if the pool meets certain criteria.

**X. Future Accounting Pronouncements**

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. The requirements of this statement are effective for financial statements for fiscal years beginning after June 15, 2017.







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

Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2015.

Statement No. 77, "Tax Abatement Disclosures" establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The requirements of this Statement are effective for financial statements for fiscal years beginning after December 15, 2015.

**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, 2016, the carrying amount of cash on hand was $3,219,376 and the related bank balance was $3,673,059. Monies, which are placed on deposit with financial institutions in the form of demand deposit accounts, are defined as Public Deposits and as such are secured as provided for in Chapter 280, Florida Statutes. Financial institutions, which meet the requirements for this chapter, can be designated as qualified public depositories eligible to receive Public Deposits. This chapter also created the Public Deposit Security Trust Fund to facilitate the recovery of administrative penalties resulting from the default or insolvency of any qualified Public Depository and the subsequent payment of any losses to Public Depositors. When Public

Deposits are made in accordance with this statute, no Public Depositor shall be liable for any loss thereof. Thus, all deposits at year-end are insured or collateralized with securities pursuant to Chapter 280, Florida Statutes.

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

The State Board consists of the Local Government Surplus Trust Fund (Florida PRIME). The Florida PRIME is currently considered a SEC 2a7-like fund, thus the account balance should also be considered the fair value of the investment. Florida PRIME is rated by Standard & Poor's and currently has a rating of AAAm. The Florida PRIME balance of $20,680,192 had a weighted average of 70.1 days to maturity as of September 30, 2016. A government money market account with a qualified public depository was established by the City in 2008. This account is fully collateralized and held a balance of $1,051,362 as of September 30, 2016. A second account with a qualified public depository was established by the City in 2009. This account is fully collateralized and held a balance of $4,051,713 as of September 30, 2016.

**B. Investment Measurement at Fair Value**

**Fair Value Hierarchy**

The accounting standards break down the fair value hierarchy into three levels based on how observable the inputs are that make up the valuation. The most observable inputs are classified as Level 1 where the unobservable inputs are classified as Level 3.

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

**Level 1 Inputs -** to the Valuation Methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

As a general rule, any asset that has a daily closing price and is actively traded will be classified as a Level 1 input.

**Level 2 Inputs -** are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly. Inputs to the valuation methodology include: (1) quoted market prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in active markets, (3) inputs other than quoted prices that are observable for the asset or liability, and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

As a general rule, if an asset or liability does not fall into the requirements of a Level 1 or Level 3 input, it would default to Level 2. With Level 2 inputs, there is usually data that can be easily obtained to support the valuation, even though it is not as easily obtained as a Level 1 input would be.

**Level 3 Inputs -** to the valuation methodology are unobservable and significant to the fair value measurement.

As a general rule, Level 3 inputs are those that are difficult to obtain on a regular basis and require verification from an outside party, such as an auditor or an appraisal, to validate the valuation.

Net asset value (NAV) is a common measurement of fair value for Level 1, Level 2, and Level 3 investments. A fund's NAV is simply its assets less its liabilities, and is often reported as a per share amount for fair value measurement purposes. The Plan would multiply the NAV per share owned to arrive at fair value. Level 1 investment in funds such as mutual funds report at a daily NAV per share and are actively traded. NAV also comes in to play for Level 2 and 3 investments. As a matter of convenience (or referred to in accounting literature as a "practical expedient"), a Plan can use the NAV per share for investments in a nongovernmental entity that does not have a readily determined fair value, such as an alternative investment. Investments measured at NAV as a practical expedient would be excluded from the fair value hierarchy because the valuation is not based on actual market inputs but rather is quantified using the fund's reported NAV as a matter of convenience.







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

**Investments at Fair Value –Each Plan & In Total**

| | September 30, 2016 | Quoted Prices in Active Marketsfor Identical Assets (Level 1) | Significant Other Oservable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| **General Pension Plan** | | | | |
| Equities (Common Stock) | $ 18,440,429 | $ 18,440,429 | $ - | $ - |
| Mutual Funds | 4,436,963 | - | 4,436,963 | - |
| Corporate Bonds | 3,355,927 | - | 3,355,927 | - |
| Municipal Bonds | 76,430 | - | 76,430 | - |
| Asset Backed Securities | 84,292 | - | 84,292 | - |
| US Government Bonds | 105,036 | - | 105,036 | - |
| Government Backed Securities | 1,127,924 | - | 1,127,924 | - |
| Real Estate Funds | 6,430,497 | - | - | 6,430,497 |
| **Investment at Fair Value** | **$ 34,057,498** | **$ 18,440,429** | **$ 9,186,572** | **$ 6,430,497** |
| **Police Pension Plan** | | | | |
| Equities Securties - Traded | $ 6,424,723 | $ 6,424,723 | $ - | $ - |
| Equities Securties - Non-Traded | 3,544,724 | - | 3,544,724 | - |
| Fixed Income Mutual Funds | 3,052,513 | 3,052,513 | - | - |
| Real Estate Funds | 3,399,302 | - | - | 3,399,302 |
| **Investment at Fair Value** | **$ 16,421,262** | **$ 9,477,236** | **$ 3,544,724** | **$ 3,399,302** |
| **Fire Pension Plan** | | | | |
| Equities (Common Stock) | $ 832,775 | $ 832,775 | $ - | $ - |
| Mutual Funds | 2,320,053 | - | 2,320,053 | - |
| Corporate Bonds | 343,676 | - | 343,676 | - |
| Municipal Bonds | 1,041,226 | 1,041,226 | - | - |
| Asset Backed Securities | 2,037,519 | 2,037,519 | - | - |
| US Government Bonds | 3,996,487 | 3,996,487 | - | - |
| Government Backed Securities | 569,632 | 569,632 | - | - |
| **Investment at Fair Value** | **$ 11,141,368** | **$ 8,477,639** | **$ 2,663,729** | **$ -** |
| **Investment at Fair Value** | **$ 61,620,128** | **$ 36,395,304** | **$ 15,395,025** | **$ 9,829,799** |

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

**C. Investments – General Pension Plan**

Interest Rate Risk
The General Pension Plan Investment Policy limits interest rate risk by limiting the fixed-income portfolio duration to less than 135% of the market index duration, including investments in government issues, corporate bonds with an average rating of A or higher and/or Government National Mortgage Association pooled obligations. There may be exceptional circumstances indicating the use of longer maturities, but these exceptions should be few. As of September 30, 2016, the General Employee's Pension Plan had the following fixed income investments and maturities:

| | | Investment Maturies (in Years) | | | |
|---|---|---|---|---|---|
| **Investment Type** | **Fair Value** | **Less Than 1** | **Between 1 and 5** | **Between 6 and 10** | **More Than 10** |
| U.S. Government Obligations | $ 105,036 | $ - | $ - | $ - | $ 105,036 |
| Mortgage Backed Securities | 1,127,924 | - | - | 287,283 | 840,641 |
| Corporate & Foreign Bonds | 3,355,927 | 45,226 | 1,343,566 | 675,504 | 1,291,631 |
| Municipal Obligations | 76,430 | - | - | 76,430 | - |
| Mutual Funds | 84,292 | - | - | 84,292 | - |
| | $ 4,749,609 | $ 45,226 | $ 1,343,566 | $ 1,123,509 | $ 2,237,308 |

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

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

**D. Investments – Police Pension Plan**

Interest Rate Risk
The Police Pension Plan Investment Policy limits fixed income securities to 135% of the duration of the market index, including investments in government issues, corporate bonds having an average quality rating of A or higher and/or securities issued by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia. There may be exceptional circumstances indicating the use of longer maturities, but these exceptions should be few. As of September 30, 2016, the Police Officer's Pension Plan had the following investments and maturities:

| Investment Type | % of Fund | Fair Value | Rating | Effective Duration |
|---|---|---|---|---|
| Scout Core Plus | 50.32% | $ 1,536,033.0 | AAA-B | 3.3 |
| T. Rowe Price Spectrum | 49.68% | 1,516,480 | AAA-B or below | 5.1 |
| | 100.00% | $ 3,052,513 | | |







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. Credit risk is the risk that a debt issuer will not fulfill its obligations. Consistent with state law the Plan's investment guidelines limit its fixed income investments to a quality of "A" or equivalent as rated by Moody's or by Standard & Poor's board rating services at the time of purchase. Fixed income investments which are downgraded below the minimum rating must be liquidated at the earliest beneficial opportunity.

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

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

**E. Investments – Firefighter Pension Plan**

Interest Rate Risk
The Firefighter Pension Plan Investment Policy limits all investments in corporate fixed income securities to those that hold a rating of investment grade or higher. There is no limit imposed on investment in fixed income securities issued directly by the U.S. Government. The Plan limits the effective duration of its investment portfolio through the adoption of the Merrill Lynch Government/Corporate Bond Index bench mark. It is expected that the average duration of the total fixed income portfolio will not exceed 150% of the duration of the Index. As of September 30, 2016, the Firefighter Pension Plan held the following fixed income investments:

| **Investment Type** | **% of Fund** | **Fair Value** | **Rating** | **Effective Duration** |
|---|---|---|---|---|
| US Government Agencies | 30.3% | $ 1,402,407 | AA | 10.0-15.0 |
| Corporate Bonds | 50.0% | 2,320,053 | A | 11.0 |
| Internationial fixed income investment fun | 7.4% | 343,676 | BBB-A | 2.0-5.0 |
| Temporary Investment Funds | 12.3% | 569,632 | AAA | Daily |
| | 100% | $ 4,635,768 | | |

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.

Credit risk is the risk that a debt issuer will not fulfill its obligations. Consistent with state law the Plan's investment guidelines limit its fixed income investments to a quality of "A" or equivalent as rated by Moody's or by Standard &

Poor's board rating services at the time of purchase. Fixed income investments which are downgraded below the minimum rating must be liquidated at the earliest beneficial opportunity.

Foreign Currency Risk
Investment in foreign securities is allowed under the plan; however, no more than twenty-five percent of the plan's total assets may be invested in foreign securities.

**NOTE 3. ACCOUNTS RECEIVABLE:**

Receivables at September 30, 2016, consist of the following:

| | Governmental Activities | | | |
|---|---|---|---|---|
| | General | Capital Projects | Business-Type Activities | Total |
| Utility Taxes | $ 140,970 | $ - | $ - | $ 140,970 |
| Accounts | 135,709 | - | 2,887,398 | 3,023,107 |
| Intergovernmental | 325,026 | 170,155 | 25,747 | 520,928 |
| Gross Receivables | 601,705 | 170,155 | 2,913,145 | 3,685,005 |
| Less: Allowance for Uncollectibles | - | - | 131,300 | 131,300 |
| Total Receivables | $ 601,705 | $ 170,155 | $ 2,781,845 | 3,553,705 |





**NOTE 4. CAPITAL ASSETS:**

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2016:

**Governmental Activities**

| | Balance 10/1/2015 | Increases | Decreases | Balance 9/30/2016 |
|---|---|---|---|---|
| Capital Assets Not Being Depreciated: | | | | |
| Land and Land Improvements | $ 7,142,426 | $ - | $ (912,724) | $ 8,055,150 |
| Construction in Progress | 119,718 | 167,181 | 1,339 | 285,560 |
| Total Capital Assets Not Being Deprecitated | 7,262,144 | 167,181 | (911,385) | 8,340,710 |
| Other Capital Assets: | | | | |
| Buildings | 20,449,132 | 151,888 | 368,141 | 20,232,879 |
| Infrastructure | 20,284,439 | 759,611 | 749,403 | 20,294,647 |
| Furniture and Other Equipment | 7,663,659 | 555,496 | (101,371) | 8,320,526 |
| Total Other | 48,397,230 | 1,466,995 | 1,016,173 | 48,848,052 |
| Less Accumulated Depreciation For: | | | | |
| Buildings | 10,373,979 | 506,034 | (846,017) | 11,726,030 |
| Infrastructure | 7,836,896 | 624,441 | 848,667 | 7,612,670 |
| Furniture and Other Equipment | 6,660,786 | 450,079 | 89,178 | 7,021,687 |
| Total Accumulated Depreciation | 24,871,661 | 1,580,554 | 91,828 | 26,360,387 |
| Other Capital Assets, Net | 23,525,569 | (113,559) | 924,345 | 22,487,665 |
| **TOTALS** | $ 30,787,713 | $ 53,622 | $ 12,960 | $ 30,828,375 |

Construction in progress is composed of the following at September 30, 2016:

| | |
|---|---|
| Water Works Building Rehab | $ 152,692 |
| SeaWall Connectivity | 8,565 |
| KAYAK | 17,240 |
| Lightber Roof | 78,684 |
| Davenport Park Improvements | 28,379 |
| **Total** | $ 285,560 |

Depreciation was allocated to Governmental Activities as follows:

| | |
|---|---|
| General Government | $ 1,447,982 |
| Public Safety | 27,372 |
| Physical Environment | 104,279 |
| Transportation | 921 |
| Culture & Recreation | - |
| **Total** | $ 1,580,554 |

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

**Business-Type Activities**

| | Balance 10/1/2015 | Increases | Decreases | Balance 9/30/2016 |
|---|---|---|---|---|
| Capital Assets Not Being Depreciated: | | | | |
| Land and Land Improvements | $ 1,145,803 | | $ - | $ 1,145,803 |
| Construction in Progress | 1,373,268 | 586,834 | - | 1,960,102 |
| Total Capital Assets Not Being Depreciated | 2,519,071 | 586,834 | - | 3,105,905 |
| Other Capital Assets: | | | | |
| Buildings | 60,107,020 | 106,419 | - | 60,213,439 |
| Infrastructure | 109,086,366 | 3,632,563 | (264,420) | 112,983,349 |
| Furniture and Other Equipment | 6,955,808 | 1,006,868 | 656,744 | 7,305,932 |
| Total Other | 176,149,194 | 4,745,850 | 392,324 | 180,502,720 |
| Less Accumulated Depreciation For: | | | | |
| Buildings | 26,228,182 | 1,435,208 | - | 27,663,390 |
| Infrastructure | 37,220,323 | 3,815,781 | 383,013 | 40,653,091 |
| Furniture and Other Equipment | 4,827,728 | 445,431 | - | 5,273,159 |
| Total Accumulated Depreciation | 68,276,233 | 5,696,420 | 383,013 | 73,589,640 |
| Other Capital Assets, Net | 107,872,961 | (950,570) | 9,311 | 106,913,080 |
| **TOTALS** | $ 110,392,032 | $ (363,736) | $ 9,311 | $ 110,018,985 |

Depreciation was allocated to Business-Type Activities as follows:

| | |
|---|---|
| Utility Fund | $ 3,645,793 |
| Stormwater Drainage Fund | 630,968 |
| Solid Waste Fund | 262,907 |
| Municipal Marina Fund | 194,920 |
| Visitor Information Center | 961,832 |
| **Total** | $ 5,696,420 |





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

Construction in progress is composed of the following at September 30, 2016:

| | |
|---|---|
| Holmes Blvd Water Main | $ 189,778 |
| Automated Meter Reading Rollup | 244,125 |
| Charlotte St | 80,232 |
| LPRO Concentrate Disposal Per&Constr | 365,272 |
| R0214 Pump Stations 50 and 51 Force | 220,181 |
| R0218 Well D-3 Invest&Repairs | 48,117 |
| Coquina Ave Outfall Improv Rollup | 33,634 |
| Seawell Connection | 33,293 |
| Smith/S. Orange | 64,648 |
| S Dixie Hwy Improv Box Culvert | 75,390 |
| San Marco Water Main | 265,878 |
| Sidney St. Outfall Improvement | 218,129 |
| Woodlawn Road Utility Adj | 121,425 |
| **Total** | $ 1,960,102 |

**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 Property and Liability is $200,000 for each person and $300,000 for each occurrence with a maximum up to $1,000,000. 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 any actual or potential claims against the City as of September 30, 2016, will not materially affect the financial condition of the City. Therefore, the financial statements contain no provision for estimated claims. The City has received notice pursuant to the requirements of the J. Bert Harris Private Property Rights Protection Act of a claim for damages exceeding $3,400,000.00 allegedly arising out of the denial by the City Commission of approval for demolition of structures designated as historically significant. The City satisfied the requirements of the Harris Act by responding to that claim with a bona fide offer of settlement and a ripeness decision.

The City denied the claim and expressly denied the damages asserted. The owners filed suit in pursuit of this claim. The presiding judge entered judgment in favor of the City, holding that the plaintiffs failed to pursue this claim in a timely manner. The owners appealed this judgment, and the appellate court reversed the trial court and entered an order retreating from their previous decision and finding the owners' claim and lawsuit timely, returning the case to circuit court. The presiding judge again entered judgment in favor of the City, and granted the City's motion for summary judgment. Plaintiffs have stated that they intend to appeal this decision. The City Attorney's Office has engaged the law firm of Marks Gray, P.A. in defense of the claim and intends to defend the action vigorously.

At September 30, 2016, the City had outstanding commitments of approximately $5,326,500 relating to construction contracts.

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

**Governmental Funds**

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

On October 14, 2004, the City issued Capital Improvement and Refunding Revenue Bonds totaling $22,155,000 to refund the 1995 Series Revenue Bonds and construct a parking garage and other capital improvements for the City. The Series 2004 Bonds and the interest thereon are secured by and payable solely from (1) Non-Ad Valorem Revenues budgeted and appropriated by the City in accordance with the Resolution and deposited into the Debt Service Fund, and (2) until applied in accordance with the provisions of the Resolution, all monies, including the investments thereof, in the funds and accounts established under the Resolution, with the exception of the Rebate Fund (collectively the "Pledged Funds"). Pursuant to the Resolution, the City covenants and agrees to appropriate in its annual budget, by amendment if necessary, for each Fiscal Year sufficient amounts of Non-Ad Valorem Revenues for the payment of principal of and interest on the Series 2004 Bonds and to make certain other payments required under the Resolution in each such Fiscal Year. Such covenant to budget and appropriate does not create any lien upon or pledge of such Non-Ad Valorem Revenues until such funds are deposited in the Debt Service Fund, nor does it preclude the City from pledging in the future or covenanting to budget and appropriate in the future its Non-Ad Valorem Revenues, nor does it require the City to levy and collect any particular Non-Ad Valorem Revenues, nor does it give the holders of the Series 2004 Bonds a prior claim on the Non-Ad Valorem Revenues as opposed to claims of general creditors of the City. The City does not covenant to maintain any services or programs not maintained or provided by the City including those which generate Non-Ad Valorem Revenues. The Resolution defines Non-Ad Valorem Revenues as all legally available non-ad valorem revenues of the City, which are legally available to make the payments required by the Resolution, but only after provision has been made by the City for payment of services and programs which are for essential public purposes affecting the health, welfare and safety of 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 present value economic gain of $183,406.

In 2013, the Series 2013 Bonds were issued, in part, to advance refund a portion of the outstanding principal amount of the City's Capital Improvement Refunding Revenue Bonds, Series 2004 maturing on October 1, 2016 and all of the Series 2004 Bonds maturing on October 1, in the years 2017 through and including 2029 and in 2034.

Payment of maturing principal and interest (2.0 percent to 5.0 percent) on these bonds is provided for in the Debt Service Fund. Principal payments are due annually on October 1, and interest payments are due semi-annually on April 1 and October 1. The annual requirement to amortize bonded debt outstanding as of September 30, 2016 is as follows:

| Bond Year Ended October 1 | Capital Improvements & Current Refunding Series 2004 | |
|---|---|---|
| | Principal | Interest |
| 2017 | $ - | $ 506 |
| 2018 | - | 506 |
| 2019 | - | 506 |
| 2020 | - | 506 |
| 2021 | - | 506 |
| 2022-2026 | - | 2,530 |
| 2027-2030 | 11,241 | 2,024 |
| | $ 11,241 | $ 7,084 |







**NOTE 6: LONG TERM DEBT: (continued)**

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

On December 28, 2011, the City issued Capital Improvement Refunding Revenue Bonds totaling $10,440,000. The Bonds are being issued for the purpose of (i) currently refunding all of the City's outstanding Public Service Tax and Guaranteed Entitlement Revenue Refunding and Improvement Bonds, Series 2001, and (ii) paying certain costs of issuance incurred with respect thereto, including the premium for a Municipal Bond Insurance Policy. The proceeds of the Refunded Bonds were used to finance (i) the current refunding of the City's outstanding Public Service Tax and Guaranteed Entitlement Revenue Refunding and Improvement Bonds, Series 1992, (ii) the acquisition, relocation, construction and/or equipping of a parking garage, a fire station and related facilities on different sites of the City and other capital projects of the City, (iii) the capitalization of interest on a portion of the Refunding Bonds, (iv) the purchase of a surety bond to fund the Reserve Account relating to the Refunded Bonds, and (v) the cost of issuance with respect to the Refunded Bonds. This issuance results in an $814,718 difference in cash flow requirements with a present value economic gain of $574,623.

Principal payments are due annually on October 1, and interest payments (2.0% to 3.25%) are due semi-annually on April 1 and October 1. The annual requirement to amortize long-term bonded debt outstanding as of September 30, 2016 is as follows:

| Bond Year Ended October 1 | Capital Improvement Refunding Revenue Bonds Series 2011B | |
|---|---|---|
| | Principal | Interest |
| 2017 | $ 294,263 | $ 186,356 |
| 2018 | 300,951 | 180,470 |
| 2019 | 310,982 | 173,323 |
| 2020 | 314,326 | 165,548 |
| 2021 | 327,702 | 156,117 |
| 2022-2026 | 1,812,391 | 596,676 |
| 2027-2031 | 1,738,825 | 193,261 |
| | $ 5,099,440 | $ 1,651,751 |

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

On April 5, 2011, the City issued Capital Improvement Revenue Bonds, Series 2011, totaling $16,215,000 for the purpose of (i) financing the acquisition, construction and equipping a portion of the costs of various capital projects located within the City, including without limitation, water and sewer capital projects, stormwater capital projects, transportation capital projects, municipal marina improvements and other municipal capital projects on file with the City and (ii) paying certain costs of issuance incurred with respect thereto. The interest rate on this bond is 5.75% and the maturity date is October 1, 2041.

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

| Bond Year Ended October 1 | Capital Improvement Revenue Bonds Series 2011 | |
|---|---|---|
| | Principal | Interest |
| 2017 | $ - | $ 932,363 |
| 2018 | - | 932,363 |
| 2019 | - | 932,363 |
| 2020 | | 932,363 |
| 2021 | - | 932,363 |
| 2022-2026 | - | 4,661,813 |
| 2027-2031 | - | 4,661,813 |
| 2032-2036 | 4,005,000 | 4,549,979 |
| 2037-2041 | 12,210,000 | 2,185,278 |
| | $ 16,215,000 | $ 20,720,698 |

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

**Capital Improvement and Refunding Revenue Bonds, Series 2013:**

On February 15, 2013, the City issued Capital Improvement and Refunding Revenue Bonds totaling $20,645,000 to advance refund a portion of the outstanding principal amount of the City's Capital Improvement and Refunding Revenue Bonds, Series 2004 maturing on October 1, 2016 and all of the Series 2004 Bonds maturing on October 1, in the years 2017 through and including 2029 and in 2034; and to finance the acquisition, construction and equipping of a portion of the cost of various capital improvement projects located within the City, including without limitation, the Historic Downtown Parking Facility and other municipal capital improvement projects to City facilities and infrastructure on file with the City; and to pay the costs of issuing the Series 2013 Bonds. This issuance savings results in a $1,377,123 difference in cash flow requirements with a present value economic gain of $1,078,678.

Principal payments are due annually on October 1, and interest payments (2.0% to 5.0%) are due semi-annually on April 1 and October 1. The annual requirement to amortize long-term bonded debt outstanding as of September 30, 2016 is as follows:

| Bond Year Ended October 1 | Capital Improvement Refunding Revenue Bonds, Series 2013 | |
|---|---|---|
| | Principal | Interest |
| 2017 | 6,287 | 76,857 |
| 2018 | 6,447 | 76,668 |
| 2019 | 7,406 | 76,475 |
| 2020 | 7,619 | 76,253 |
| 2021 | 7,832 | 76,024 |
| 2022-2026 | 43,158 | 376,188 |
| 2027-2031 | 49,764 | 367,542 |
| 2032-2036 | 409,576 | 342,188 |
| 2037-2041 | 1,031,250 | 159,186 |
| | $ 1,569,339 | $ 1,627,381 |

**Enterprise Funds**

**Water and Sewer Revenue Refunding Bonds, Series 2016:**

On July 15th , 2016 the City issued Series 2016 Bond is being issued pursuant to Chapter 11148, Laws of Florida, Special Acts of 1925, as amended, Chapter 166, Part II, Florida Statutes, as amended, and other applicable provisions of law, and Resolution No. 86-5 adopted by the City Commission of the City (the "Commission") on June 25, 1986, as amended and supplemented, and as particularly amended by Resolution Nos. 90-09, 96-12 and 2003-26 adopted by the Commission on March 22, 1990, May 30, 1996 and November 4, 2003, respectively, and as may be further amended and supplemented from time to time, and as particularly amended and supplemented by a resolution adopted by the Commission on July 11, 2016 (collectively, the "Resolution") to provide for the deposit of the proceeds of the Series 2016 Bond to various funds and accounts established pursuant to the Resolution for the following purposes:

(a) To currently refund the outstanding principal amount of the City's Water and Sewer Revenue Refunding Bonds, Series 2005 (the "Series 2005 Bonds"); and

(b) To pay the costs of issuing the Series 2016 Bond (the "Issuance Expenses").

Unless otherwise specifically defined, all capitalized terms used in this Certificate shall have the meanings as those set forth in the Resolution or in Sections 1.148-1 through 1.148-10 and Section 1.150-1 of the Income Tax Regulations (the "Regulations").





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

(c) The refunding of the Series 2005 Bonds is being undertaken by the City in order to realize a significant present value interest cost savings. The Series 2005 Bonds will be redeemed on August 19, 2016, which is less than 90 days from the date hereof. The Series 2005 Bonds were issued for the purpose of (a) currently refunding the City's Water and Sewer Revenue Refunding Bonds, Series 1995A and Series 1995B (collectively, the "Series 1995 Bonds"); (b) currently refunding the City's Water and Sewer Revenue Refunding Bonds, Series 1996 (the "Series 1996 Bonds"); (c) advance refunding the City's Water and Sewer Revenue Bonds, Series 1999 (the "Series 1999 Bonds"); and (d) financing the costs of acquiring and constructing certain capital improvements to the water and sewer system (the "System") owned and operated by the City (the "2005 Project"). The Series 1995 Bonds and Series 1996 Bonds were issued to refund separate portions of the City's Water and Sewer Revenue Refunding Bonds, Series 1986 (the "Series 1986 Bonds"). The Series 1986 Bonds were issued to advance refund the City's Water and Sewer Revenue Refunding Bonds, Series 1985 (the "Series 1985 Bonds"). The Series 1985 Bonds were issued to advance refund the City's Water and Sewer Revenue Bonds, Series 1984 (the "Series 1984 Bonds"!· The Series 1984 Bonds were issued to advance refund the City's Water and Sewer Refunding Revenue Bonds, Series 1983 (the "Series 1983 Bonds") and to finance certain capital improvements to the System (the "1984 Project"). The Series 1983 Bonds were issued to refund certain prior bonds of the City (the "Prior Refunded Bonds") originally issued to finance or refinance capital improvements to the System (the "Prior Projects"). The 1999 Bonds were issued to finance the acquisition and construction of certain capital improvements to the System (the "1999 Project"). The Prior Projects, 1984 Project, 1999 Project and 2005 Project are hereinafter collectively referred to as the "Refinanced Projects." This issuance savings results in a $346,367 difference in cash flow requirements with a present value economic gain of $331,880.

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, 2016 is as follows:

| Bond Year Ended October 1 | Water & Sewer Fund Revenue Bonds, Series 2016 | |
|---|---|---|
| | Principal | Interest |
| 2017 | 690,000 | 58,444 |
| 2018 | 695,000 | 48,716 |
| 2019 | 710,000 | 38,916 |
| 2020 | - | 28,906 |
| 2021 | 2,050,000 | 28,904 |
| | $ 4,145,000 | $ 203,886 |

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

On December 11, 2012, the City issued Water and Sewer Revenue Refunding Bonds, Series 2012 totaling $15,930,000, to advance refund a portion of the outstanding principal amount of the City's Water and Sewer Revenue Bonds, Series 2003 maturing on October 1, 2013 and all of the outstanding principal amount maturing on and after October 1, 2014; to finance the costs of certain capital improvements to the City's Water and Sewer System, including without limitation water main and pipeline replacements ($4,530,000); to pay Assured Guaranty Municipal Corp. a premium for insuring the 2012 Bonds; to purchase for deposit to the Reserve Account, a Reserve Fund Surety Bond issued by Assured securing the 2012 Bonds and certain other bonds

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

issued on a parity with the 2012 Bonds; and to pay the costs of issuing the 2012 Bonds. This issuance results in a $1,672,283 difference in cash flow requirements with a present value economic gain of $1,522,648.

Principal payments are due annually on October 1, and interest payments (2.0% to 3.25%) are due semi-annually on April 1 and October 1. The annual requirement to amortize long-term bonded debt outstanding as of September 30, 2016 is as follows:

| Bond Year Ended October 1 | Water and Sewer Fund Capital Appreciation Bonds, Series 2012 Principal | Interest |
|---|---|---|
| 2017 | 1,595,000 | 424,875 |
| 2018 | 1,620,000 | 400,950 |
| 2019 | 1,650,000 | 368,550 |
| 2020 | 2,455,000 | 302,550 |
| 2021 | 490,000 | 204,350 |
| 2022-2023 | 3,695,000 | 279,250 |
| | $ 11,505,000 | $ 1,980,525 |

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

On December 28, 2011, the City issued Capital Improvement Refunding Revenue Bonds totaling $10,440,000. The Bonds are being issued for the purpose of (i) currently refunding all of the City's outstanding Public Service Tax and Guaranteed Entitlement Revenue Refunding and Improvement Bonds, Series 2001, and (ii) paying certain costs of issuance incurred with respect thereto, including the premium for a Municipal Bond Insurance Policy. The proceeds of the Refunded Bonds were used to finance (i) the current refunding of the City's outstanding Public Service Tax and Guaranteed Entitlement Revenue Refunding and Improvement Bonds, Series 1992, (ii) the acquisition, relocation, construction and/or equipping of a parking garage, a fire station and related facilities on different sites of the City and other capital projects of the City, (iii) the capitalization of interest on a portion of the Refunding Bonds, (iv) the purchase of a surety bond to fund the Reserve Account relating to the Refunded Bonds, and (v) the cost of issuance with respect to the Refunded Bonds. This issuance results in an $814,718 difference in cash flow requirements with a present value economic gain of $574,623.

Principal payments were due annually on October 1, and interest payments (2.0% to 3.25%) are due semi-annually on April 1 and October 1. The annual requirement to amortize long-term bonded debt outstanding as of September 30, 2016 is as follows:

| Bond Year Ended October 1 | Visitor Information Center Capital Improvement Refunding Revenue Bonds, Series 2011B Principal | Interest |
|---|---|---|
| 2017 | 145,737 | 92,295 |
| 2018 | 149,049 | 89,380 |
| 2019 | 154,018 | 85,840 |
| 2020 | 155,674 | 81,989 |
| 2021 | 162,298 | 77,320 |
| 2022-2026 | 897,609 | 295,511 |
| 2027-2030 | 861,175 | 95,714 |
| | $ 2,525,560 | $ 818,049 |





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

**Capital Improvement and Refunding Revenue Bonds, Series 2013:**

On February 15, 2013, the City issued Capital Improvement and Refunding Revenue Bonds totaling $20,645,000 to advance refund a portion of the outstanding principal amount of the City's Capital Improvement and Refunding Revenue Bonds, Series 2004 maturing on October 1, 2016 and all of the Series 2004 Bonds maturing on October 1, in the years 2017 through and including 2029 and in 2034; and to finance the acquisition, construction and equipping of a portion of the cost of various capital improvement projects located within the City, including without limitation, the Historic Downtown Parking Facility and other municipal capital improvement projects to City facilities and infrastructure on file with the City; and to pay the costs of issuing the Series 2013 Bonds. This issuance results in a $1,377,123 difference in cash flow requirements with a present value economic gain of $1,078,678.

Principal payments are due annually on October 1, and interest payments (2.0% to 5.0%) are due semi-annually on April 1 and October 1. The annual requirement to amortize long-term bonded debt outstanding as of September 30, 2016 is as follows:

| Bond Year Ended October 1 | Capital Improvement Refunding Revenue Bonds, Series 2013 Principal | Interest |
|---|---|---|
| 2017 | 583,713 | 769,843 |
| 2018 | 598,553 | 752,332 |
| 2019 | 687,594 | 734,375 |
| 2020 | 707,381 | 713,747 |
| 2021 | 727,168 | 692,526 |
| 2022-2026 | 4,006,842 | 3,097,462 |
| 2027-2031 | 4,620,236 | 2,294,958 |
| 2032-2036 | 6,110,423 | 721,312 |
| 2037-2041 | 343,750 | 53,064 |
| | $ 18,385,661 | $ 9,829,619 |

**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.

In 2013, the Series 2013 Bonds were issued, in part, to advance refund a portion of the outstanding principal amount of the City's Capital Improvement Refunding Revenue Bonds, Series 2004 maturing on October 1, 2016 and all of the Series 2004 Bonds maturing on October 1, in the years 2017 through and including 2029 and in 2034.

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, 2016, is as follows:

| Bond Year Ended October 1 | Visitor Information Center Capital Improvement & Revenue Refunding Bonds, Series 2004 Principal | Interest |
|---|---|---|
| 2017 | $ - | $ 46,969 |
| 2018 | - | 46,969 |
| 2019 | - | 46,969 |
| 2020 | - | 46,969 |
| 2021 | - | 46,969 |
| 2022-2026 | - | 234,845 |
| 2027-2030 | 1,043,759 | 187,876 |
| | $ 1,043,759 | $ 657,566 |

## NOTE 6. LONG-TERM DEBT: (continued)

On September 1, 2013, the City entered into a lease purchase agreement for the purchase of a new pumper fire truck from Ferrara Fire Apparatus, Inc. The City made a down payment of $75,000 and financed the remaining $215,000 over five years.

Principal and interest payments are due annually on November 1. The annual requirement as of September 30, 2016, is as follows:

| Agreement Year Ended October 1 | Fire Truck Lease Purchase Agreement Principal | Interest |
|---|---|---|
| 2017 | 43,166 | 3,578 |
| 2018 | 44,327 | 2,417 |
| 2019 | 45,519 | 1,224 |
| | $ 133,011 | $ 7,219 |

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

**Primary Government**
**Governmental Activities**

| | Balance 10/1/2015 | Increases | Decreases | Balance 9/30/2016 | Current Portion |
|---|---|---|---|---|---|
| **General Long-Term Debt & Obligations** | | | | | |
| Capital Improvement and Refunding Revenue Bonds | $ 23,307,992 | $ - | $ 412,973 | $ 22,895,019 | $ 300,550 |
| Unamortized (Premium) Discount | (411,150) | | (42,872) | (368,278) | (42,874) |
| Capital Lease Obligation | 175,046 | - | 42,035 | 133,011 | 42,036 |
| Accrued Compensated Absences | 2,286,946 | 2,187 | - | 2,289,133 | 86,427 |
| Net Pension Liability | 6,759,848 | - | 265,983 | 6,493,865 | - |
| Net Retiree Healthcare Obligation | 840,130 | 185,975 | - | 1,026,105 | - |
| Total General Long-Term Obligations | 32,958,812 | 188,162 | 678,119 | 32,468,855 | 386,139 |
| **Proprietary Fund Long-Term Obligations** | | | | | |
| Accrued Compensated Absences | 682,261 | - | 11,666 | 670,595 | 33,963 |
| Water and Sewer Revenue Bonds | 17,750,000 | - | 2,100,000 | 15,650,000 | 2,285,000 |
| Capital Improvement and Refunding Revenue Bonds | 22,552,041 | - | 597,060 | 21,954,981 | 729,450 |
| Unamortized (Premium) Discount | 3,084,823 | | 271,982 | 2,812,841 | 279,388 |
| Net Pension Liability | 3,907,374 | - | 228,508 | 3,678,866 | - |
| Total Proprietary Fund Long-Term Obligations | 47,976,499 | - | 3,209,216 | 44,767,283 | 3,327,801 |
| Total Long-Term Debt & Obligations | $ 80,935,311 | $ 188,162 | $ 3,887,335 | $ 77,236,138 | $ 3,713,940 |





## NOTE 7. INTERFUND RECEIVABLES, PAYMENTS, AND TRANSFERS: (continued)

A. As of September 30, 2016, interfund payments and transfers are as follows:

| Fund Type/Fund | Transfers-in | Transfers-out |
|---|---|---|
| **GOVERNMENTAL FUNDS** | | |
| General Fund | $ 2,972,439 | $ 3,414,950 |
| Debt Service Fund | 1,668,365 | - |
| Special Revenue Fund-HACRA | 375,842 | 636,777 |
| Special Revenue Fund-LCRA | 148,281 | 25,000 |
| Capital Projects Fund | 437,907 | - |
| Permanent Fund | - | 10,176 |
| **PROPRIETARY FUNDS** | | |
| Utility Fund | 2,250,309 | 2,764,668 |
| Stormwater Fund | 73,251 | 252,482 |
| Solid Waste Fund | 15,000 | 191,337 |
| Municipal Marina Fund | 27,031 | 173,349 |
| Visitor Information Center | 920,730 | 1,420,416 |
| | | - |
| | $ 8,889,155 | $ 8,889,155 |

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.

| Fund Type/Fund | Administrative Overhead Charges | Administrative Overhead Expenses |
|---|---|---|
| **GOVERNMENTAL FUNDS** | | |
| General Fund | $ 3,536,037 | $ - |
| **PROPRIETARY FUNDS** | | |
| Utility Fund | - | 2,190,814 |
| Stormwater Fund | - | 299,519 |
| Solid Waste Fund | - | 591,027 |
| Municipal Marina Fund | - | 244,162 |
| Visitor Information Center | - | 210,515 |
| | $ 3,536,037 | $ 3,536,037 |

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.

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

B. As of September 30, 2016, interfund receivables are as follows:

| Fund Type/Fund | Due to | Due from |
|---|---|---|
| **GOVERNMENTAL FUNDS** | | |
| General Fund | $ - | $ 20,096 |
| Capital Projects Fund | - | - |
| Permanent Fund | 348 | - |
| **PROPRIETARY FUNDS** | | |
| Utility Fund | - | - |
| Stormwater Fund | - | - |
| Solid Waste Fund | - | - |
| Municipal Marina Fund | 19,748 | - |
| Visitor Information Center | - | - |
| | $ 20,096 | $ 20,096 |

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

**NOTE 9. OPERATING LEASES:**

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

| | |
|---|---|
| 2017 | $ 1,098,448 |
| 2018 | 1,131,401 |
| 2019 | 1,165,343 |
| 2020 | 1,200,304 |
| 2021 | 1,236,313 |
| Total future minimum rentals | $ 5,831,810 |







**NOTE 10. RETIREMENT SYSTEMS:**

The City of St. Augustine has established three pension trust funds: General Employees' Retirement System (GERS), Police Officers' Retirement System (PORS) and Fire Fighters' Retirement System (FFRS). All full-time employees are covered under one of these three separate single-employer defined benefit plans. Each plan is a governmental benefit plan and is tax exempt under the IRS Code. Each plan is administered by a Board of Trustees in which City administration and members of the plans are represented. Each plan presents separate financial statements, and are included as part (reporting as pension trust funds) of the City's financial reporting entity since they are not "legally separate". The plans issue publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained through the City Clerk's office. The General Fund would be used to liquidate any of the obligations for these pension funds or any other post-employment benefit.

**A. Membership**

As of September 30, 2016, employee membership data related to the pension plans were:

| | GERS | PORS | FFRS | Total |
|---|---|---|---|---|
| Active Participants | 221 | 48 | 32 | 301 |
| Inactive Members or Beneficiaries Receiving Benefits | 142 | 24 | 28 | 194 |
| Drop Retirees | - | 1 | 1 | 2 |
| Disabled Members | - | 4 | - | 4 |
| Vested Terminated | 12 | 9 | 1 | 22 |
| Inactive or Limited Participants | 39 | 3 | - | 42 |
| Total Participants | **414** | **89** | **62** | **565** |

| | | | | |
|---|---|---|---|---|
| Total Covered Payroll | $9,681,447 | $2,943,236 | $1,635,855 | $13,681,342 |

**B. Plan Descriptions**

**1. General Employees' Retirement System (GERS)**

The City of St. Augustine General Employees' Retirement System (GERS) 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. The Ordinance, along with five additional amendments, is used to govern the plan.

As stipulated by City Ordinance 88-54, authority to establish and amend benefit provisions of the GERS 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.

**NOTE 10. RETIREMENT SYSTEMS: (continued)**

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

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

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

In the event the Plan terminates, the assets of the GERS 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.

**2. Police Officers' Retirement System (PORS)**

The St. Augustine Police Officers' Retirement System (PORS) 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).

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.

The Deferred Retirement Option Program (DROP) allows participants eligible for regular retirement to continue employment for a maximum of five years, and receive retirement benefits during this period. Employee contributions to the plan are discontinued, and the retirement benefits are transferred to the DROP reserve monthly, payable in full upon retirement. As of September 30, 2016, the balance of the Police Officers' Retirement System DROP plan is $443,713.

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







**NOTE 10. RETIREMENT SYSTEMS: (continued)**

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.

**3. Fire Fighters' Retirement System (FFRS)**

The City of St. Augustine Firefighters' Retirement System (FFRS) 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.

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

The Deferred Retirement Option Program (DROP) allows participants eligible for regular retirement to continue employment for a maximum of five years, and receive retirement benefits during this period. Employee contributions to the plan are discontinued, and the retirement benefits are transferred to the DROP reserve monthly, payable in full upon retirement. As of September 30, 2016, the balance of the Fire Fighters' Retirement System DROP plan is $95,063.

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.

**NOTE 10. RETIREMENT SYSTEMS: (continued)**

**A. Actuarial Assumptions**

The total pension liability was determined by actuarial valuations as of October 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.50% |
| Salary Increases | 4.00-5.50% |
| Investment Rate of Return, including inflation | 7.50% |
| Mortality | RP-2000 Mortality Table-Dynamic with projection to valuation Year and RP-2000 Combined Healthy Mortality Table |

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Development of Long Term Discount Rate

| | Inflation | Policy Allocation | Long Term Expected Real Rate of Return |
|---|---|---|---|
| Domestic Equity | 2.50% | 50.0% | 4.00% |
| Foreign Equity | 2.50% | 10.0% | 6.50% |
| Corporate Bonds | 2.50% | 35.0% | 2.10% |
| US Direct Real Estate | 2.50% | 5.0% | 2.00% |





**NOTE 10. RETIREMENT SYSTEMS: (continued)**

*Discount Rate*: The discount rate used to measure the total pension liability was 7.75% for the GERS and PORS and 7.5% for the FFRS. The projection of cash flows used to determine the discount rate assumed that City contributions will continue to be made at actuarially determined contribution rates based on the funding requirements of Florida Statutes, taking into account the applicable member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was used as the discount rate and applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate:* The following presents the net pension liability of the City, calculated using the discount rate, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| City's net pension liability (asset) | 1% Decrease | Current | 1% Increase |
|---|---|---|---|
| GERS (current rate of 7.70%) | $ 13,183,407 | $ 9,022,550 | $ 4,348,482 |
| PORS (current rate of 7.70%) | $ 2,646,341 | $ 628,861 | $ 1,105,011 |
| FFRS (current rate of 7.50%) | $ 1,954,602 | $ 521,320 | $ (671,411) |

**NOTE 10. RETIREMENT SYSTEMS: (continued)**

**Statement of Fiduciary Net Position (FNP)**

| | GERS | PORS | FFRS | Total |
|---|---|---|---|---|
| **Statement of Fiduciary Net Positiom** | | | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | $ 876,332 | $ 1,090,809 | $ 569,632 | $ 2,536,773 |
| Receivables | - | - | 64,376 | 64,376 |
| Fixed Income | 4,749,609 | 3,052,513 | 4,066,136 | 11,868,258 |
| Equities | 22,877,392 | 9,969,447 | 7,075,232 | 39,922,071 |
| Real Estate | 6,430,497 | 3,399,302 | 650 | 9,830,449 |
| TOTAL ASSETS | $ 34,933,830 | $ 17,512,071 | $ 11,776,026 | $ 64,221,927 |
| LIABILITIES | | | | |
| Accounts Payable | $ 51,505 | $ 21,334 | $ 130,307 | $ 203,146 |
| TOTAL LIABILITIES | | | | |
| NET POSITION HELD IN TRUST FOR PENSION BENEFITS | **$ 34,882,325** | **$ 17,490,737** | **$ 11,645,719** | **$ 64,018,781** |

**Statement of Changes in Total Pension Liability**

| | | | |
|---|---|---|---|
| Total Pension Liability at 10/1/2015 | $ 41,560,498 | $ 16,641,994 | $ 11,178,004 |
| Service Cost at 10/1/2015 | 877,693 | 535,582 | 234,355 |
| Interest | 3,199,137 | 1,667,171 | 813,760 |
| Change in Excess State Money | - | - | (295,791) |
| Changes in Benefit Terms | - | - | 378,685 |
| Differences between Expected and Actual Experience | 292,529 | (19,092) | 124,845 |
| Changes to Assumptions | 293,019 | 93,784 | 393,462 |
| Benefit Payments, including Refunds of Employee Contributions | (2,318,001) | (799,841) | (688,701) |
| Net Change in Total Pension Liability | $ 2,344,377 | $ 1,477,604 | $ 960,615 |
| Total Pension Liability at 10/1/2015 | $ 41,560,498 | $ 16,641,994 | $ 11,178,004 |
| Total Pension Liability at 09/30/2016 | $ 43,904,875 | $ 18,119,598 | $ 12,138,619 |

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

1. **General Employees' Retirement System (GERS)**

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.







**NOTE 10. RETIREMENT SYSTEMS: (continued)**

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. For the year ended September 30, 2016, the City made an actuarial contribution of 19.49 percent in addition to the required one percent contributed on behalf of the employees.

2. **Police Officers' Retirement System (PORS)**

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, 2016, contributions by retirement system members are based on 5.5 percent of compensation while the City of St. Augustine contributes a minimum of 2.5 percent of compensation. Previously, retirement system members contributed four percent of fixed monthly compensation. The Board of Trustees for the Plan anticipates the above funding methods will result in all members' benefits being fully provided for by the time of their retirement. Effective October 1, 1993, the member contributions were changed from after tax compensation to pre-tax compensation.

Administrative costs are funded by City and member contributions.

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. The City made an actuarial contribution of 13.28 percent during the fiscal year ended September 30, 2016.

3. **Fire Fighters' Retirement System (FFRS)**

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 $157,404.

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 11.50 percent during the fiscal year ended September 30, 2016, in addition to the ordinance-required contribution of 3.5 percent.

**C. Concentrations**

As of September 30, 2016, the Plans had no investments that exceeded five percent of the Plans' net assets as of that date.

**NOTE 11. PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOW OF RESOURCES RELATED TO PENSIONS:**

For the year September 30, 2016, the City recognized pension expense as follows:

| | | |
|---|---|---|
| General Employees' Pension Plan | $ | 1,727,288 |
| Police Officers' Pension Plan | | 1,004,807 |
| Fire Fighters' Pension Plan | | (481,991) |
| Total | $ | 2,250,104 |

At September 30, 2016 the City reported deferred outflow of resources and deferred inflow of resources related to pensions from the following sources:

Deferred Outflow of resources:

| | GERS | PORS | FFRS | Total |
|---|---|---|---|---|
| Changes of Assumptions | $ 272,873 | $ 93,601 | $ 327,885 | $ 694,359 |
| Difference Between Projected and Actual Earnings on Investments | 1,028,972 | 662,104 | 240,830 | 1,931,906 |
| Difference Between Projected and Actual Experience | 808,504 | - | 203,140 | 1,011,644 |
| | $ 2,110,349 | $ 755,705 | $ 771,855 | $ 3,637,909 |

Deferred Inflow of Resources:

| | GERS | PORS | FFRS | Total |
|---|---|---|---|---|
| Difference Between Projected and Actual Earnings on Investments | $ 369,182 | $ 343,812 | $ - | $ 712,994 |
| Difference Between Projected and Actual Experience | - | 120,415 | - | 120,415 |
| | $ 369,182 | $ 464,227 | $ - | $ 833,409 |

Amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

659779

| Year Ended September 30 | GERS | PORS | FFRS | Total |
|---|---|---|---|---|
| 2017 | 572,117 | 122,710 | 191,837 | 886,664 |
| 2018 | 572,117 | 122,710 | 191,838 | 886,665 |
| 2019 | 572,117 | 122,760 | 263,965 | 958,842 |
| 2020 | 24,816 | (97,941) | 37,830 | (35,295) |
| 2021 | - | 10,671 | 86,385 | 97,056 |
| 2022 | | 10,568 | | 10,568 |
| | $ 1,741,167 | $ 291,478 | $ 771,855 | $ 2,804,500 |







**NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (OPEB):**

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

Based on Governmental Accounting Standards Board (GASB) approval of Statement Nos. 43 and 45 which set forth the guidelines and a future implementation timetable for reporting and disclosure of Other Post-Employment Benefits (OPEB), the City had an actuary calculate future funding requirements using an appropriate actuarial cost method. The valuation was performed as of September 30, 2016 and covers subsidies for medical insurance benefits. The City has elected to implement the provisions of GASB Statement No. 45 prospectively. The City's annual OPEB cost for the Plan is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The projected unit credit cost method was used to determine all liabilities, with the liability for each active employee assumed to accrue over the working lifetime based on elapsed time from the date of hire until retirement.

**1. Plan Description:**

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

Under certain conditions, eligible individuals also include spouses and dependent children. As of September 30, 2016, there were 330 future retirees, 9 retired and disabled participants receiving benefits, no spouses receiving benefits and no other dependents receiving benefits for a total of 339 included in the valuation. The Plan does not issue a publicly available financial report.

**2. Funding Policy:**

The City Commission is authorized to establish benefit levels and approve the actuarial assumptions used in the determination of contributions levels. The City Commission establishes the contributions requirements of plan members and the City. These contributions are neither mandated nor guaranteed. The retiree contributes the premium cost each month. Spouses and other dependents are also eligible for coverage, although the retiree pays the premium cost. Retirees must pay a monthly premium as determined by the insurance carrier. The premium varies depending on whether the retiree elects single, single plus spouse, single plus dependents, or family coverage. Currently, the City's subsidy to OPEB benefits is unfunded. There are no separate Trust Funds or equivalent arrangements into which the City makes contributions to advance-fund the OPEB obligations, as it does for its retiree pension plans. The City's cost of the OPEB benefits, funded on a pay-as-you-go basis, was $231,284 for the year ended September 30, 2016. The ultimate implicit and explicit subsidies which are provided over time are financed directly by general assets of the City, which are invested in short-term fixed income instruments according to its current investment policy. The City selected an interest discount rate of 4.50% per annum, which is the long range expected return on such short-term fixed income instruments, to calculate the present values and costs of the OPEB. This is consistent with GASB Statement No. 45 guidance. Significant Actuarial Assumptions and methods used to estimate the OPEB liability are as follows:

**NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (OPEB): (continued)**

Valuation date..... September 30, 2016

Actuarial cost method..... Projected Unit Credit Cost Method

Amortization method.....Level Dollar Payment

Amortization period ..... 30-Year Period

Assumed rate of return on investments …4.50% per annum

Inflation rate……..5%

Projected salary increases…….0%

Post-retirement benefit increases……..0%

Assumed healthcare cost trend rates:

| Fiscal Year Ending | Percent Increase |
|---|---|
| 2014 - Thereafter | 5.00% |

**3. Actuarial Methods:**

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

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

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize the actuarial liabilities (or funding excess) over a period not to exceed 30 years. The amortization periods used are closed. The City's annual OPEB cost for the fiscal year was $208,817.

The City's annual OPEB cost and net OPEB obligation for the year ended September 30, 2016 is as follows:

| | |
|---|---|
| Annual Required City Contribution (ARC) | $ 245,055 |
| Interest on Plan Obligation | 37,806 |
| Adjustment to ARC | (51,577) |
| Annual Plan Retiree Cost | 231,284 |
| Contributions Made | 45,308 |
| Increase in Plan Obligation | 185,976 |
| Plan Obligation Beginning of Year | 840,130 |
| Plan Obligation End of Year | $ 1,026,106 |





**NOTE 12. OTHER POST-EMPLOYMENT BENEFITS (OPEB): (continued)**

The City's percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended September 30, 2016 is as follows:

| Fiscal Year Ending | Annual City Retiree Cost | City* Contributions | Perecentage of Cost Contributed | Net Obligation (Asset) |
|---|---|---|---|---|
| 9/30/2016 | $ 231,284 | $ 45,308 | 20% | $ 1,026,105 |

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

The 201 contribution represented 20% of the annual required contribution. The actuarial valuation for the Plan was done as of September 30, 2015. As of September 30, 2016, the most recent actuarial valuation date, the Plan was unfunded. The actuarial accrued liability for benefits was $2,359,001, and the actuarial value of assets was $-0-, resulting in an unfunded actuarial accrued liability (UAAL) of $2,359,001. The covered payroll was $14,545,313, and the ratio of the UAAL to the covered payroll was 16.22%.

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

**NOTE 13. 457 TAX-DEFERRED COMPENSATION PLAN:**

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

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

**NOTE 14. DEFICIT NET POSITION**

The Visitor Information Center (VIC) Fund had a deficit net position of $4,272,409 at September 30, 2016. This deficit has been the result of the funds debt service payments for the construction of the Historic District Parking Facility. The VIC Fund operating revenue exceeds its operating expenses for the current year and has done so for the previous five (5) years. The City began to appropriate funds beginning in 2017 fiscal year to eliminate the deficit and build reserves equal to three months of operations. The estimated timeline for this to be complete is five years.

**NOTE 15. COMBING THE HERITAGE TOURISM FUND**

The City closed the operations of the Heritage Tourism Fund in 2015. The fund was originally established as function within the Visitor Information Center Fund but was later separated as the City began to phase the operation out. The net position beginning balance of $88,665 that remained after the operation was closed was combined with the Visitor Information Center Fund net position beginning balance this year for reporting purposes.

**NOTE 16. SUBSEQUENT EVENT**

On October 7, 2016, Hurricane Matthew impacted both the residents of St. Augustine and the infrastructure of the City of St. Augustine. Immediately after the storm, the City expended approximately $2 million for debris removal throughout the City. Up to 92% of these costs are expected to be reimbursed by FEMA and the State of Florida. The City saw significant damages to 13 sewer lift stations in the City and the large breakwater dock at the City Marina. These combined costs are expected to exceed $10 million. The City is working with FEMA and the State as we get estimates and begin work on these large projects. Several smaller scale damages were experienced with City buildings and equipment. We expect that up to 87.5% of the City's storm costs will be reimbursed by FEMA and the State for all damages. Any required spending matches and any costs that are not deemed reimbursable by FEMA and the State will be spent from the City's committed reserves (emergency reserves).

Management has evaluated subsequent events through March 31, 2017, the date the financial statements were available to be issued, and has determined that no subsequent events that would require adjustments to or disclosure in the financial statements other than discussed above.





# Required Supplementary Information Other than Management Discussion & Analysis (MD&A)

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## CITY OF ST. AUGUSTINE, FLORIDA

**General, Police, and Fire Employees' Retirement Systems**
**Required Supplementary Information**
**Changes in Net Pension Liability**

| | GERS | PORS | FFRS | Total |
|---|---|---|---|---|
| **Total Pension Liability** | | | | |
| Service Cost | $ 877,693 | $ 535,582 | $ 234,355 | $ 1,647,630 |
| Interest on the Total Pension Liability | 3,199,137 | 1,667,171 | 787,330 | 5,653,638 |
| Benefit Changes | - | - | 378,685 | 378,685 |
| Change in Excess State Money | - | - | (295,791) | (295,791) |
| Difference Between Expected and Actual Experience | 292,529 | (19,092) | 124,845 | 398,282 |
| Chnges to Assumption | 293,019 | 93,784 | 393,462 | 780,265 |
| Benefit Payments Including Refunds of Contributions | (2,318,001) | (799,841) | (699,127) | (3,816,969) |
| **Net Change in Total Pension Liability** | 2,344,377 | 1,477,604 | 923,759 | 4,745,740 |
| **Total Pension Liability, Beginning** | 41,560,498 | 16,641,994 | 11,243,280 | 69,445,772 |
| **Total Pension Liability, Ending** | 43,904,875 | 18,119,598 | 12,167,039 | 74,191,512 |
| **Plan Fiduciary Net Position** | | | | |
| Employer Contributions | 1,981,476 | 399,211 | 196,389 | 2,577,076 |
| State Contributions | - | 175,835 | 157,404 | 333,239 |
| Employee Contributions | 403,094 | 153,529 | 82,717 | 639,340 |
| Pension Plan Net Investment Income | 2,936,911 | 1,654,228 | 1,082,244 | 5,673,383 |
| Benefit Payments Including Refunds of Contributions | (2,318,001) | (799,841) | (700,051) | (3,817,893) |
| Pension Plan Administrative Expense | (57,582) | (59,938) | (47,394) | (164,914) |
| **Net Change in Plan Fiduciary Net Position** | 2,945,898 | 1,523,024 | 771,309 | 5,240,231 |
| **Plan Fiduciary Net Position, Beginning** | 31,936,427 | 15,967,713 | 10,874,410 | 58,778,550 |
| **Plan Fiduciary Net Position, Ending** | 34,882,325 | 17,490,737 | 11,645,719 | 64,018,781 |
| **Net Pension Liability--Ending** | $ 9,022,550 | $ 628,861 | $ 521,320 | $ 10,172,731 |
| **Plan Fiduciary Net Position as Percentage of Total Pension Liability** | 79.45% | 96.53% | 95.72% | 86.29% |
| **Covered Employee Payroll** | $ 9,681,447 | $ 2,943,236 | $ 1,635,855 | $ 14,260,538 |
| **Net Pension Liability as a Percentage of Covered Employee Payroll** | 93.19% | 21.37% | 31.87% | 71.33% |

Additonal years will be added to this schedule annually until 10 years of data are presented.

## CITY OF ST. AUGUSTINE, FLORIDA

**General, Police, and Fire Employees' Retirement Systems**
**Required Supplementary Information**
**Schedule of Employer Contributions**

| | GERS | PORS | FFRS | Total |
|---|---|---|---|---|
| Actuarially Determined Contributions | $ 1,907,612 | $ 606,441 | $ 303,615 | $ 2,817,668 |
| Contributions in Relation to the Actuarially Determined Contribution | 2,058,258 | 597,329 | 336,351 | 2,991,938 |
| Contribution Deficiency (Excess) | (150,646) | 9,112 | (32,736) | (174,270) |
| Covered-employee Payroll | 9,681,447 | 2,943,236 | 1,635,855 | 14,260,538 |
| Contributions as a Percentage of Covered Employee Payroll | 21.26% | 20.29% | 20.56% | 20.98% |

Additonal years will be added to this schedule annually until 10 years of data are presented.



## CITY OF ST. AUGUSTINE, FLORIDA

**Note to the Schedule of Funding Progress and Schedule**
**of Employer and Other Contributions**
**For all Retirement Systems**

| | GERS | PORS | FFRS |
|---|---|---|---|
| **Valuation Date** | 9/30/2016 | 9/30/2016 | 9/30/2016 |
| **Actuarial Cost Method** | Individual Entry Age | Individual Entry Age | 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 13 to 15 Years | Weighted Average of 27 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 net FMV Smoothing |
| **Actuarial Assumptions:** | | | |
| **Investment Rate of Return** | 7.70% Annually | 7.70% Annually | 7.5% Annually |
| **Projected Salary Increases** | 3.5-7% | 3.5-7% | 4.5-6.5% |
| **Cost of Living Adjustments** | none | Up to 3% Annually | none |

## CITY OF ST. AUGUSTINE, FLORIDA

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

| | (1) | (2) | (3) | (4) | (5) | (6) |
|---|---|---|---|---|---|---|
| **Actuarial Valuation Date** | **Actuarial Value of Assets** | **Actuarial Accrued Liability (AAL) Entry Age** | **Unfunded AAL (UAAL) (2)-(1)** | **Funded Ratio (1)/(2)** | **Covered Payroll** | **UAAL as a Percentage of Covered Payroll [(2)-(1)/(5)]** |
| 9/30/2016 | $ - | $ 2,359 | $ 2,359 | 0.00% | $ 14,545 | 16.22% |
| 9/30/2015 | - | 2,249 | 2,249 | 0.00% | 13,986 | 16.08% |
| 9/30/2014 | - | 2,104 | 2,104 | 0.00% | 13,913 | 15.12% |
| 9/30/2013 | - | 1,866 | 1,866 | 0.00% | 13,378 | 13.94% |
| 9/30/2012 | - | 1,818 | 1,818 | 0.00% | 12,829 | 14.17% |
| 9/30/2011 | - | 2,311 | 2,311 | 0.00% | 13,926 | 16.59% |
| 9/30/2010 | - | 2,235 | 2,235 | 0.00% | 13,391 | 16.69% |
| 9/30/2009 | - | 2,169 | 2,169 | 0.00% | 12,876 | 16.85% |



## CITY OF ST. AUGUSTINE, FLORIDA

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

| Year Ended September 30 | Annual Required Contribution | * City Contribution | Percentage Contributed |
|---|---|---|---|
| 2016 | $ 245,055 | $ 45,308 | 18.49% |
| 2015 | 219,591 | 25,980 | 11.83% |
| 2014 | 210,135 | 79,254 | 37.72% |
| 2013 | 195,312 | 103,993 | 53.24% |
| 2012 | 238,486 | 110,995 | 46.54% |
| 2011 | 228,216 | 134,757 | 59.05% |
| 2010 | 218,388 | 111,198 | 50.92% |
| 2009 | 208,983 | 74,329 | 35.57% |

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

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# Combining Statements

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**CITY OF ST. AUGUSTINE, FLORIDA**

**Combining Statement of Fiduciary Net Position**
**Fiduciary Funds**
**September 30, 2016**

| | General Employees' Pension Fund | Police Officers' Pension Fund | Firefighters' Pension Fund | Total Employee Retirement Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and Short-term Investments | $ 876,332 | $ 1,090,809 | $ 569,632 | $ 2,536,773 |
| Receivables: | | | | |
| Interest and Dividends | - | - | 64,376 | 64,376 |
| **Total Receivables** | - | - | 64,376 | 64,376 |
| Prepaid Expense | - | - | 650 | 650 |
| Investments, at Fair Value: | | | | |
| U.S. Government Obligations Fund | - | | 1,402,407 | 1,402,407 |
| U.S. Stock Fund | 18,440,429 | 9,969,447 | 6,034,006 | 34,443,882 |
| Mutual Funds | 4,436,963 | - | - | 4,436,963 |
| Bond and Mortgage Fund | 4,749,609 | 3,052,513 | 2,663,729 | 10,465,851 |
| International Exchange Fund | - | - | 1,041,226 | 1,041,226 |
| Real Estate Fund | 6,430,497 | 3,399,302 | - | 9,829,799 |
| **Total Investments** | 34,057,498 | 16,421,262 | 11,141,368 | 61,620,128 |
| **Total Assets** | **34,933,830** | **17,512,071** | **11,776,026** | **64,221,927** |
| **LIABILITIES** | | | | |
| Expenses Payable | 51,505 | 21,334 | 130,307 | 203,146 |
| **Total Liabilities** | **51,505** | **21,334** | **130,307** | **203,146** |
| **NET POSITION** | | | | |
| **Held in Trust for Pension Benefits** | **$ 34,882,325** | **$ 17,490,737** | **$ 11,645,719** | **$ 64,018,781** |

**CITY OF ST. AUGUSTINE, FLORIDA**

**Combining Statement of Changes in Fiduciary Net Position**
**Fiduciary Funds**
**For the Year Ended September 30, 2016**

| | General Employees' Pension Fund | Police Officers' Pension Fund | Firefighters' Pension Fund | Total Employee Retirement Funds |
|---|---|---|---|---|
| **ADDITIONS** | | | | |
| **Contributions** | | | | |
| Members | $ 403,094 | $ 153,529 | $ 82,717 | $ 639,340 |
| City | 1,981,476 | 399,211 | 196,389 | 2,577,076 |
| State Insurance Premium Tax, from General Fun | - | 175,835 | 157,404 | 333,239 |
| **Total Contributions** | 2,384,570 | 728,575 | 436,510 | 3,549,655 |
| **Investment Income** | | | | |
| Net Increase (Decrease) in Fair Value of Investm | 2,498,742 | 1,378,597 | 553,052 | 4,430,391 |
| Interest and Dividends on Investments | 615,058 | 340,431 | 574,665 | 1,530,154 |
| **Total Investment Income** | 3,113,800 | 1,719,028 | 1,127,717 | 5,960,545 |
| **Less Investment Expenses** | 176,889 | 64,800 | 45,473 | 287,162 |
| **Net Investment Income** | 2,936,911 | 1,654,228 | 1,082,244 | 5,673,383 |
| **Total Additions** | **5,321,481** | **2,382,803** | **1,518,754** | **9,223,038** |
| **DEDUCTIONS** | | | | |
| Benefit Payments | 2,105,240 | 782,634 | 661,591 | 3,549,465 |
| Termination Payments | 212,761 | 17,207 | 38,460 | 268,428 |
| Administrative Expenses | 57,582 | 59,938 | 47,394 | 164,914 |
| **Total Deductions** | **2,375,583** | **859,779** | **747,445** | **3,982,807** |
| **Change in Net Position** | **2,945,898** | **1,523,024** | **771,309** | **5,240,231** |
| **Net Position - Beginning** | **31,936,427** | **15,967,713** | **10,874,410** | **58,778,550** |
| **NET POSITION - ENDING** | **$ 34,882,325** | **$ 17,490,737** | **$ 11,645,719** | **$ 64,018,781** |





# Schedule of Expenditures of Federal Awards and State Financial Assistance

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**CITY OF ST. AUGUSTINE, FLORIDA**
**Schedule of Expenditures of Federal Awards and**
**State Financial Assistance**
**For the Year Ended September 30, 2016**

| Federal Grantor/Pass-through Grantor/Program | CFDA Number | Contract Number | Federal Expenditures |
|---|---|---|---|
| U.S. Department of Justice: | | | |
| Bullet Proof Vest Partnership | 16.738 | BA-2000S-MR01 | 3,949 |
| Florida Department of Law Enforcement | | | |
| Justice Assistance Grant Program | 16.738 | 2016-JAGD-ST-JO-1-H4-016 | 4,600 |
| Justice Assistance Grant Program | 16.738 | 2015-JAGC-ST-JO-1-H3-042 | 16,341 |
| Total U.S Department of Justice | | | 24,890 |
| U.S. Department of Homeland Security: | | | |
| Federal Emergency Management Agency | 97.029 | EMW-2013-FO-02347 | 12,464 |
| The Department of Management Services | | | |
| Florida Department of Agriculture and Consumer Services | 10.664 | #15-DG-11083112-001 | 6,000 |
| Fish and Wildlife Service | | | |
| Florida Department of Environmental Protection | | | |
| Clean Vessel Act Program | 15.616 | CVA-11-632,MV075 | 12,898 |
| **Total Expenditures of Federal Awards** | | | **$ 56,252** |

| State Agency | CFSA Number | Contract Number | State Expenditures |
|---|---|---|---|
| Florida Inland Navigation District: | | | |
| Salt Run Navigation Channel Dredging Ph VI | N/A | SJ-SA-15-60 | 149,911 |
| Lighthouse Boat Ramp Repair | N/A | SJ-SA-14-57 | 23,601 |
| Lincolnville Kayak Launch | | SJ-SA-15-61 | 8,620 |
| Total Florida Inland Navigation District | | | 182,132 |
| St. Johns River Water Managent District | | | |
| Automated Meter Reading System | | | 76,122 |
| Florida Department of State: | | | |
| Division of Historical Resources | | | |
| Historic Preservation Small -Matching Grant | | | |
| St. Augustine Wayfinding Arrival Program | 45.031 | S1601 | 50,000 |
| St. Augusgtine Inventory | 45.031 | F1502 | 28,271 |
| Sructures of Colonial St. Augustine 1572 -1763 | 45.032 | S1615 | 23,367 |
| Total Florida Department of State | | | 101,638 |
| **Total Expenditures of State Financial Assistanc** | | | **$ 359,892** |

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# STATISTICAL SECTION

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# Statistical Section

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

**Contents** **Page**

**Financial Trends** **142-149**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

**Revenue Capacity** **150-154**

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes.

**Debt Capacity** **155-162**

These schedules present information to help the reader assess the affordabilty of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

**Demographic and Economic Information** **163-171**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

**Operating Information** **170-176**

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

## CITY OF ST. AUGUSTINE, FLORIDA

**NET POSITION BY COMPONENT**
**LAST TEN FISCAL YEARS**
**(In Thousands)**

| | 2006/07 | 2007/08 | 2008/09 * | 2009/10 | 2010/11 * | 2011/12 * | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Governmental Activities** | | | | | | | | | | |
| Invested in Capital Assets, net of related debt | $ 14,175,163 | $ 14,676,684 | $ 15,619,162 | $ 16,449,454 | $ 14,525,576 | $ 11,255,991 | $ 1,503,296 | $ 2,977,346 | $ 6,987,074 | $ 8,168,623 |
| Restricted | 631,370 | 303,051 | 194,949 | 239,423 | 741,252 | 5,620,856 | 1,936,545 | 2,212,379 | 1,150,905 | 596,974 |
| Unrestricted | 12,813,500 | 13,631,715 | 12,094,285 | 10,794,948 | 11,906,201 | 9,834,076 | 8,071,115 | 8,064,965 | 1,005,259 | 3,039,161 |
| **Total governmental activities net position** | $ 27,620,033 | $ 28,611,450 | $ 27,908,396 | $ 27,483,825 | $ 27,173,029 | $ 26,710,923 | $ 11,510,956 | $ 13,254,690 | $ 9,143,238 | $ 11,804,758 |
| **Business-type activities** | | | | | | | | | | |
| Invested in Capital Assets, net of related debt | $ 22,747,771 | $ 33,767,723 | $ 38,596,536 | $ 41,464,233 | $ 48,685,820 | $ 51,779,723 | $ 60,744,774 | $ 61,798,072 | $ 67,005,168 | $ 69,601,163 |
| Restricted | 10,310,337 | 1,282,194 | 1,780,856 | 2,128,544 | 2,866,119 | 2,147,376 | 4,994,135 | 3,872,255 | 5,279,739 | 6,293,059 |
| Unrestricted | 9,225,883 | 17,596,927 | 15,081,493 | 14,587,206 | 9,058,342 | 9,505,607 | 15,838,640 | 17,383,273 | 10,953,364 | 9,907,553 |
| **Total business-type activities net position** | $ 42,283,991 | $ 52,646,844 | $ 55,458,885 | $ 58,179,983 | $ 60,610,281 | $ 63,432,706 | $ 81,577,549 | $ 83,053,600 | $ 83,238,271 | $ 85,801,775 |
| **Primary Government** | | | | | | | | | | |
| Invested in Capital Assets, net of related debt | $ 36,922,934 | $ 48,444,407 | $ 54,215,698 | $ 57,913,687 | $ 63,211,396 | $ 63,035,714 | $ 62,248,070 | $ 64,775,418 | $ 73,992,242 | $ 77,769,786 |
| Restricted | 10,941,707 | 1,585,245 | 1,975,805 | 2,367,967 | 3,607,371 | 7,768,232 | 6,930,680 | 6,084,634 | 6,430,644 | 6,890,033 |
| Unrestricted | 22,039,383 | 31,228,642 | 27,175,778 | 25,382,154 | 20,964,543 | 19,339,683 | 23,909,755 | 25,448,238 | 11,958,623 | 12,946,714 |
| **Total primary government net position** | $ 69,904,024 | $ 81,258,294 | $ 83,367,281 | $ 85,663,808 | $ 87,783,310 | $ 90,143,629 | $ 93,088,505 | $ 96,308,290 | $ 92,381,509 | $ 97,606,533 |

* As Restated

## CITY OF ST. AUGUSTINE, FLORIDA

### CHANGES IN NET POSITION
### LAST TEN FISCAL YEARS
### (In Thousands)
### "UNAUDITED"

| | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 | 13/14 | 14/15 | 15/16 |
|---|---|---|---|---|---|---|---|---|---|---|
| **EXPENSES** | | | | | | | | | | |
| **Governmental Activities:** | | | | | | | | | | |
| General Government | $ 7,666 | $ 8,379 | $ 10,030 | $ 9,478 | $ 9,516 | $ 8,713 | $ 10,348 | $ 9,150 | $ 9,064 | $ 8,786 |
| Public Safety | 7,823 | 7,948 | 8,280 | 8,192 | 8,218 | 8,179 | 8,439 | 8,849 | 9,327 | 9,406 |
| Physical Environment | 3,730 | 3,744 | 3,512 | 3,464 | 3,836 | 3,679 | 3,681 | 3,982 | 2,572 | 2,707 |
| Transportation | 1,255 | 1,249 | 1,329 | 1,149 | 214 | 214 | 202 | 229 | 1,956 | 2,980 |
| Culture & Recreation | 532 | 507 | 526 | 518 | 521 | 447 | 485 | 471 | 1,453 | 1,425 |
| Interest and Fiscal Charges | 387 | 397 | 390 | 370 | 816 | 1,223 | 1,200 | 1,224 | 1,227 | 1,213 |
| Total Governmental Activities Expenses | $ 21,393 | $ 22,224 | $ 24,067 | $ 23,171 | $ 23,121 | $ 22,455 | $ 24,355 | $ 23,904 | $ 25,599 | $ 26,518 |
| **Business-type Activities:** | | | | | | | | | | |
| Utility | $ 10,731 | $ 9,958 | $ 10,685 | $ 10,621 | $ 10,726 | $ 11,471 | $ 12,131 | $ 12,058 | $ 12,425 | $ 13,137 |
| Stormwater Drainage | 395 | 390 | 539 | 467 | 356 | 555 | 630 | 741 | 904 | 1,258 |
| Solid Waste | 3,027 | 2,992 | 2,707 | 2,681 | 2,849 | 2,970 | 3,275 | 3,120 | 3,569 | 3,945 |
| Municipal Marina | 2,457 | 2,717 | 1,988 | 2,208 | 2,587 | 2,410 | 2,243 | 2,347 | 2,238 | 2,138 |
| Visitor Information Center | - | - | - | 3,068 | 3,221 | 3,911 | 3,606 | 3,522 | 3,331 | 3,688 |
| Heritage Tourism | 5,207 | 4,676 | 4,762 | 1,712 | 1,842 | - | - | - | - | - |
| Total Business-type Activities Expenses | $ 21,817 | $ 20,733 | $ 20,681 | $ 20,757 | $ 21,581 | $ 21,317 | $ 21,885 | $ 21,789 | $ 22,468 | $ 24,165 |
| **Total Primary Government Expenses** | $ 43,210 | $ 42,957 | $ 44,748 | $ 43,928 | $ 44,702 | $ 43,772 | $ 46,240 | $ 45,693 | $ 48,067 | $ 50,683 |
| **PROGRAM REVENUES** | | | | | | | | | | |
| **Governmental Activities:** | | | | | | | | | | |
| Charges for Services | | | | | | | | | | |
| General Government | $ 3,571 | $ 3,779 | $ 4,086 | $ 4,159 | $ 4,708 | $ 5,227 | $ 5,794 | $ 5,242 | $ 2,724 | $ 2,841 |
| Public Safety | 1,833 | 1,407 | 1,069 | 1,001 | 940 | 1,098 | 1,213 | 1,276 | 2,100 | 2,481 |
| Physical Environment | 581 | 467 | 352 | 302 | 319 | 353 | 380 | 399 | 373 | 505 |
| Transportation | 192 | 154 | 116 | 118 | 18 | 21 | 22 | 22 | 2,643 | 2,718 |
| Culture/Recreation | 89 | 68 | 55 | 47 | 43 | 43 | 46 | 77 | 190 | 256 |
| Operating Grants and Contributions | 167 | 383 | 396 | 265 | 72 | 27 | 81 | 76 | 30 | 43 |
| Capital Grants and Contributions | 88 | 171 | 593 | 763 | 765 | 1,062 | 164 | 1,803 | 1,481 | 284 |
| Total Governmental Activities Program Revenues | $ 6,521 | $ 6,429 | $ 6,667 | $ 6,655 | $ 6,865 | $ 7,831 | $ 7,700 | $ 8,896 | $ 9,540 | $ 9,128 |
| **Business-type activities (a):** | | | | | | | | | | |
| Charges for Services | | | | | | | | | | |
| Utility | $ 18,107 | $ 11,704 | $ 11,511 | $ 11,471 | $ 11,936 | $ 12,364 | $ 12,759 | $ 13,221 | $ 13,888 | $ 15,689 |
| Stormwater Drainage | 736 | 734 | 735 | 747 | 747 | 750 | 749 | 875 | 944 | 926 |
| Solid Waste | 3,173 | 3,152 | 3,275 | 3,364 | 3,355 | 3,367 | 3,409 | 3,427 | 3,420 | 3,669 |
| Municipal Marina | 2,625 | 2,720 | 2,007 | 2,197 | 2,554 | 2,482 | 2,343 | 2,508 | 2,533 | 2,363 |
| Visitor Information Center | - | - | - | 1,328 | 1,850 | 3,188 | 2,825 | 3,066 | 3,871 | 4,084 |
| Heritage Tourism | 2,663 | 2,871 | 3,030 | 1,876 | 1,175 | - | - | - | - | - |
| Operating Grants and Contributions | - | - | - | - | | | | - | 8 | - |
| Capital Grants and Contributions | 6,705 | 8,187 | 1,448 | 1,047 | 415 | 2,163 | 4,348 | 1,312 | 3,190 | 1,444 |
| Total Business-type Activities Program Revenues | $ 34,009 | $ 29,368 | $ 22,006 | $ 22,030 | $ 22,032 | $ 24,314 | $ 26,433 | $ 24,409 | $ 27,853 | $ 28,174 |
| **Total Primary Government Revenues** | $ 40,530 | $ 35,797 | $ 28,673 | $ 28,685 | $ 28,897 | $ 32,145 | $ 34,133 | $ 33,305 | $ 37,393 | $ 37,302 |

(continued)

**NOTES:**

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





## CITY OF ST. AUGUSTINE, FLORIDA

### CHANGES IN NET POSITION
### LAST TEN FISCAL YEARS
### (In Thousands)
### "UNAUDITED"
(continued)

| | 06/07 | 07/08 | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 | 13/14 | 14/15 | 15/16 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net (Expense)/Revenue** | | | | | | | | | | |
| Governmental Activities | $ (14,872) | $ (15,794) | $ (17,399) | $ (16,516) | $ (16,254) | $ (14,624) | $ (16,654) | $ (15,008) | $ (16,059) | $ (17,390) |
| Business-type Activities | 12,191 | 8,635 | 1,325 | 1,273 | 451 | 2,997 | 4,548 | 2,620 | 5,385 | 4,009 |
| Total primary government net expense | $ (2,681) | $ (7,159) | $ (16,074) | $ (15,243) | $ (15,803) | $ (11,627) | $ (12,106) | $ (12,388) | $ (10,674) | $ (13,381) |
| **General Revenues and Other Changes in Net Position** | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Property Taxes | $ 11,079 | 11,055 | 11,400 | 10,691 | $ 9,125 | 8,309 | $ 8,042 | 8,354 | 8,767 | 9,699 |
| Utility Taxes | 787 | 708 | 696 | 962 | 1,043 | 1,015 | 1,104 | 1,207 | 1,213 | 1,341 |
| Communication Service Taxes | 960 | 894 | 954 | 1,047 | 1,133 | 1,108 | 1,080 | 818 | 919 | 902 |
| Franchise Fees | 1,583 | 1,231 | 1,465 | 1,415 | 1,534 | 1,448 | 1,368 | 1,450 | 1,588 | 1,642 |
| State Revenue Sharing, Unrestr | 566 | 558 | 548 | 547 | 548 | 549 | 549 | 554 | 563 | 565 |
| Local Option Gas Taxes | 671 | 612 | 505 | 535 | 534 | 517 | 487 | 502 | 525 | 554 |
| Local Option Sales Taxes | 1,115 | 1,043 | 929 | 878 | 898 | 880 | 936 | 1,005 | 1,077 | 1,138 |
| Insurance Premium Taxes | 555 | 530 | 396 | 358 | 360 | 330 | 295 | 354 | 361 | 333 |
| Other Taxes | 92 | 88 | 142 | 99 | 94 | 153 | 108 | 142 | 149 | 162 |
| Miscellaneous | 585 | 740 | 888 | 920 | 1,473 | 661 | 999 | 1,133 | 1,088 | 2,131 |
| Investment Income | 966 | 427 | 124 | 41 | 26 | 36 | 29 | 52 | 50 | 67 |
| Interfund Trans of Assets (net) | 168 | - | - | - | | - | - | - | - | - |
| Transfers | (1,077) | (1,100) | (1,351) | (1,402) | (1,936) | (467) | (13,545) | 1,181 | 2,139 | 1,516 |
| Total Governmental Activities | $ 18,050 | $ 16,786 | $ 16,696 | $ 16,091 | $ 14,832 | $ 14,539 | $ 1,452 | $ 16,752 | $ 18,439 | $ 20,051 |
| **Business-type activities (a):** | | | | | | | | | | |
| Unrestricted Invest Earnings | $ 1,599 | $ 628 | $ 136 | $ 45 | $ 43 | $ 82 | $ 52 | $ 36 | $ 95 | $ 71 |
| Interfund Trans of Assets (net) | (168) | - | - | - | - | - | - | - | - | - |
| Transfers | 909 | 1,100 | 1,351 | 1,402 | 1,936 | 467 | 13,545 | (1,181) | (2,139) | (1,516) |
| Total Business-type Activities | $ 2,340 | $ 1,728 | $ 1,487 | $ 1,447 | $ 1,979 | $ 549 | $ 13,597 | $ (1,145) | $ (2,043) | $ (1,445) |
| Total Primary Government | $ 20,390 | $ 18,514 | $ 18,183 | $ 17,538 | $ 16,811 | $ 15,088 | $ 15,049 | $ 15,607 | $ 16,395 | $ 18,606 |
| **Change in Net Position** | | | | | | | | | | |
| Governmental Activities | $ 3,178 | $ 992 | $ (703) | $ (425) | $ (1,422) | $ (85) | $ (15,202) | $ 1,744 | $ 2,380 | $ 2,662 |
| Business-type Activities | 14,531 | 10,363 | 2,812 | 2,720 | 2,430 | 3,546 | 18,145 | 1,475 | 3,341 | 2,564 |
| Total Primary Government | $ 17,709 | $ 11,355 | $ 2,109 | $ 2,295 | $ 1,008 | $ 3,461 | $ 2,943 | $ 3,219 | $ 5,721 | $ 5,225 |

**NOTES:**

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

## CITY OF ST. AUGUSTINE, FLORIDA

**FUND BALANCES GOVERNMENT FUNDS**
**LAST TEN FISCAL YEARS**
**(In Thousands)**
**"UNAUDITED"**

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|
| General Fund | | | | | |
| Nonspendable | $ - | $ - | $ - | $ 772,028 | $ 1,679,414 |
| Restricted | 796,284 | 1,208,861 | 1,060,567 | 130,821 | 472,396 |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | 11,902,148 | 12,970,610 | 11,399,627 | 10,704,273 | 23,770,779 |
| Total General Fund | 12,698,432 | 14,179,471 | 12,460,194 | 11,607,122 | 25,922,589 |
| All Other Governmental Funds | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | 1,713,559 | 608,899 | 905,501 | 620,744 | 733,684 |
| Committed | - | - | - | | |
| Unassigned reported in: | | | | | |
| Capital Projects Fund | 282,163 | 117,620 | 9,022 | 54,928 | 54,155 |
| Debt Service | - | - | - | - | - |
| Total All Other Governmental Funds | 1,995,722 | 726,519 | 914,523 | 675,672 | 787,839 |
| **Total Governmental Funds** | $ 14,694,154 | $ 14,905,990 | $ 13,374,717 | $ 12,282,794 | $ 26,710,428 |



CHANGES IN NET POSITION

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| General Fund | | | | | |
| Nonspendable | $ 610,785 | $ 671,931 | $ 634,204 | $ 636,991 | $ 783,289 |
| Restricted | 15,541,007 | 65,389 | 70,933 | 64,333 | 70,806 |
| Committed | 1,881,954 | 1,206,207 | 7,871,887 | 7,305,641 | 8,538,824 |
| Assigned | 425,560 | 219,170 | 555,497 | 555,541 | 1,047,221 |
| Unassigned | 7,193,586 | 8,071,115 | 798,893 | 10,646 | 220,916 |
| Total General Fund | 25,652,892 | 10,233,812 | 9,931,414 | 8,573,152 | 10,661,056 |
| All Other Governmental Funds | | | | | |
| Nonspendable | 63,743 | 63,829 | 312,977 | 314,256 | - |
| Restricted | - | 1,135,396 | 1,194,265 | 135,325 | 324,556 |
| Committed | - | 1,101,692 | 363,094 | 500,761 | 371,115 |
| Unassigned reported in: | | | | | |
| Capital Projects Fund | - | - | - | - | - |
| Debt Service | - | - | (430) | - | - |
| Total All Other Governmental Funds | 63,743 | 2,300,917 | 1,869,906 | 950,342 | 695,671 |
| **Total Governmental Funds** | $ 25,716,635 | $ 12,534,729 | $ 11,801,320 | $ 9,523,494 | $ 11,356,727 |

## CITY OF ST. AUGUSTINE, FLORIDA

### CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
### LAST TEN FISCAL YEARS
### (In Thousands)

| | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|---|---|---|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | | | | |
| Ad Valorem Taxes | $ 10,581,764 | $ 10,589,451 | $ 10,966,589 | $ 10,361,986 | $ 8,880,436 | $ 8,088,994 | $ 7,858,737 | $ 8,353,876 | $ 8,767,045 | $ 9,698,505 |
| Sales and Use Taxes | 1,226,062 | 1,141,444 | 900,942 | 892,825 | 894,378 | 846,498 | 781,883 | 856,593 | 885,819 | 886,755 |
| Utility Excise Taxes | 1,747,093 | 1,601,724 | 1,649,673 | 2,008,624 | 2,176,019 | 2,123,115 | 2,186,496 | 2,025,371 | 2,131,711 | 2,243,500 |
| Licenses, Permits & Fees | 1,790,500 | 1,983,703 | 2,199,545 | 2,567,238 | 2,746,002 | 3,218,885 | 3,780,188 | 3,311,962 | 3,698,959 | 3,655,864 |
| Intergovernmental | 2,310,841 | 2,195,144 | 2,091,824 | 1,892,676 | 1,823,510 | 1,824,800 | 1,814,169 | 1,730,263 | 1,788,627 | 1,865,806 |
| Fines & Forfeitures | 376,423 | 371,934 | 294,423 | 280,874 | 293,660 | 256,665 | 299,368 | 282,512 | 466,019 | 621,657 |
| Interest Earnings | 965,558 | 427,186 | 124,421 | 41,447 | 26,486 | 35,596 | 29,342 | 51,680 | 50,300 | 67,261 |
| Administrative Service Charges | 3,368,212 | 2,675,852 | 2,306,131 | 1,983,565 | 1,798,737 | 1,979,089 | 2,131,456 | 2,134,031 | 2,532,364 | 3,536,037 |
| Other | 3,113,832 | 3,328,623 | 4,181,187 | 4,119,474 | 4,995,917 | 4,464,133 | 3,818,462 | 5,720,966 | 5,519,453 | 5,087,729 |
| Total Revenues | 25,480,285 | 24,315,061 | 24,714,735 | 24,148,709 | 23,635,145 | 22,837,775 | 22,700,101 | 24,467,254 | 25,840,297 | 27,663,114 |
| **EXPENDITURES** | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General Government | 7,395,472 | 7,769,930 | 8,882,214 | 8,020,835 | 6,707,477 | 6,976,904 | 8,573,559 | 8,064,638 | 8,063,056 | 7,251,493 |
| Public Safety | 7,705,333 | 7,823,977 | 8,157,878 | 8,143,485 | 8,199,851 | 8,160,380 | 8,235,598 | 8,858,310 | 9,263,984 | 9,784,975 |
| Physical Environment | 3,466,862 | 3,489,882 | 3,354,800 | 3,346,170 | 3,833,649 | 3,677,011 | 3,635,979 | 3,883,309 | 2,459,077 | 2,602,746 |
| Transportation | 1,144,871 | 1,152,404 | 1,102,977 | 1,112,354 | 213,003 | 213,598 | 188,283 | 223,122 | 1,949,930 | 2,979,462 |
| Culture & Recreation | 532,658 | 505,720 | 525,588 | 517,985 | 520,305 | 446,285 | 477,295 | 471,297 | 1,452,229 | 1,424,595 |
| Capital Outlay | 5,496,747 | 1,560,586 | 2,167,291 | 2,000,736 | 2,168,860 | 2,283,141 | 1,131,616 | 3,475,857 | 5,398,703 | 1,634,176 |
| Debt Service: | | | | | | | | | | |
| Principal Retirement | 287,627 | 303,812 | 313,781 | 326,938 | 341,823 | 335,177 | 392,983 | 396,186 | 442,785 | 454,974 |
| Interest and Fiscal Charges | 438,764 | 396,710 | 390,469 | 369,659 | 815,610 | 1,222,551 | 1,200,327 | 1,223,670 | 1,226,945 | 1,213,391 |
| Issuance Cost | - | - | - | - | - | 158,142 | - | - | - | - |
| Total Expenditures | 26,468,334 | 23,003,021 | 24,894,998 | 23,838,162 | 22,800,578 | 23,473,189 | 23,835,640 | 26,596,389 | 30,256,709 | 27,345,812 |
| Excess (deficiency) of revenues over (under) expenditures | (988,049) | 1,312,040 | (180,263) | 310,547 | 834,567 | (635,414) | (1,135,539) | (2,129,135) | (4,416,412) | 317,302 |
| **Other Financing Sources (Uses)** | | | | | | | | | | |
| Borrowing from Capitalized Lease | - | - | - | - | - | - | - | 215,000 | - | - |
| Transfers In | 5,191,500 | 2,701,482 | 4,640,885 | 3,276,693 | 3,620,608 | 4,995,305 | 7,071,268 | 5,387,354 | 7,931,816 | 5,602,834 |
| Transfers (Out) | (6,268,293) | (3,801,686) | (5,991,895) | (4,679,164) | (5,556,714) | (5,462,473) | (20,616,655) | (4,206,628) | (5,793,230) | (4,086,903) |
| Long-term Debt Issued | - | - | - | - | 16,215,000 | 6,971,120 | 1,576,691 | - | - | - |
| Retirement to Escrow Agent | - | - | - | - | - | (6,720,721) | - | - | - | - |
| Bonds Refunded | - | - | - | - | - | - | (197,083) | - | - | - |
| Discount on Long-Term Debt Issued | | - | - | - | (685,827) | (74,404) | - | - | - | - |
| Premium on Long-Term Debt Issued | - | - | - | - | - | (67,206) | 119,412 | - | - | - |
| Total Other Financing Sources (Uses) | (1,076,793) | (1,100,204) | (1,351,010) | (1,402,471) | 13,593,067 | (358,379) | (12,046,367) | 1,395,726 | 2,138,586 | 1,515,931 |
| Net Change in Fund Balances | $ (2,064,842) | $ 211,836 | $ (1,531,273) | $ (1,091,924) | $ 14,427,634 | $ (993,793) | $ (13,181,906) | $ (733,409) | $ (2,277,826) | $ 1,833,233 |
| Debt Service as a percentage of noncapital expenditures | 3.46% | 3.27% | 3.10% | 3.19% | 5.61% | 8.10% | 7.02% | 7.01% | 6.72% | 6.49% |

## CITY OF ST. AUGUSTINE, FLORIDA

**TOTAL ASSESSED VALUATIONS AND TOTAL EXEMPTIONS**
**LAST TEN FISCAL YEARS**
**(In Thousands)**
**"UNAUDITED"**

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Real Property | $ 2,189,788,053 | $ 2,050,830,669 | $ 1,671,365,155 | $ 1,670,891,378 | $ 1,567,068,493 | $ 1,506,640,382 | $ 1,550,025,682 | $ 1,600,223,236 | $ 1,718,302,003 | $ 1,829,080,525 |
| Personal Property | 91,299,224 | 89,781,653 | 88,602,566 | 108,370,268 | 103,283,994 | 98,758,852 | 99,441,437 | 101,527,054 | 103,628,284 | 103,885,128 |
| Railroad & Telegraph | 2,352,819 | 3,232,997 | 2,478,097 | 2,230,412 | 2,304,747 | 2,148,694 | 2,558,367 | 2,928,245 | 3,369,083 | 3,695,243 |
| **Total Assessed Valuations** | 2,283,440,096 | 2,143,845,319 | 1,762,445,818 | 1,781,492,058 | 1,672,657,234 | 1,607,547,928 | 1,652,025,486 | 1,704,678,535 | 1,825,299,370 | 1,936,660,896 |
| Homestead Exempt Property (a) | 83,998,000 | 156,415,412 | 154,994,874 | 141,949,847 | 139,393,599 | 139,761,480 | 141,569,199 | 145,786,764 | 150,699,482 | 155,237,830 |
| Other Exemptions | 442,762,407 | 349,967,839 | 225,336,597 | 426,874,275 | 416,816,893 | 394,769,492 | 394,162,661 | 389,557,411 | 402,135,455 | 407,304,069 |
| **Total Exempt Property** | 526,760,407 | 506,383,251 | 380,331,471 | 568,824,122 | 556,210,492 | 534,530,972 | 535,731,860 | 535,344,175 | 552,834,937 | 562,541,899 |
| **Total Taxable Value** | $ 1,756,679,689 | $ 1,637,462,068 | $ 1,382,114,347 | $ 1,212,667,936 | $ 1,116,446,742 | $ 1,073,016,956 | $ 1,116,293,626 | $ 1,169,334,360 | $ 1,272,464,433 | $ 1,374,118,997 |
| **Direct Rate** | 6.600 | 6.313 | 6.823 | 7.500 | 7.500 | 7.500 | 7.500 | 7.500 | 7.500 | 7.500 |

**NOTES:**

**2016**

**(a) Real property is assessed at 100 percent of fair market value. Tangible Personal Property: Equipment is assessed at current depreciated value. Centrally Assessed Property: (1) State of Florida makes annual assessments of all operating property of railroad and railroad terminal companies in the State. Such assessment is apportioned to each county, based upon actual situs, and, in the case of property not having situs in a particular county, is apportioned based upon track miles. (2) All private car and freight line and equipment companies operating rolling stock in Florida other than in (1) above shall return for taxation the average number of their cars which are habitually present within Florida and shall state the fair market value thereof. Property is assessed as of January 1st. Tax bills are mailed November 1st. Four percent discount, if paid in November, three percent if paid in December, two percent if paid in January, one percent discount if paid in February, full amount due in March, delinquent April 1st.**

**Source: St. Johns County Property Appraiser, St. Johns County Tax Collector, Department of Revenue, State of Florida**

## CITY OF ST. AUGUSTINE, FLORIDA

**PROPERTY TAX RATES AND TAX LEVIEES**
**DIRECT AND OVERLAPPING GOVERNMENTS**
**(In Thousands)**
**September 30, 2016**
**"UNAUDITED"**

| | Direct | Overlapping | | | | |
|---|---|---|---|---|---|---|
| Fiscal Year Ended | St. Augustine | St. Johns County | School District | Management District | Other | Total |
| 2007 | 6.313 | 5.004 | 7.721 | 0.416 | 0.395 | 19.848 |
| 2008 | 6.823 | 5.037 | 7.642 | 0.416 | 0.382 | 20.300 |
| 2009 | 7.500 | 5.547 | 7.801 | 0.416 | 0.381 | 21.645 |
| 2010 | 7.500 | 5.547 | 8.069 | 0.416 | 0.228 | 21.760 |
| 2011 | 7.500 | 5.937 | 7.979 | 0.331 | 0.228 | 21.976 |
| 2012 | 7.500 | 5.937 | 7.683 | 0.331 | 0.231 | 21.682 |
| 2013 | 7.500 | 5.937 | 7.544 | 0.328 | 0.231 | 21.540 |
| 2014 | 7.500 | 5.937 | 7.342 | 0.316 | 0.343 | 21.439 |
| 2015 | 7.500 | 5.875 | 7.228 | 0.302 | 0.273 | 21.178 |
| 2016 | 7.500 | 5.867 | 6.928 | 0.289 | 0.311 | 20.894 |

**NOTES:**

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

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



## CITY OF ST. AUGUSTINE, FLORIDA

**PRINCIPAL TAX PAYERS**
**September 30, 2016**
**(In Thousands)**

| | 2015/2016 | | | 2012/2013 | | 2006/2007 | | |
|---|---|---|---|---|---|---|---|---|
| Taxpayer | Taxable Assessed Value | Rank | Percent of Total Assessment | Rank | Percent of Total Assessment | Taxable Assessed Value | Rank | Percent of Total Assessment |
| Patris Real Estate LLC | $ 14,230,358 | 1 | 1.12% | 1 | 1.29% | $ - | | |
| The Flagler Resort, LTD | 12,479,026 | 2 | 0.98% | 2 | 1.20% | 18,407,943 | 2 | 1.05% |
| SHP IV Harbour Island LLC | 7,211,273 | 3 | 0.57% | 5 | 0.68% | | | |
| Target Corporation | 5,918,700 | 4 | 0.47% | 3 | 0.71% | 11,632,897 | 3 | 0.66% |
| Sea Wall Motor Lodge, INC | 5,150,193 | 5 | 0.40% | 7 | 0.48% | 9,858,308 | 7 | 0.56% |
| Home Depot USA, Inc. | 5,001,600 | 6 | 0.39% | | | 10,079,611 | 5 | 0.57% |
| 116 San Marco LLC | 4,802,024 | 7 | 0.38% | 6 | 0.48% | | | |
| Ponce Hospital Inc. | 4,562,867 | 8 | 0.36% | | | | | |
| Orthopedic Associates Partners | 4,450,962 | 9 | 0.35% | 8 | 0.43% | | | |
| Gates of St. Johns | 4,154,246 | 10 | 0.33% | | | | | |
| | 1,204,503,111 | | 94.66% | | | 1,706,700,930 | | 97.15% |
| | $ 1,272,464,360 | | 100.00% | | 5.28% | $ 1,756,679,689 | | 100.00% |

**Source: St. Johns County Property Appraiser's Office**

## CITY OF ST. AUGUSTINE, FLORIDA

**PROPERTY TAX LEVIES AND COLLECTIONS**
**LAST TEN FISCAL YEARS**
**(In Thousands)**
**"UNAUDITED"**

| Ended | Tax Levy | Collection | Collected | Value | Estimated (Thousands) | Estimated Value |
|---|---|---|---|---|---|---|
| 2007 | 10,805,480 | 10,548,105 | 97.62% | 2,283,440,096 | 2,283,440 | 100% |
| 2008 | 10,396,491 | 10,487,209 | 100.87% | 2,143,845,319 | 2,143,845 | 100% |
| 2009 | 11,172,404 | 10,743,591 | 96.16% | 1,762,445,818 | 1,762,446 | 100% |
| 2010 | 10,352,987 | 9,939,071 | 96.00% | 1,781,492,058 | 1,781,492 | 100% |
| 2011 | 9,099,510 | 8,797,391 | 96.68% | 1,672,657,234 | 1,672,657 | 100% |
| 2012 | 8,341,338 | 8,088,994 | 96.97% | 1,607,547,928 | 1,607,548 | 100% |
| 2013 | 8,023,465 | 7,858,707 | 97.95% | 1,652,025,486 | 1,652,025 | 100% |
| 2016 | 8,023,465 | 7,858,707 | 97.95% | 141,569,199 | 141,569 | 100% |
| 2014 | 8,366,909 | 8,136,439 | 97.25% | 1,704,678,535 | 1,704,679 | 100% |
| 2015 | 8,775,490 | 8,509,409 | 96.97% | 1,825,299,370 | 1,825,299 | 100% |
| 2016 | 9,502,422 | 9,338,782 | 98.28% | 1,936,660,896 | 1,936,661 | 100% |

**NOTES:**

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



## CITY OF ST. AUGUSTINE, FLORIDA

**RATIO OF GENERAL BONDED DEBT TO ASSESSED VALUE**
**AND NET BONDED DEBT PER CAPITA**
**(In Thousands)**
**September 30, 2016**
**"UNAUDITED"**

| Fiscal Year | Population (a) | Assessed Value (In Thousands) (b) | Gross Bonded Debt | Debt Service Monies Available | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt Per Capita |
|---|---|---|---|---|---|---|---|
| 2007 | 13,912 | 2,283,440 | - | - | - | - | - |
| 2008 | 13,874 | 2,143,845 | - | - | - | - | - |
| 2009 | 13,663 | 1,762,446 | - | - | - | - | - |
| 2010 | 13,719 | 1,781,492 | - | - | - | - | - |
| 2011 | 13,056 | 1,672,657 | - | - | - | - | - |
| 2012 | 13,092 | 1,607,548 | - | - | - | - | - |
| 2016 | 13,092 | 1,607,548 | - | - | - | - | - |
| 2013 | 13,271 | 1,652,025 | - | - | - | - | - |
| 2014 | 13,414 | 1,704,679 | - | - | - | - | - |
| 2015 | 13,590 | 1,825,299 | - | - | - | - | - |
| 2016 | 13,747 | 1,936,661 | - | - | - | - | - |

**NOTES:**

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

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

## CITY OF ST. AUGUSTINE, FLORIDA

**RATION OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES**
**(In Thousands)**
**September 30, 2016**
**"UNAUDITED"**

| Fiscal Year | Principal | Interest | Total Debt Service | Total General Expenditures | Ratio of Debt Service to Total General Expenditures |
|---|---|---|---|---|---|
| 2007 | 297,167 | 438,764 | 735,931 | 21,058,008 | 3.49 |
| 2008 | 303,813 | 389,015 | 692,828 | 20,932,846 | 3.31 |
| 2009 | 313,781 | 390,469 | 704,250 | 21,349,627 | 3.30 |
| 2010 | 326,938 | 369,659 | 696,597 | 21,979,202 | 3.17 |
| 2011 | 341,823 | 815,610 | 1,157,433 | 20,856,626 | 5.55 |
| 2012 | 335,177 | 1,222,551 | 1,557,728 | 20,778,307 | 7.50 |
| 2013 | 392,983 | 1,200,327 | 1,593,310 | 20,827,487 | 7.65 |
| 2014 | 396,186 | 1,223,670 | 1,619,856 | 21,858,437 | 7.41 |
| 2015 | 442,785 | 1,226,945 | 1,669,730 | 24,456,114 | 6.83 |
| 2016 | 454,974 | 1,213,391 | 1,668,365 | 24,289,220 | 6.87 |



## CITY OF ST. AUGUSTINE, FLORIDA

**UTILITY REVENUE BOND COVERAGE**
**LAST TEN FISCAL YEARS**
**September 30, 2016**
**(In Thousands)**

| Fiscal Year Ended | Gross Revenue (a) | Operating Expenses (b) | Net Revenue (c) | Debt Service Requirements | | Debt Service Coverage |
|---|---|---|---|---|---|---|
| 2007 | 19,692,492 | 7,804,057 | 11,888,435 | 3,209,541 | (d) | 3.70 |
| 2008 | 12,505,287 | 7,233,245 | 5,272,042 | 3,234,726 | (d) | 1.63 |
| 2009 | 12,138,979 | 7,307,097 | 4,831,882 | 3,254,261 | (d) | 1.48 |
| 2010 | 11,876,944 | 6,979,489 | 4,897,455 | 3,288,337 | (d) | 1.49 |
| 2011 | 12,301,380 | 6,847,896 | 5,453,484 | 3,318,894 | (d) | 1.64 |
| 2012 | 12,293,699 | 7,586,408 | 4,707,291 | 3,344,052 | (d) | 1.41 |
| 2013 | 20,661,902 | 8,223,690 | 4,417,087 | 2,843,032 | (d) | 1.55 |
| 2014 | 12,864,764 | 8,264,157 | 4,600,607 | 2,833,938 | (d) | 1.62 |
| 2015 | 13,275,185 | 8,561,023 | 4,714,162 | 2,837,388 | (d) | 1.66 |
| 2016 | 15,230,758 | 8,907,224 | 6,323,535 | 3,828,544 | (d) | 1.65 |

**NOTES:**

**(a) Gross Revenue = Operating Revenue + Net Transfers In (Out) + Interest Revenue + Miscellaneous Revenue**

**(b) Operating Expenses = Total Operating Expenses - Depreciation and Amortization**

**(c) Net Revenue = Gross Revenue - Operating Expenses - Extraordinary Revenues + Extraordinary Expenses**

**(d) Includes interest on zero-coupon bonds**

**(e) Series 2005 Water and Sewer Bond issue refunded four previous outstanding bond issues lowering current year's annual required debt service payment.**

## CITY OF ST. AUGUSTINE, FLORIDA
### RATIOS OF OUTSTANDING DEBT BY TYPE
### LAST TEN FISCAL YEARS
### September 30, 2016
### (In Thousands)

| Fiscal Year | General Obligation Bonds Governmental Activities | Percentage of Taxable Value of Property (a) | Per Capita (b) | Percentage of Personal Income [c] |
|---|---|---|---|---|
| 2007 | 8,276,487 | 0.47% | 595 | 0.07% |
| 2008 | 7,972,675 | 0.49% | 575 | 0.07% |
| 2009 | 7,658,893 | 0.55% | 561 | 0.07% |
| 2010 | 7,331,955 | 0.60% | 534 | 0.06% |
| 2011 | 23,205,133 | 2.08% | 1,777 | 0.20% |
| 2012 | 23,120,355 | 2.15% | 1,766 | 0.20% |
| 2013 | 24,106,979 | 2.16% | 1,817 | 0.21% |
| 2014 | 23,710,792 | 2.03% | 1,768 | 0.21% |
| 2015 | 21,951,282 | 1.73% | 1,597 | 0.17% |
| 2016 | 22,895,020 | 1.67% | 1,665 | 0.17% |

| Fiscal Year | General Obligation Bonds Business-Type Activities | Percentage of Taxable Value of Property (a) | Per Capita (b) | Percentage of Personal Income [c] |
|---|---|---|---|---|
| 2007 | 25,183,514 | 1.43% | 1,810 | 0.22% |
| 2008 | 24,957,327 | 1.52% | 1,799 | 0.22% |
| 2016 | 24,957,327 | 1.52% | 1,799 | 0.22% |
| 2009 | 24,726,106 | 1.79% | 1,810 | 0.22% |
| 2010 | 24,323,044 | 2.01% | 1,773 | 0.21% |
| 2011 | 23,909,867 | 2.14% | 1,831 | 0.21% |
| 2012 | 23,614,644 | 2.20% | 1,804 | 0.21% |
| 2013 | 23,663,021 | 2.12% | 1,783 | 0.21% |
| 2014 | 23,114,207 | 1.98% | 1,723 | 0.20% |
| 2015 | 23,908,718 | 1.88% | 1,739 | 0.19% |
| 2016 | 21,954,980 | 1.60% | 1,597 | 0.16% |

| Fiscal Year | Water Revenue Bonds | Total Primary Government (d) | Per Capita (b) | Percentage of Personal Income [c] |
|---|---|---|---|---|
| 2007 | 28,375,694 | 61,305,696 | 4,445 | 0.25% |
| 2008 | 26,884,601 | 59,500,821 | 4,311 | 0.24% |
| 2009 | 25,363,644 | 57,018,643 | 4,227 | 0.22% |
| 2010 | 23,799,012 | 70,914,012 | 4,042 | 0.21% |
| 2011 | 22,191,968 | 68,926,967 | 5,308 | 0.20% |
| 2012 | 20,508,832 | 68,278,832 | 5,136 | 0.18% |
| 2013 | 21,800,000 | 68,624,999 | 5,242 | 0.19% |
| 2014 | 19,815,000 | 65,675,000 | 4,968 | 0.17% |
| 2015 | 17,750,000 | 63,610,000 | 4,627 | 0.14% |
| 2016 | 15,650,000 | 60,500,000 | 4,401 | 0.11% |

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(a) Schedule for taxable property value data.

(b) Schedule for population data.

[c] See Schedule for total personal income data.

(d) Includes governmental activities debt and business-type activities debt.



## CITY OF ST. AUGUSTINE, FLORIDA
### DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
### September 30, 2016
### (In Thousands)

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Overlapping Debt |
|---|---|---|---|
| **Debt Repaid with Property Taxes** | | | |
| St. Johns County Capital Improvement Revenue Bonds, Series 2012 | 8,282,000 | 6.30% | 521,570 |
| St. Johns County Revenue Sharing Revenue & Refunding Revenue | | | - |
| Bonds, Series 2014 | 14,745,000 | 6.30% | 928,587 |
| St. Johns County Sales Tax Revenue Refunding Bonds, Series 2015 | 51,840,000 | 6.30% | 3,264,696 |
| St. Johns County Sales Tax Revenue Refunding Bonds, Series 2012 | 40,170,000 | 6.30% | 2,529,761 |
| St. Johns County Sales Tax Revenue Refunding Bonds, Series 2009A | 4,350,000 | 6.30% | 273,947 |
| St. Johns County Sales Tax Revenue Bonds, Series 2009 | 16,950,000 | 6.30% | 1,067,450 |
| St. Johns County Transportation Improvement Revenue Bonds, Series 2012 | 22,985,000 | 6.30% | 1,447,512 |
| St. Johns County Taxable Capital Improvement Revenue Bonds, Series 2014 | 3,870,000 | 6.30% | 243,719 |
| St. Johns County Community Redevelopment Agency Refunding | | | - |
| Note, Series 2012 | 2,423,000 | 6.30% | 152,592 |
| St. Johns County Transportation Improvement Revenue Bonds, Series 2015 | 24,755,000 | 6.30% | 1,558,980 |
| | | | - |
| **Other Debt** | | | - |
| | | | - |
| St. Johns Count School Board General Obligation Bonds, | | | - |
| Series, 2006A through 2014B | 4,781,000 | 6.30% | 301,090 |
| **Subtotal Overlapping Debt** | | | **$ 12,289,904** |
| **City Direct Debt** | | | |
| Capital Improvement and Refunding Bonds, Series 2004 | 1,055,000 | 100% | 1,055,000 |
| Capital Improvement and Refunding Bonds, Series 2011 | 16,215,000 | 100% | 16,215,000 |
| Capital Improvement and Refunding Bonds, Series 2011B | 7,625,000 | 100% | 7,625,000 |
| Capital Improvement and Refunding Bonds, Series 2013 | 19,955,000 | 100% | 19,955,000 |
| Capital Lease Obligation | 133,012 | 100% | 133,012 |
| **Subtotal Direct Debt** | | | **$ 44,983,012** |
| **Total Direct and Overlapping Debt** | | | **$ 57,272,916** |

**Sources:** Assessed value data used to estimate applicable percentages provided by St. Johns County Property Appraiser. Debt outstanding data provided by each governmental unit.

**Note:** Overlapping governments are those that coincide, at leaset in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of St. Augustine. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by residents and businesses should be taken into account. However, this does not ipmly that every taxpayer is a resident, and therefore responsible for repaying the debt o of each overlapping government.

## CITY OF ST. AUGUSTINE, FLORIDA

**DIRECT AND OVERLAPPING RATIOS**
**September 30, 2016**
**(In Thousands)**

| | | |
|---|---|---|
| **Direct and Overlapping General Obligation Debt** | **$** | **57,272,916** |
| **Per Capita** | **$** | **4,166** |
| **As a Percentage of Taxable Assessed Valuation** | | **2.96%** |
| **As a Percentage of Total Just Valuation** | | **4.17%** |



## CITY OF ST. AUGUSTINE, FLORIDA

**COMPUTATION OF LEAGAL DEBT MARGIN**
**September 30, 2016**
**(In Thousands)**

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

## CITY OF ST. AUGUSTINE, FLORIDA

**SUMMARY OF PLEDGED FUNDS**
**Public Service Tax/Guaranteed Entitlement Bonds**
**(In Thousands)**
**"UNAUDITED"**

| Revenue Source | FY 2011/12 | FY 2012/13 | FY 2013/14 | FY 2014/15 | FY 2015/16 |
|---|---|---|---|---|---|
| **Public Service Tax** | | | | | |
| Electric | $ 939,844 | $ 1,029,195 | $ 1,125,221 | $ 1,146,071 | $ 1,291,612 |
| Communication | 1,108,214 | 1,079,773 | 818,429 | 918,884 | 902,282 |
| Gas | 75,057 | 77,528 | 81,721 | 66,756 | 49,607 |
| Fuel Oil | - | - | - | - | - |
| Total | $ 2,123,115 | $ 2,186,496 | $ 2,025,371 | $ 2,131,711 | $ 2,243,501 |
| **Florida Revenue Sharing** | | | | | |
| Revenue Sharing | $ 549,061 | $ 549,036 | $ 554,391 | $ 562,696 | $ 565,395 |
| **Guaranteed Entitlements** | | | | | |
| Local Option Gas Tax | $ 516,976 | $ 486,932 | $ 502,418 | $ 524,651 | $ 553,516 |
| Total | $ 516,976 | $ 486,932 | $ 502,418 | $ 524,651 | $ 553,516 |
| **Total Pledged Funds** | $ 3,189,152 | $ 3,222,464 | $ 3,082,180 | $ 3,219,058 | $ 3,362,411 |



## CITY OF ST. AUGUSTINE, FLORIDA

**DEMOGRAPHIC STATISTICS**
**September 30, 2016**
**(In Thousands)**

| Year | Population: City of St. Augustine | Population: St. Johns County | Per Capita Personal Income | Total Personal Income (in thousands) | Unemployment Rate |
|---|---|---|---|---|---|
| 2007 | 13,912 | 167,453 (est.) | $ 50,179 | $ 8,276,144 | 2.7% |
| 2008 | 13,874 | 176,570 (est.) | $ 49,327 | $ 8,869,772 | 5.5% |
| 2009 | 13,663 | 183,244 (est.) | $ 48,283 | $ 8,999,561 | 8.2% |
| 2010 | 13,719 | 189,764 (est.) | $ 49,327 | $ 9,377,675 | 9.6% |
| 2011 | 13,056 | 192,570 (est.) | $ 47,544 | $ 10,009,692 | 8.4% |
| 2012 | 13,092 | 195,847 (est.) | $ 52,205 | $ 10,957,330 | 6.9% |
| 2013 | 13,271 | 201,325 (est.) | $ 58,019 | $ 12,156,922 | 5.2% |
| 2014 | 13,414 | 207,443 (est.) | $ 59,102 | $ 12,886,864 | 4.9% |
| 2015 | 13,590 | 226,640 | $ 60,441 | $ 13,698,259 | 4.0% |
| 2016 | 13,747 | 235,078 | $ 60,441 | $ 13,698,259 | 4.3% |

| Year | Population Projection: City of St. Augustine | Population Projection: St. Johns County |
|---|---|---|
| 2017 | 13,906 | 235,432 |
| 2022 | 14,500 | 262,767 |
| Avg Household Size: | 2.02 | 2.50 |

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

**CITY OF ST. AUGUSTINE, FLORIDA**

**MAJOR EMPLOYERS IN ST. AUGUSTINE AREA**
**September 30, 2016**
**(In Thousands)**

| Establishment | Product | 2015/2016 | | | 2006/2007 | |
|---|---|---|---|---|---|---|
| | | Approximate Employees | % of Total County Employment | 2011/2012 | Approximate Employees | % of Total County Employment |
| St. Johns County School Board | Educational | 4,388 | 4.22% | 3,440 | 3,250 | 3.07% |
| Flagler Hospital | Health Care | 1,900 | 1.83% | 1,600 | 1,674 | 1.58% |
| St. Johns County | County Government | 1,105 | 1.06% | 1,342 | 1,412 | 1.34% |
| Northrop Grumman | Aircraft Overhaul & Modification | 1,200 | 1.15% | 1,000 | 1,133 | 1.07% |
| US Army National Guard | Florida National Guard HQ | 1,036 | 1.00% | 1,300 | 1,156 | 1.09% |
| Community Hospice of NE Florida | Health Care | 959 | 0.92% | 700 | 0 | 0.00% |
| Florida School for the Deaf and Blind | Educational Institution | 650 | 0.63% | 670 | 750 | 0.71% |
| Flagler College | Four-Year Liberal Arts College | 525 | 0.51% | 530 | 356 | 0.34% |
| St. Johns County Sherriff's Office | County Government | 560 | 0.54% | 556 | 545 | 0.52% |
| Carlisle Interconnect Technologies (Te | Manufacturer | 650 | 0.63% | 255 | 310 | 0.29% |
| Ring Power | Heavy Equipment Sales | 445 | 0.43% | 500 | 621 | 0.59% |
| | | 13,418 | 13% | 1189250% 0% | 11,207 | 11% |

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## CITY OF ST. AUGUSTINE, FLORIDA

**SUMMARY OF TEN LARGEST WATER CUSOMERS**
**September 30, 2016**
**(In Thousands)**

| Customer | Usage for Fiscal Year Ended September 30, 2016 (in gallons) |
|---|---|
| Flagler College | 33,209,000 |
| City of St. Augustine | 32,397,400 |
| St. Johns County | 23,745,800 |
| Flagler Hospital | 18,675,400 |
| Florida School for the Deaf & Blind | 13,989,600 |
| Northrup Grumman Systems Corp | 12,061,100 |
| St. Johns County School Board | 10,228,400 |
| First Coast Technical Institute | 7,785,500 |
| Flagler Resort LTD | 6,570,200 |
| Woodlawn Terrace Apartments | 5,510,000 |

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

## CITY OF ST. AUGUSTINE, FLORIDA

**HISTORICAL UTILITY CUSTOMERS AND SALES OF THE SYSTEM**
**LAST TEN FISCAL YEARS**
**(In Thousands)**
**"UNAUDITED"**

| | Water Customers | | | Sewer Customers | | | Water Sales (Thousands of Gallons) | | |
|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year Ended | Inside City | Outside City | Total | Inside City | Outside City | Total | Inside City | Outside City | Total |
| 2007 | 6,741 | 3,858 | 10,599 | 6,651 | 1,859 | 8,510 | 572,648 | 385,139 | 957,787 |
| 2008 | 7,000 | 4,058 | 11,058 | 6,674 | 1,998 | 8,672 | 596,147 | 386,930 | 983,077 |
| 2009 | 7,047 | 4,183 | 11,230 | 6,697 | 2,134 | 8,831 | 513,033 | 378,125 | 891,158 |
| 2010 | 6,988 | 4,419 | 11,407 | 6,704 | 2,210 | 8,914 | 521,691 | 344,701 | 866,392 |
| 2011 | 6,793 | 4,440 | 11,233 | 6,374 | 2,332 | 8,706 | 540,729 | 374,552 | 915,281 |
| 2012 | 6,901 | 4,527 | 11,428 | 6,476 | 2,409 | 8,885 | 542,757 | 398,102 | 940,859 |
| 2013 | 6,826 | 4,532 | 11,358 | 6,727 | 2,408 | 9,135 | 535,938 | 366,881 | 902,819 |
| 2014 | 6,842 | 4,585 | 11,427 | 6,717 | 2,485 | 9,202 | 595,408 | 391,182 | 986,590 |
| 2015 | 6,771 | 4,714 | 11,485 | 6,624 | 2,534 | 9,158 | 540,026 | 368,309 | 908,335 |
| 2016 | 7,695 | 5,700 | 13,395 | 6,950 | 3,044 | 9,994 | 563,563 | 404,526 | 968,089 |

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

## CITY OF ST. AUGUSTINE, FLORIDA

**WATER AND WASTE WATER TREATMENT PLANTS**
**SUMMARY OF HISTORICAL DAILY FLOWS**
**(In Thousands)**
**"UNAUDITED"**

| | Water Treatment Plant (a) | | Wastewater Treatment Plant | |
|---|---|---|---|---|
| Fiscal Year Ended | Annual Average Daily Flow (Millions of Gallons Per Day) | Maximum Monthly Average Daily Flow (Millions of Gallons Per Day) | Annual Average Daily Flow (Millions of Gallons Per Day) | Maximum Monthly Average Daily Flow (Millions of Gallons Per Day) |
| 2007 | 3.560 | 4.085 | 3.624 | 6.016 |
| 2008 | 3.651 | 4.601 | 2.995 | 10.885 |
| 2009 | 3.388 | 4.119 | 3.697 | 9.639 |
| 2010 | 3.356 | 3.769 | 3.033 | 9.030 |
| 2011 | 3.244 | 3.692 | 2.674 | 3.581 |
| 2012 | 3.058 | 3.601 | 3.587 | 5.772 |
| 2013 | 2.974 | 3.389 | 3.913 | 5.724 |
| 2014 | 2.959 | 3.178 | 3.678 | 4.614 |
| 2015 | 3.110 | 3.443 | 3.828 | 7.915 |
| 2016 | 3.320 | 3.702 | 3.213 | 4.429 |

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





## CITY OF ST. AUGUSTINE, FLORIDA

**WATER AND SEWERS UTILITIES**
**HISTORICAL RATE STRUCTURES**
**(In Thousands)**
**"UNAUDITED"**

| | | | Water | | Sewer | |
|---|---|---|---|---|---|---|
| Effective October 1, | Service Area | Minimum Charge Flow Rate Gal./Month | Minimum Charge | Additional Charge Per 1,000 Gal. | Minimum Charge | Additional Charge Per 1,000 Gal. |
| 2007 | Inside City | 3,000 | 14.45 | 3.98 | 19.97 | 5.03 |
| | Outside City | 3,000 | 18.06 | 4.98 | 24.96 | 6.29 |
| 2008 | Inside City | 3,000 | 14.83 | 4.08 | 20.49 | 5.16 |
| | Outside City | 3,000 | 18.53 | 5.11 | 25.61 | 6.45 |
| 2009 | Inside City | 3,000 | 15.42 | 4.24 | 21.32 | 5.37 |
| | Outside City | 3,000 | 19.26 | 5.31 | 26.64 | 6.71 |
| 2010 | Inside City | 3,000 | 16.19 | 4.47 | 22.35 | 5.66 |
| | Outside City | 3,000 | 20.20 | 5.59 | 27.92 | 7.07 |
| 2011 | Inside City | 3,000 | 16.46 | 4.56 | 22.69 | 5.77 |
| | Outside City | 3,000 | 20.54 | 5.70 | 28.34 | 7.21 |
| 2012 | Inside City | 3,000 | 16.83 | 4.68 | 22.99 | 5.87 |
| | Outside City | 3,000 | 20.99 | 5.85 | 28.70 | 7.33 |
| 2013 | Inside City | 3,000 | 17.12 | 4.76 | 23.40 | 5.98 |
| | Outside City | 3,000 | 21.37 | 5.95 | 29.22 | 7.46 |
| 2014 | Inside City | 3,000 | 17.30 | 4.82 | 23.40 | 6.06 |
| | Outside City | 3,000 | 21.61 | 6.03 | 29.22 | 7.56 |
| 2015 **(a)** | Inside City | 0 | 11.53 | 2.50-10.62 | 11.77 | 5.56 |
| | Outside City | 0 | 14.30 | 3.10-13.17 | 14.59 | 6.89 |
| 2016 | Inside City | 0 | 11.53 | 2.50-10.62 | 11.77 | 5.56 |
| | Outside City | 0 | 14.30 | 3.10-13.17 | 14.59 | 6.89 |

**(a)** In 2015, the City changed to a conservation rate structure. There is no longer a minimum bill of 3,000 gallons of usage.

## CITY OF ST. AUGUSTINE, FLORIDA

**BUILDING PERMIT ACTIVITY**
**LAST TEN FISCAL YEARS**
**(In Thousands)**
**September 30, 2016**
**"UNAUDITED"**

| Fiscal Year | Single Family Units | Multi-Family Units | New Residential Valuation | New Non-Residential Valuations | Residential & Non-Residential Additions/ Alterations | Public Valuation | Total Valuation |
|---|---|---|---|---|---|---|---|
| 2007 | 66 | 8 | 12,263 | 13,953 | 4,854 | 498 | 31,568 |
| 2008 | 176 | 19.00 | 8,267 | 11,536 | 741 | 844 | 21,388 |
| 2009 | 7 | 1 | 4,179 | 4,224 | 6,812 | 2,851 | 18,066 |
| 2010 | 13 | - | 2,417 | 3,547 | 526 | 921 | 7,411 |
| 2011 | 41 | - | 49,910 | - | 834 | - | 50,744 |
| 2012 | 38 | - | 7,986 | 3,561 | - | - | 11,547 |
| 2013 | 49 | - | 10,964 | 14,490 | 1 | 12,644 | 38,100 |
| 2014 | 67 | - | 12,135 | 9,069 | 65 | 8,153 | 29,422 |
| 2015 | 89 | - | 17,335 | 13,730 | 129 | 9,256 | 40,450 |
| 2016 | 61 | - | 11,522,823 | 25,917,794 | 84 | - | - |

**Source: City of St. Augustine Planning & Building Department**



## CITY OF ST. AUGUSTINE, FLORIDA

**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSIT**
**(In Thousands of Dollars)**
**(In Thousands)**
**September 30, 2016**
**"UNAUDITED"**

| | Commercial Construction (a) | | Residential Construction (a) | | |
|---|---|---|---|---|---|
| Fiscal Year | Number of Units | Value | Number of Units | Value | Bank Deposits (b) |
| 2007 | 262 | 15,184 | 571 | 16,414 | 2,315,423 |
| 2008 | 349 | 12,469 | 505 | 8,919 | 1,898,151 |
| 2009 | 309 | 10,023 | 559 | 8,043 | 2,786,112 |
| 2010 | 8 | 3,547 | 13 | 2,417 | 2,850,983 |
| 2011 | - | - | 41 | 49,910 | 2,868,734 |
| 2012 | 30 | 3,561 | 38 | 3,986 | 2,833,072 |
| 2013 | 31 | 14,490 | 49 | 10,964 | 2,940,180 |
| 2014 | 33 | 15,779 | 104 | 13,578 | 3,100,391 |
| 2015 | 60 | 23,882 | 164 | 20,531 | 3,500,629 |
| 2016 | 16 | 25,917,794 | 61 | 11,522,823 | 3,879,785 |

**NOTES:**

**(a) Planning and Building Division**
**(b) Deposits for St. Johns County ($000)**
**Source: www.FDIC.gov**

## CITY OF ST. AUGUSTINE, FLORIDA

**MISCELLANEOUS STATISTICAL DATA**
**September 30, 2016**
**(In Thousands)**

| | |
|---|---|
| **Date of Incorporation** | May 30, 1925 |
| **Form of Government** | Commission - Manager |
| **Area:** | |
| Square Miles | 13.89 Miles |
| Paved Streets | 66.61 |
| Unpaved Streets | 10.5 |
| Altitude | 13 Feet Above Sea Level |
| **Education:** | |
| Elementary | 3 |
| Secondary | 1 |
| Post-Secondary | 2 |
| **Fire Protection:** | |
| Number of Fire Stations | 2 |
| Number of Firefighters | 33 |
| **Police Protection:** | |
| Number of Police Stations | 1 |
| Number of Police Officers | 49 |
| **Utility Customers:** | |
| Water | 13,395 |
| Sewer | 9,994 |
| Solid Waste | 7,286 |
| **Tourism Facts (St. Johns County):** | |
| Visitors (Per Year) | 9,597,518 |
| Airports | 1 |
| Attractions/Points of Interest | 50 + |
| Camp Sites | 1241 |
| Condominium Units (Rentals) | 4000 |
| Hotel/Motel Units | 5600 |
| Marinas | 7 |
| Parks and Playgrounds | 29 |
| Public Golf Courses | 5 |
| Public Tennis Courts | 28 |
| Restaurants | 200 + |
| Sightseeing Services | 6 |
| State Parks | 5 |

**(continued)**





## CITY OF ST. AUGUSTINE, FLORIDA

**MISCELLANEOUS STATISTICAL DATA**
**September 30, 2016**
**(In Thousands)**
**(continued)**

**Climate:**

| Average Temperature and Precipitation in St. Johns County | | | |
|---|---|---|---|
| **Quarter** | **Average Daily ax. Temperatu** | **Average Daily Min. Temperature** | **Total Rainfall** |
| October - December | 77.0 | 65.0 | 2.01 |
| January - March | 69.0 | 53.0 | 3.55 |
| April - June | 83.0 | 68.0 | 16.04 |
| July - September | 89.0 | 76.0 | 6.22 |

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

## CITY OF ST. AUGUSTINE, FLORIDA

**FULL-TIME EQUIVILANT CITY EMPLOYEES BY FUNCTION**
**LAST FIVE FISCAL YEARS**
**(In Thousands)**
**"UNAUDITED"**

| FUNCTION | Full-time Equivalent Employees as of September 30, 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| General Government | 77.5 | 55.5 | 54.5 | 56.5 | 53.5 |
| Public Safety | 99.5 | 99.5 | 99.5 | 102.5 | 100 |
| Physical Environment | 29 | 47 | 46.5 | 33 | 33 |
| Transportation | 0 | 0 | 0 | 17.5 | 18 |
| Culture/Recreation | 4 | 6 | 5 | 9 | 10 |
| **Business-Type Activities** | | | | | |
| Utilities | 58.5 | 59.5 | 57.5 | 63 | 63 |
| Stormwater | 1 | 1 | 3 | 3 | 3 |
| Solid Waste | 18 | 15 | 17 | 17 | 16 |
| Municipal Marina | 12 | 12 | 13.5 | 14 | 12 |
| Visitor Information Center | 18.5 | 15.5 | 15.5 | 17.5 | 19.5 |
| Heritage Tourism | 0 | 0 | 0 | 0 | 0 |

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





## CITY OF ST. AUGUSTINE, FLORIDA

**OPERATING INDICATORS BY FUNCTION**
**LAST FIVE FISCAL YEARS**
**(In Thousands)**
**"UNAUDITED"**

| FUNCTION | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| **Police** | | | | | |
| Physical Arrests | 1,477 | 1,208 | 1,261 | 1,333 | 1,336 |
| Traffic Violations | 4,094 | 2,971 | 3,693 | 3,253 | 2,818 |
| Calls for Service | 40,790 | 41,243 | 41,351 | 43,962 | 42,108 |
| Parking Violations (includes those issued by Parking Enforcement) | 10,211 | 9,907 | 11,672 | 16,981 | 13,696 |
| **Fire** | | | | | |
| Number of calls answered | 3,412 | 3,494 | 3,789 | 4,053 | 4,403 |
| Inspections | 381 | 521 | 520 | 572 | 489 |
| Pre-fire tours | 568 | 421 | 792 | 868 | 492 |
| Hydrants Flow Tested | 379 | 379 | 171 | 328 | 955 |
| **Highways and Streets** | | | | | |
| New Street Pavings (miles) | - | - | - | - | - |
| Streets Resurfaced (miles) | - | 0.5 | 2.5 | 6.4 | 3.5 |
| **Sanitation** | | | | | |
| Refuse Collected (tons/day) | 62.1 | 67.3 | 63.1 | 65.8 | 67.3 |
| Recyclables Collected (tons/day) | 2.8 | 4.0 | 4.9 | 5.0 | 8.6 |
| **Culture and Recreation** | | | | | |
| Field Permits Issued | 20 | 21 | 21 | 21 | 16 |
| Plaza Permits Issued | 43 | 42 | 40 | 32 | 30 |
| Other Event Permits Issued | 48 | 46 | 32 | 54 | 51 |
| **Water** | | | | | |
| New Connections | 100 | 88 | 138 | 275 | 315 |
| Average Daily Consumption (thousands of gallons) | 3,058 | 2,974 | 2,959 | 2,841 | 3,320 |
| **Wastewater** | | | | | |
| Average Daily Usage (thousands of gallons) | 3,587 | 3,913 | 3,678 | 3,541 | 3,213 |

**Source: Various City Departments**

**CITY OF ST. AUGUSTINE, FLORIDA**

**CAPITAL ASSET STATISTICS BY FUNCTION**
**LAST FIVE FISCAL YEARS**
**(In Thousands)**
**"UNAUDITED"**

| FUNCTION | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| **Police** | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 |
| Boats | 1 | 1 | 1 | 1 | 1 |
| **Fire** | | | | | |
| Stations | 2 | 2 | 2 | 2 | 2 |
| Vehicles | 8 | 8 | 8 | 8 | 9 |
| Boats | 1 | 1 | 1 | 1 | 1 |
| **Sanitation** | | | | | |
| Collection Trucks | 7 | 7 | 7 | 7 | 7 |
| **Water** | | | | | |
| New Feet of Water Mains Added | 6,020 | 17,844 | 10,254 | 3,779 | 18,400 |
| Fire hydrants | 1,062 | 1,072 | 1,092 | 1,105 | 1,127 |
| Maximum Monthly Average Daily Flow (thousands of gallons) | 3,601 | 3,389 | 3,178 | 3,443 | 3,702 |
| **Wastewater** | | | | | |
| New Feet of Sanitary Sewer Added | 9,873 | - | 3,336 | 12,860 | 10,544 |
| New Feet of Storm Sewers Added | 2,218 | 3,300 | 1,731 | 3,416 | 1,536 |
| Maximum Monthly Average Daily Flow (thousands of gallons) | 5,772 | 3,678 | 4,614 | 7,915 | 4,429 |

**Source: Various City Departments**





# Compliance Section

This Section Contains the Following:

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

## Independent Accountants' Report on Compliance With Section 218.415, Florida Statutes

## Management Letter

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MSW
MASTERS, SMITH & WISBY, P.A.
ACCOUNTANTS & BUSINESS ADVISORS

STEVEN D. RAWLINS, CPA
GARY M. HUGGETT, CPA
DAVID W. HOWIE, CPA

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

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

We have audited, in accordance with the 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 the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of St. Augustine, Florida (the City) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our

**Internal Control Over Financial Reporting:**

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify and deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

JACKSONVILLE OFFICE
4811 BEACH BLVD., SUITE 300
JACKSONVILLE, FL 32207
P 904.396.2202 F 904.398.1315
WWW.MSWCPA.COM

PONTE VEDRA OFFICE
822 A1A NORTH, SUITE 310
PONTE VEDRA BEACH, FL 32082
P 904.247.1565 F 904.247.1665
WWW.MSWCPA.COM



MEMBERS OF THE AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS

**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 that are required to be reported under *Government Auditing Standards.*

**Purpose of this Report:**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Masters, Smith & Wisby, P.A.
Certified Public Accountants
Jacksonville, Florida

March 31, 2017





MSW
MASTERS, SMITH & WISBY, P.A.
ACCOUNTANTS & BUSINESS ADVISORS

STEVEN D. RAWLINS, CPA
GARY M. HUGGETT, CPA
DAVID W. HOWIE, CPA

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE**
**WITH SECTION 218.415, FLORIDA STATUTES**

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

We have examined the City of St. Augustine, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2016. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specific requirements.

In our opinion, the City of St. Augustine, Florida compiled, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, The Florida Auditor General, Federal and other granting agencies and pass through entities, The Mayor and City Council members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Masters, Smith & Wisby, P.A.
Certified Public Accountants
Jacksonville, Florida

March 31, 2017

JACKSONVILLE OFFICE
4811 BEACH BLVD., SUITE 300
JACKSONVILLE, FL 32207
P 904.396.2202 F 904.398.1315
WWW.MSWCPA.COM

PONTE VEDRA OFFICE
822 A1A NORTH, SUITE 310
PONTE VEDRA BEACH, FL 32082
P 904.247.1565 F 904.247.1665
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MASTERS, SMITH & WISBY, P.A.
ACCOUNTANTS & BUSINESS ADVISORS

STEVEN D. RAWLINS, CPA
GARY M. HUGGETT, CPA
DAVID W. HOWIE, CPA

## MANAGEMENT LETTER

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

**Report on the Financial Statements**
We have audited the financial statements of the City of St. Augustine, Florida (the City) as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated March 31, 2017.

**Auditors' Responsibility**
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, *Rules of the Florida Auditor General.*

**Other Reports and Schedules**
We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, and Independent Accountants' Report on an examination conducted in accordance with AICPA *Professional Standards, Section 601*, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 31, 2017, should be considered in conjunction with this management letter.

**Prior Audit Findings**
Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

**Official Title and Legal Authority**
Section 10.554(1)(i)4., *Rules of the Auditor General* requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information is disclosed in the notes to the financial statements.

JACKSONVILLE OFFICE
811 BEACH BLVD., SUITE 300
JACKSONVILLE, FL 32207
P 904.396.2202 F 904.398.1315
WWW.MSWCPA.COM

PONTE VEDRA OFFICE
822 A1A NORTH, SUITE 310
PONTE VEDRA BEACH, FL 32082
P 904.247.1565 F 904.247.1665
WWW.MSWCPA.COM



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**Financial Condition**

Pursuant to Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

**Annual Financial Report**

Section 10.554(1)(i)5.(b) and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we could not make that assessment as that report had not been completed. We will make that assessment and amend this letter upon completion of that report.

**Special District Component Units**

Section 10.554(1)(i)5.(d), *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined there were no special district component units that were required to be reported in accordance with Section 218.39(3)(b), Florida Statutes.

**Other Matters**

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we had the following findings and recommendations:

Finding and Recommendation: Finding 2016-01

The City does not reconcile its detailed fixed assets records to its fixed asset general ledger accounts on a timely basis but rather does so annually. As a result, the closing of the fiscal year accounting is delayed beyond a reasonable time as a full years worth or activity has to be analyzed and reconciled between the general ledger accounts and the supporting fixed asset records. We recommend the City develop a policy that requires reconciliation of its fixed asset accounts to the underlying detail fixed asset records on a timely basis, at least quarterly, and make any required adjustments at that time.



Response:

The City agrees with the above and will develop a policy to more timely, at least quarterly, reconcile its fixed asset general ledger accounts to the underlying supporting fixed asset records and make any required adjustments at that time.

Finding and Recommendation: Finding 2016-02

The City did not accurately in all cases post its bond payments to the correct general ledger funds or accounts. As a result, year end corrections were necessary to bring the affected accounts to the correct balance. We recommend the City review their bond payable maturities amongst all funds and accounts to ensure all bond payments are correctly posted.

Response:

The City agrees with the above and will make all efforts to ensure future payments are posted in accordance with the bond maturity schedules for principal and interest.

Findings and Recommendations: 2016-3

In reviewing the City's transfers in and transfers out, it was noted they were not in agreement which resulted in a year end audit entry. We recommend that prior to closing the fiscal year records, the City make sure these accounts are in agreement.

Response:

The City believes this was an isolated incident but will in the future review these accounts to make sure they are in agreement prior to closing its records.

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Our management letter is intended solely for the information and use of the Mayor and City Commission members, management, the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and federal granting agencies and pass through entities, 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 our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Mayfield, Smith & Wirth, P.A.
Certified Public Accountants
Jacksonville, Florida

March 31, 2017

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# APPENDIX C

# FORM OF RESOLUTION

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RESOLUTION NO. 2017-52

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF ST. AUGUSTINE, FLORIDA AUTHORIZING THE ISSUANCE OF NOT TO EXCEED $24,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF ST. AUGUSTINE, FLORIDA CAPITAL IMPROVEMENT REFUNDING REVENUE BONDS, SERIES 2017 FOR THE PURPOSE OF REFUNDING ALL OR A PORTION OF THE CITY'S OUTSTANDING CAPITAL IMPROVEMENT AND REFUNDING REVENUE BONDS, SERIES 2004 AND CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2011 AND FINANCING AND/OR REIMBURSING DESIGN, INSTALLATION, ACQUISITION, CONSTRUCTION, RECONSTRUCTION AND EQUIPPING OF VARIOUS CAPITAL IMPROVEMENTS OF THE CITY, INCLUDING WITHOUT LIMITATION CAPITAL IMPROVEMENTS TO THE CITY'S PARKING AND ACCESS MANAGEMENT SYSTEM; COVENANTING TO BUDGET AND APPROPRIATE LEGALLY AVAILABLE NON-AD VALOREM REVENUES TO PROVIDE FOR THE PAYMENT THEREOF; MAKING CERTAIN COVENANTS AND AGREEMENTS FOR THE BENEFIT OF THE OWNERS OF SUCH BONDS; AUTHORIZING CERTAIN OFFICIALS AND EMPLOYEES OF THE CITY TO TAKE ALL ACTIONS REQUIRED IN CONNECTION WITH THE SALE, ISSUANCE AND DELIVERY OF SUCH BONDS; TAKING CERTAIN OTHER ACTIONS WITH RESPECT TO SUCH BONDS; PROVIDING FOR CONFLICTS; PROVIDING FOR SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

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BE IT RESOLVED BY THE CITY COMMISSION OF CITY OF ST. AUGUSTINE, FLORIDA:

## ARTICLE I
## GENERAL

Section 1.01 Definitions. When used in this Resolution, the following terms shall have the following meanings, unless the context clearly otherwise requires:

"Act" shall mean the Constitution of the State of Florida, Chapter 11148, Laws of Florida, Special Acts of 1925, as amended, Chapter 166, Part II, Florida Statutes, and other applicable provisions of law.

"Amortization Installment" shall mean an amount designated as such by Supplemental Resolution of the Issuer and established with respect to any Term Bonds.

"Annual Debt Service" shall mean, with respect to any Bond Year, the aggregate amount of (1) all interest required to be paid on the Outstanding Bonds during such Bond Year, except to the extent that such interest is to be paid from deposits in the Interest Account made from Bond proceeds, (2) all principal of Outstanding Serial Bonds maturing in such Bond Year, and (3) all Amortization Installments herein designated with respect to such Bond Year.

"Authorized Issuer Officer" shall mean any person authorized by this Resolution or Supplemental Resolution of the Issuer to perform such act or sign such document.

"Bond Amortization Account" shall mean the separate account in the Debt Service Fund established pursuant to Section 4.03 hereof.

"Bond Counsel" shall mean any attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

"Bond Year" shall mean the period commencing on October 2 of each year and continuing through the next succeeding October 1.

"Bondholder" or "Holder" or "holder" or any similar term, when used with reference to a Bond or Bonds, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds as provided in the registration books of the Issuer.

"Bonds" shall mean the City of St. Augustine, Florida Capital Improvement Refunding Revenue Bonds, Series 2017 issued pursuant to this Resolution.





"City Attorney" shall mean the City Attorney or any assistant City Attorney of the Issuer, or such other person as may be duly authorized by the Issuer to act on his or her behalf.

"City Clerk" shall mean the City Clerk of the Issuer, or any deputy or assistant City Clerk of the Issuer, or such other person as may be duly authorized by the Issuer to act on his or her behalf.

"City Commission" shall mean the City Commission of the Issuer or the board or body succeeding to its principal functions.

"City Comptroller" shall mean the City Comptroller of the Issuer or his designee.

"City Manager" shall mean the City Manager of the Issuer, or any assistant, deputy, interim or acting City Manager of the Issuer, or in his or her absence, such other person as may be duly authorized by the Issuer to act on his or her behalf.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations and rules thereunder in effect or proposed.

"Debt Service Fund" shall mean the City of St. Augustine Capital Improvement Refunding Revenue Bonds, Series 2017 Debt Service Fund established pursuant to Section 4.03 hereof.

"Federal Securities" shall mean those obligations described in clauses (1) and (2) of the definition of "Permitted Investments," provided that such obligations must provide for timely payment of principal and interest and may not be callable or prepayable prior to the maturity or earlier redemption of the defeased Bonds. "Federal Securities" shall not include securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date.

"Fiscal Year" shall mean the period commencing on October 1 of each year and continuing through the next succeeding September 30, or such other period as may be prescribed by law.

"Governmental Fund Revenues" shall mean all revenues which are deposited into the Issuer's general fund, special revenue fund, debt service funds and capital project funds, but excluding (i) ad valorem tax revenues restricted to payment of debt service on any debt, and (ii) any debt proceeds.

"Interest Account" shall mean the separate account in the Debt Service Fund established pursuant to Section 4.03 hereof.

"Interest Date" shall be such date or dates for the payment of interest on the Bonds as shall be provided by Supplemental Resolution.

"Issuer" or "City" shall mean City of St. Augustine, Florida, a municipal corporation, organized and existing under the laws of the State of Florida, including the Act.

"Maximum Annual Debt Service" shall mean the largest amount of Annual Debt Service for any Bond Year in which Bonds shall be Outstanding, excluding all Bond Years which shall have ended prior to the Bond Year in which Maximum Annual Debt Service shall be computed.

"Mayor-Commissioner" shall mean the Mayor-Commissioner of the Issuer, or in his or her absence, the Vice Mayor-Commissioner of the Issuer, or such other person as may be duly authorized by the Issuer to act on his or her behalf.

"Non-Ad Valorem Revenues" shall mean all revenues of the Issuer not derived from ad valorem taxation, and which are lawfully available to be used to pay debt service on the Bonds.

"Outstanding" when used with reference to Bonds and as of any particular date, shall describe all Bonds theretofore and thereupon being authenticated and delivered except, (1) any Bond in lieu of which another Bond or other Bonds have been issued under an agreement to replace lost, mutilated or destroyed Bonds, (2) any Bond surrendered by the Holder thereof in exchange for another Bond or other Bonds under Section 2.07 hereof, and (3) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity, and (4) Bonds deemed paid in accordance with Section 8.01 hereof.



"Paying Agent" shall mean any paying agent for Bonds appointed by or pursuant to a Supplemental Resolution and its successors or assigns, and any other Person which may at any time be substituted in its place pursuant to this Resolution.

"Permitted Investments" shall mean any of the following if and to the extent the same are legal for investment under the laws of the State and the written investment policy of the Issuer:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation);

(2) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America, including:

- U.S. Treasury obligations (including State and Local Government Series)
- All direct or fully guaranteed obligations
- Farmers Home Administration obligations
- General Services Administration obligations
- Guaranteed Title XI financing



- Government National Mortgage Association (GNMA) obligations;

(3) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration
- Federal Financing Bank;

(4) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of this Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other government sponsored agencies;

(5) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating on the bank);

(6) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(7) Investments in a money market fund rated "AAAm" or "AAAm-g" or better by S&P;

(8) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(9) Municipal Obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P; and

(10) The Local Government Surplus Funds Trust Fund created and established pursuant to Chapter 218, Part IV, Florida Statutes, as amended.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or governmental entity.

"Pledged Funds" shall mean (1) Non-Ad Valorem Revenues budgeted and appropriated by the Issuer in accordance with Section 4.02 hereof and deposited into the Debt Service Fund, and (2) until applied in accordance with the provisions of this Resolution, all moneys, including the investments thereof, in the funds and accounts established hereunder, with the exception of the Rebate Fund.

"Principal Account" shall mean the separate account in the Debt Service Fund established pursuant to Section 4.03 hereof.

"Project" shall mean design, installation, acquisition, construction, reconstruction and equipping of various capital improvements of the Issuer, including without limitation, capital improvements to the Issuer's parking and access management system.





"Project Fund" shall mean the City of St. Augustine Capital Improvement Refunding Revenue Bonds, Series 2017 Project Fund established pursuant to Section 2.03 hereof.

"Rebate Amount" shall mean the excess of the future value, as of a computation date, of all receipts on nonpurpose investments (as defined in Section 1.148-1(b) of the Income Tax Regulations) over the future value, as of that date, of all payments on nonpurpose investments, all as provided by regulations under the Code implementing Section 148 thereof.

"Rebate Fund" shall mean the City of St. Augustine Capital Improvement Refunding Revenue Bonds, Series 2017 Rebate Fund established pursuant to Section 5.05 hereof.

"Redemption Price" shall mean, with respect to any Bond or portion thereof, the principal amount or portion thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or this Resolution.

"Refunded Bonds" shall mean collectively, all or a portion of the Issuer's outstanding Series 2004 Bonds and Series 2011 Bonds.

"Registrar" shall mean any registrar for the Bonds appointed by or pursuant to a Supplemental Resolution and its successors and assigns, and any other Person which may at any time be substituted in its place pursuant to Supplemental Resolution.

"Resolution" shall mean this Resolution, as the same may from time to time be amended, modified or supplemented by Supplemental Resolution.

"Serial Bonds" shall mean all of the Bonds other than the Term Bonds.

"Series 2004 Bonds" shall mean all of the Issuer's outstanding Capital Improvement and Refunding Revenue Bonds, Series 2004.

"Series 2011 Bonds" shall mean all of the Issuer's outstanding Capital Improvement Revenue Bonds, Series 2011.

"State" shall mean the State of Florida.

"Supplemental Resolution" shall mean any resolution of the Issuer amending or supplementing this Resolution adopted and becoming effective in accordance with the terms of Sections 7.01 and 7.02 hereof.

"Term Bonds" shall mean those Bonds which shall be designated as Term Bonds hereby or by Supplemental Resolution of the Issuer and which are subject to mandatory redemption by Amortization Installments.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms, shall refer to this Resolution; the term heretofore shall mean before the date of adoption of this Resolution; and the term "hereafter" shall mean after the date of adoption of this Resolution.

Words importing the masculine gender include every other gender.

Words importing the singular number include the plural number, and vice versa.

Section 1.02 Authority for Resolution. This Resolution is adopted pursuant to the provisions of the Act.

Section 1.03 Resolution to Constitute Contract. In consideration of the purchase and acceptance of any or all of the Bonds by those who shall hold the same from time to time, the provisions of this Resolution shall be a part of the contract of the Issuer with the Owners of the Bonds and shall be deemed to be and shall constitute a contract between the Issuer and the Owners from time to time of the Bonds. The pledge made in this Resolution and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Issuer shall be for the equal benefit, protection and security of the Owners of any and all of said Bonds. All of the Bonds, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to this Resolution.

Section 1.04 Findings. It is hereby ascertained, determined and declared:

(1) That the Issuer deems it necessary, desirable and in the best interests of the Issuer and its citizens and to serve a paramount public purpose to (i) refund, on an advance basis, all or a portion of the Series 2011 Bonds, (ii) refund, on a current basis, all or a portion of the Series 2004 Bonds, and (iii) finance and/or reimburse the costs of the Project.

(2) That in order to obtain substantial interest cost savings, it is necessary and desirable to refund the Refunded Bonds.

(3) For the benefit of its citizens, the Issuer finds, determines and declares that it is necessary for the continued preservation of the welfare and convenience of the Issuer and its citizens to finance and/or reimburse the costs of the Project.

(4) That the Issuer is authorized under the Act to refund the Refunded Bonds, and to deposit a portion of the proceeds of the Series 2017 Bonds, together with other legally available funds of the Issuer, if any, in escrow to provide for the payment when due of the principal of, premium, if any, and interest on the Refunded Bonds, and to invest a portion of the proceeds of such Series 2017 Bonds pending their application to pay the costs of the refunding of the Refunded Bonds.

(5) That subsequent to the issuance of the Bonds, other than the City of St Augustine, Florida Capital Improvement Refunding Revenue Bonds, Series 2011B (the "Series 2011B Bonds") and the City of St Augustine, Florida Capital Improvement Refunding Revenue Bonds, Series 2013 (the "Series 2013 Bonds"), the Issuer has not otherwise secured any other indebtedness of the Issuer with a covenant to budget and appropriate Non-Ad Valorem Revenues.





(6) That the estimated Non-Ad Valorem Revenues, after satisfying funding requirements for obligations having an express lien on or pledge thereof and after satisfying any funding requirements for essential governmental services of the Issuer which are not funded by ad valorem taxation, will be sufficient to pay the principal of and interest on the Bonds, the Series 2011B Bonds and the Series 2013 Bonds, as the same become due, and to make all other payments provided for in this Resolution.

(7) That the principal of and interest on the Bonds and all other payments provided for in this Resolution will be paid solely from the Pledged Funds, and the ad valorem taxing power of the Issuer will never be necessary or authorized to pay the principal of and interest on the Bonds and, except as otherwise provided herein, the Bonds shall not constitute a lien upon any property of the Issuer.

Section 1.05 Authorization of Refunding and Project. The Issuer does hereby authorize the refunding of the Refunded Bonds. The Project is hereby authorized.

## ARTICLE II
## AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF BONDS

Section 2.01 Authorization of Bonds. This Resolution authorizes an issue of Bonds of the Issuer to be designated as "City of St. Augustine, Florida Capital Improvement Refunding Revenue Bonds, Series 2017" in an aggregate principal amount of not to exceed $24,000,000 for the purpose of (i) refunding, on a current basis, all or a portion of the City's outstanding Series 2004 Bonds, (ii) refunding, on an advanced basis, all or a portion of the City's outstanding Series 2011 Bonds, (iii) financing and/or reimbursing the costs of the Project, and (iv) paying certain costs of issuance incurred with respect thereto. The Issuer may change such Series designation in the event that the Series 2017 Bonds are not issued in calendar year 2017.

The Bonds may, if and when authorized by the Issuer pursuant to this Resolution, be issued with such further appropriate particular designations added to or incorporated in such title for the Bonds as the Issuer may determine.

The Bonds shall bear interest at such rate or rates not exceeding the maximum rate permitted by law; and shall be payable in lawful money of the United States of America on such dates; all as determined hereunder and by Supplemental Resolution of the Issuer.

The Bonds shall be issued in denominations of $5,000 or integral multiples thereof, in such form, whether coupon or registered; shall be dated such date; shall bear such numbers; shall be payable at such place or places; shall contain such redemption provisions; shall have such Paying Agent and Registrar; and shall mature in such years and amounts; all as determined hereunder and by Supplemental Resolution of the Issuer.

Section 2.02 Description of Bonds. The Bonds shall be issued as fully registered Bonds; shall be numbered consecutively from one upward in order of maturity preceded by the

letter "R"; shall bear interest at a rate or rates not exceeding the maximum rate allowed by Florida law, payable in such manner and on such dates; shall consist of such amounts of Serial Bonds and/or Term Bonds; maturing in such amounts or installments and in such years; shall be payable in such place or places; shall have such Paying Agent and Registrar; and shall contain such redemption provisions; all as the Issuer shall provide hereafter by Supplemental Resolution.

The principal of or Redemption Price, if applicable, on the Bonds are payable upon presentation and surrender of the Bonds at the designated office of the Paying Agent. Interest payable on any such Bond on any Interest Date will be paid by check or draft of the Paying Agent to the Holder in whose name such Bond shall be registered at the close of business on the date which shall be the fifteenth day (whether or not a business day) of the calendar month next preceding such Interest Date, or, unless otherwise provided by Supplemental Resolution, at the option of the Paying Agent, and at the request and expense of such Holder, by bank wire transfer for the account of such Holder. In the event the interest payable on any such Bond is not punctually paid or duly provided for by the Issuer on such Interest Date, such defaulted interest will be paid to the Holder in whose name such Bond shall be registered at the close of business on a special record date for the payment of such defaulted interest as established by notice to such Holder, not less than ten days preceding such special record date. All payments of principal of or Redemption Price, if applicable, and interest on the Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.



Section 2.03 Application of Bond Proceeds. Except as otherwise provided by Supplemental Resolution, the proceeds derived from the sale of the Series 2017 Bonds, including accrued interest and premium, if any, together with legally available funds of the Issuer, if any, shall, simultaneously with the delivery of the Series 2017 Bonds to the purchaser or purchasers thereof, be applied by the Issuer as follows:

(1) Accrued interest, if any, shall be deposited in the Interest Account and shall be used only for the purpose of paying the interest which shall thereafter become due on the Series 2017 Bonds.

(2) An amount which, together with other legally available funds of the Issuer, if any, is equal to the principal of, premium, if any, and interest on the Refunded Bonds when due in accordance with the schedules to be attached to an escrow deposit agreement, the form of which is to be approved by Supplemental Resolution, shall be transferred to the escrow agent named thereunder for deposit into the escrow deposit trust fund created and established pursuant to such escrow deposit agreement and shall be used and applied pursuant to and in the manner described in such escrow deposit agreement to pay principal, premium, if any, and interest on the Refunded Bonds.

(3) The Issuer shall pay the costs of issuance of the Series 2017 Bonds.



(4) Remaining proceeds shall be deposited in the Project Fund described below.

The Issuer covenants and agrees to establish a special fund to be designated "City of St. Augustine, Florida Capital Improvement Refunding Revenue Bonds, Series 2017, Project Fund." The designation and establishment of the Project Fund by this Resolution shall not be construed to require the establishment of a completely independent, self-balancing fund as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain assets of the Issuer for certain purposes and to establish certain priorities for application of such assets as herein provided. Amounts on deposit from time to time in the Project Fund, plus any earnings thereon, are pledged to the repayment of the Series 2017 Bonds. Costs of the Project will be paid from the Project Fund.

Section 2.04 Execution of Bonds. The Bonds shall be signed by, or bear the facsimile signature of the Mayor-Commissioner, shall be countersigned and attested by or bear the facsimile signature of the City Clerk and shall be approved as to form and correctness by the manual or facsimile signature of the City Attorney. The official seal of the Issuer shall be imprinted on each Bond. In case any one or more of the officers who shall have signed or sealed any of the Bonds or whose facsimile signature shall appear thereon shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Issuer by such person who at the actual time of the execution of such Bond shall hold the proper office of the Issuer, although, at the date of such Bond, such person may not have held such office or may not have been so authorized. The Issuer may adopt and use for such purposes the facsimile signatures of any such persons who shall have held such offices at any time after the date of the adoption of this Resolution, notwithstanding that either or both shall have ceased to hold such office at the time the Bonds shall be actually sold and delivered.

Section 2.05 Authentication. No Bond shall be secured hereunder or be entitled to the benefit hereof or shall be valid or obligatory for any purpose unless there shall be manually endorsed on such Bond a certificate of authentication by the Registrar or such other entity as may be approved by the Issuer for such purpose. Such certificate on any Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Resolution. The form of such certificate shall be substantially in the form provided in Section 2.09 hereof.

Section 2.06 Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Issuer may, in its discretion, issue and deliver, and the Registrar shall authenticate, a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder furnishing the Issuer and the Registrar proof of such Holder's ownership thereof and satisfactory indemnity and complying with such other

reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer and the Registrar may incur. All Bonds so surrendered or otherwise substituted shall be canceled by the Registrar. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same or cause the Bond to be paid, upon being indemnified as aforesaid, and if such Bonds be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section 2.06 shall constitute original, additional contractual obligations on the part of the Issuer whether or not the lost, stolen or destroyed Bond be at any time found by anyone, and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien on the Pledged Funds to the same extent as all other Bonds issued hereunder.

Section 2.07 Transfer. Bonds, upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder thereof or such Holder's attorney duly authorized in writing, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered Bonds of the same maturity of any other authorized denominations.

The Bonds issued under this Resolution shall be and have all the qualities and incidents of negotiable instruments under the commercial laws and the Uniform Commercial Code of the State, subject to the provisions for registration and transfer contained in this Resolution and in the Bonds. So long as any of the Bonds shall remain Outstanding, the Issuer shall maintain and keep, at the office of the Registrar, books for the registration and transfer of the Bonds.

Each Bond shall be transferable only upon the books of the Issuer, at the office of the Registrar, under such reasonable regulations as the Issuer may prescribe, by the Holder thereof in person or by such Holder's attorney duly authorized in writing upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed and guaranteed by the Holder or such Holder's duly authorized attorney. Upon the transfer of any such Bond, the Issuer shall issue, and cause to be authenticated, in the name of the transferee a new Bond or Bonds of the same aggregate principal amount and Series and maturity as the surrendered Bond. The Issuer, the Registrar and any Paying Agent or fiduciary of the Issuer may deem and treat the Person in whose name any Outstanding Bond shall be registered upon the books of the Issuer as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if applicable, and interest on such Bond and for all other purposes, and all such payments so made to any such Holder or upon such Holder's order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid and neither the Issuer nor the Registrar nor any Paying Agent or other fiduciary of the Issuer shall be affected by any notice to the contrary.

The Registrar, in any case where it is not also the Paying Agent in respect to the Bonds, forthwith (A) following the fifteenth day prior to an Interest Date; (B) following the fifteenth





day next preceding the date of first mailing of notice of redemption of any Bonds; and (C) at any other time as reasonably requested by the Paying Agent, shall certify and furnish to such Paying Agent the names, addresses and holdings of Bondholders and any other relevant information reflected in the registration books. Any Paying Agent of any fully registered Bond shall effect payment of interest on such Bonds by mailing a check or draft to the Holder entitled thereto or may, in lieu thereof, upon the request and at the expense of such Holder, transmit such payment by bank wire transfer for the account of such Holder.

In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the Issuer shall execute and the Registrar shall authenticate and deliver such Bonds in accordance with the provisions of this Resolution. Execution of Bonds in the same manner as is provided in Section 2.04 hereof for purposes of exchanging, replacing or transferring Bonds may occur at the time of the original delivery of the Bonds. All Bonds surrendered in any such exchanges or transfers shall be held by the Registrar in safekeeping until directed by the Issuer to be canceled by the Registrar. For every such exchange or transfer of Bonds, the Issuer or the Registrar may make a charge sufficient to reimburse it for any tax, fee, expense or other governmental charge required to be paid with respect to such exchange or transfer. The Issuer and the Registrar shall not be obligated to make any such exchange or transfer of Bonds during the fifteen days next preceding an Interest Date on the Bonds, or, in the case of any proposed redemption of Bonds, then during the fifteen days next preceding the date of the first mailing of notice of such redemption and continuing until such redemption date.

Section 2.08 Book Entry. A blanket issuer letter of representations dated December 12, 2000 (the "Blanket Letter") was entered into by the Issuer with The Depository Trust Company ("DTC"). It is intended that the Bonds be registered so as to participate in a global book-entry system with DTC as set forth herein and in such Blanket Letter. The terms and conditions of such Blanket Letter shall govern the registration of the Bonds. The Bonds shall be initially issued in the form of a single fully registered Bond for each maturity. Upon initial issuance, the ownership of such Bonds shall be registered by the Registrar in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. So long as any Bond is registered in the name of DTC (or its nominee), the Issuer, the Registrar and the Paying Agent may treat DTC (or its nominee) as the sole and exclusive holder of such Bonds registered in its name, and all payments with respect to the principal or redemption price of, if any, and interest on such Bond ("Payments") and all notices with respect to such Bond ("Notices") shall be made or given, as the case may be, to DTC. Transfers of Payments and delivery of Notices to DTC Participants shall be the responsibility of DTC and not of the Issuer, subject to any statutory and regulatory requirements as may be in effect from time to time. Transfers of Payments and delivery of Notices to beneficial owners of the Bonds by DTC Participants shall be the responsibility of such participants, indirect participants and other nominees of such beneficial owners and not of the Issuer, subject to any statutory and regulatory requirements as may be in effect from time to time.

Upon (I) (a) receipt by the Issuer of written notice from DTC (i) to the effect that a continuation of the requirement that all of the Outstanding Bonds be registered in the registration

books kept by the Registrar in the name of Cede & Co., as nominee of DTC, is not in the best interest of the beneficial owners of the Bonds or (ii) to the effect that DTC is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of DTC hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, (b) termination, for any reason, of the agreement among the Issuer, the Registrar and Paying Agent and DTC evidenced by the Blanket Letter, or (c) determination by the Issuer that such book-entry only system should be discontinued by the Issuer, and (II) compliance with the requirements of any agreement between the Issuer and DTC with respect thereto, the Bonds shall no longer be restricted to being registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names Holders shall designate, in accordance with the provisions hereof. In such event, the Issuer shall issue and the Registrar shall authenticate, transfer and exchange Bonds consistent with the terms hereof, in denominations of $5,000 or any integral multiple thereof to the Holders thereof. The foregoing notwithstanding, until such time as participation in the book-entry only system is discontinued, the provisions set forth in the Blanket Letter shall apply to the registration and transfer of the Bonds and to Payments and Notices with respect thereto.

Section 2.09 Form of Bonds. The text of the Bonds shall be in substantially the following form with such omissions, insertions and variations as may be necessary and/or desirable and approved by the Mayor-Commissioner prior to the issuance thereof (which necessity and/or desirability and approval shall be presumed by the Issuer's delivery of the Bonds to the purchaser or purchasers thereof):

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No. R-_____ $

UNITED STATES OF AMERICA
STATE OF FLORIDA
COUNTY OF ST. JOHNS
CITY OF ST. AUGUSTINE, FLORIDA
CAPITAL IMPROVEMENT REFUNDING REVENUE BONDS, SERIES 2017

| Interest Rate | Maturity Date | Date of Original Issue | CUSIP |
|---|---|---|---|
| ____% | _____, ____ | _____, 2017 | _____ |

Registered Holder: _____

Principal Amount: _____

KNOW ALL MEN BY THESE PRESENTS, that City of St. Augustine, Florida, a municipal corporation, organized and existing under the laws of the State of Florida (the "Issuer"), for value received, hereby promises to pay, solely from the Pledged Funds hereinafter described, to the Registered Holder identified above, or registered assigns as hereinafter provided, on the Maturity Date identified above, the Principal Amount identified above and interest on such Principal Amount from the Date of Original Issue identified above or from the most recent interest payment date to which interest has been paid at the Interest Rate per annum identified above on April 1 and October 1 of each year commencing _____ 1, _____ until such Principal Amount shall have been paid, except as the provisions hereinafter set forth with respect to redemption prior to maturity may be or become applicable hereto.

The principal of and redemption premium, if applicable, on this Bond is payable upon presentation and surrender of this Bond at the designated office of Wells Fargo Bank, National Association, as Paying Agent. Interest payable on this Bond on any interest date will be paid by check or draft of the Paying Agent to the Registered Holder in whose name this Bond shall be registered at the close of business on the date which shall be the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date, or, at the option of the Paying Agent, and at the request and expense of such Registered Holder, by bank wire transfer for the account of such Registered Holder. In the event the interest payable on this Bond is not punctually paid or duly provided for by the Issuer on such interest payment date, such defaulted interest will be paid to the Registered Holder in whose name this Bond shall be registered at the close of business on a special record date for the payment of such defaulted interest as established by notice to such Registered Holder, not less than ten days preceding such special record date. All payments of principal of and redemption premium, if applicable, and interest on this Bond shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of $_____ (the "Bonds") of like date, tenor and effect, except as to maturity date, interest rate, denomination and number, issued for the purpose of refunding, on a current basis, all or a portion of the Issuer's outstanding Capital Improvement and Refunding Revenue Bonds, Series 2004, refunding, on an advanced basis, all or a portion of the Issuer's outstanding Capital Improvement Revenue Bonds, Series 2011, and financing and/or reimbursing the costs of the Project, under the authority of and in full compliance with the Constitution of the State of Florida, Chapter 166, Part II, Florida Statutes, Chapter 11148, Laws of Florida, Special Acts of 1925, as amended, and other applicable provisions of law (the "Act"), and Resolution No. 2017-52 duly adopted by the City Commission of the Issuer on November 13, 2017, as amended and supplemented from time to time (collectively, the "Resolution"), and is subject to the terms and conditions of this Resolution. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Resolution.

The Bonds and the interest thereon are payable solely from and secured by an irrevocable pledge of the Pledged Funds. Pledged Funds consist of Non-Ad Valorem Revenues which are deposited into the Debt Service Fund and certain moneys on deposit in the accounts and funds established under the Resolution. The Issuer has covenanted and has agreed to appropriate in its annual budget for each fiscal year sufficient amount of Non-Ad Valorem Revenues for the payment of principal of and interest on the Bonds in each fiscal year, and to make certain other payments required by this Resolution, subject to the limitations described in this Resolution. Reference is made to this Resolution for more complete description of the security for the Bonds.



IT IS EXPRESSLY AGREED BY THE REGISTERED HOLDER OF THIS BOND THAT THE FULL FAITH AND CREDIT OF THE ISSUER, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION THEREOF, ARE NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL, PREMIUM, IF ANY, AND INTEREST ON THIS BOND AND THAT SUCH HOLDER SHALL NEVER HAVE THE RIGHT TO REQUIRE OR COMPEL THE EXERCISE OF ANY TAXING POWER OF THE ISSUER, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION THEREOF, TO THE PAYMENT OF SUCH PRINCIPAL, PREMIUM, IF ANY, AND INTEREST. THIS BOND AND THE OBLIGATION EVIDENCED HEREBY SHALL NOT CONSTITUTE A LIEN UPON ANY PROPERTY OF THE ISSUER, BUT SHALL CONSTITUTE A LIEN ONLY ON, AND SHALL BE PAYABLE SOLELY FROM, THE PLEDGED FUNDS.

This Bond is transferable in accordance with the terms of this Resolution only upon the books of the Issuer kept for that purpose at the designated corporate trust office of the Registrar by the Registered Holder hereof in person or by such Holder's attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Holder or such Holder's attorney duly authorized in writing, and thereupon a new Bond or Bonds in the same aggregate principal amount shall be issued to the transferee in exchange therefor, and upon the payment of the charges, if any, therein prescribed. The Bonds are issuable in the form of fully registered Bonds in the denominations of $5,000 and integral multiples thereof, not exceeding the



aggregate principal amount of the Bonds maturing on the same date. The Issuer, the Registrar and any Paying Agent may treat the Registered Holder of this Bond as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and shall not be affected by any notice to the contrary. The Issuer and the Registrar shall not be obligated to make any exchange or transfer of the Bonds during the fifteen days next preceding an interest payment date, or in the case of any proposed redemption of the Bonds, then, during the fifteen days next preceding the date of the first mailing of notice of such redemption.

[INSERT REDEMPTION PROVISIONS]

Notice of redemption, unless waived, is to be given by the Registrar by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owners of the Bonds to be redeemed at such Owners' addresses shown on the registration books maintained by the Registrar or at such other addresses as shall be furnished in writing by such Registered Owners to the Registrar; provided, however, that no defect in any such notice to any Registered Holder of Bonds to be redeemed nor failure to give such notice to any such Registered Holder nor failure of any such Registered Holder to receive such notice shall in any manner defeat the effectiveness of a call for redemption as to all other Registered Owners of Bonds to be redeemed. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price), such Bonds or portions of Bonds shall cease to bear interest.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond, exist, have happened and have been performed, in regular and due form and time as required by the laws and Constitution of the State of Florida applicable thereto, and that the issuance of the Bonds does not violate any constitutional or statutory limitations or provisions.

Neither the members of the City Commission of the Issuer nor any person executing this Bond shall be liable personally hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This Bond shall not be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by the Registrar.

IN WITNESS WHEREOF, said City of St. Augustine, Florida has issued this Bond and has by its City Commission caused the same to be signed by its Mayor-Commissioner and to be attested and countersigned by the signature of its City Clerk, and a facsimile of the official seal of the Issuer to be imprinted hereon, all as of the ___ day of _____, 2017.

CITY OF ST. AUGUSTINE, FLORIDA

(SEAL)

By:_____
Mayor-Commissioner

Attested and Countersigned:

_____
City Clerk

Approved as to form and correctness:

_____
City Attorney

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue described in the within-mentioned Resolution.

DATE OF AUTHENTICATION:

_____

_____
Registrar

By:_____
Authorized Officer



ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

_____
Insert Social Security or Other
Identifying Number of Assignee

_____
(Name and Address of Assignee)

_____

the within Bond and does hereby irrevocably constitute and appoint _____ as attorneys to register the transfer of the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

_____
NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

_____
NOTICE: The signature to this assignment must correspond with the name of the Registered Holder as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or other identifying number of such assignee must be supplied.

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF TRANS MIN ACT -- _____
(Cust.)

Custodian for _____

under Uniform Transfer to Minors Act of _____
(State)

Additional abbreviations may also be used though not in the list above.

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**ARTICLE III**
**REDEMPTION OF BONDS**

Section 3.01 Privilege of Redemption. The Bonds may be subject to optional, and/or mandatory redemption at the times and in the amounts provided by the Supplemental Resolution.

Section 3.02 Selection of Bonds to be Redeemed. The Bonds shall be redeemed only in the principal amount of $5,000 each and integral multiples thereof. The Issuer shall, at least forty (40) days prior to the redemption date (unless a shorter time period shall be satisfactory to the Registrar) notify the Registrar of such redemption date and of the principal amount of Bonds to be redeemed. For purposes of any redemption of less than all of the Outstanding Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected not more than thirty-five (35) days prior to the redemption date by the Registrar from the Outstanding Bonds of the maturity or maturities designated by the Issuer by such method as the Registrar shall deem fair and appropriate and which may provide for the selection for redemption of Bonds or portions of Bonds in principal amounts of $5,000 and integral multiples thereof.

If less than all of the Outstanding Bonds of a single maturity are to be redeemed, the Registrar shall promptly notify the Issuer and Paying Agent (if the Registrar is not the Paying Agent for such Bonds) in writing of the Bonds or portions of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

Section 3.03 Notice of Redemption. Unless waived by any Holder of Bonds to be redeemed, notice of any redemption made pursuant to this section shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to each Holder of Bonds to be redeemed at the address of such Holder shown on the registration books maintained by the Registrar or at such other address as shall be furnished in writing by such Holder to the Registrar; provided, however, that no defect in any notice given pursuant to this Section to any Holder of Bonds to be redeemed nor failure to give such notice shall in any manner defeat the effectiveness of a call for redemption as to all other Owners of Bonds to be redeemed.

Every official notice of redemption shall be dated and shall state:

(1) the redemption date,

(2) the Redemption Price,

(3) if less than all Outstanding Bonds are to be redeemed, the number (and, in the case of a partial redemption of any Bond, the principal amount) of each Bond to be redeemed,

(4) that, on the redemption date, the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and

(5) that such Bonds to be redeemed, whether as a whole or in part, are to be surrendered for payment of the Redemption Price at the designated office of the Registrar.

Prior to any redemption date, the Issuer shall deposit with the Registrar an amount of money sufficient to pay the Redemption Price of all the Bonds or portions of Bonds which are to be redeemed on that date.

The Issuer may provide that a notice of redemption may be contingent upon the occurrence of condition(s) and that if such condition(s) do not occur, the notice will be rescinded; provided notice of such rescission shall be mailed in the manner described herein to all Bondholders as soon as practicable after the Issuer has determined to rescind the redemption.

Section 3.04 Redemption of Portions of Bonds. Any Bond which is to be redeemed only in part shall be surrendered at any place of payment specified in the notice of redemption (with due endorsement by, or written instrument of transfer in form satisfactory to, the Registrar duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing) and the Issuer shall execute and the Registrar shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds, of the same interest rate and maturity, and of any authorized denomination as requested by such Holder, in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bonds so surrendered.

Section 3.05 Payment of Redeemed Bonds. Notice of redemption having been given substantially as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar and/or Paying Agent at the appropriate Redemption Price, plus accrued interest. All Bonds which have been redeemed shall be canceled by the Registrar and shall not be reissued.

## ARTICLE IV
## SECURITY, SPECIAL FUNDS AND APPLICATION THEREOF

Section 4.01 Bonds not to be Indebtedness of Issuer. THE BONDS SHALL NOT BE OR CONSTITUTE GENERAL OBLIGATIONS OR INDEBTEDNESS OF THE ISSUER AS "BONDS" WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION, BUT SHALL BE SPECIAL OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY



FROM AND SECURED BY A LIEN UPON AND PLEDGE OF THE PLEDGED FUNDS. NO HOLDER OF ANY BOND SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY AD VALOREM TAXING POWER TO PAY SUCH BOND, FOR THE PAYMENT OF ANY AMOUNTS PAYABLE HEREUNDER, OR IN ORDER TO MAINTAIN ANY SERVICES OR PROGRAMS THAT GENERATE NON-AD VALOREM REVENUES, OR BE ENTITLED TO PAYMENT OF SUCH BOND FROM ANY MONEYS OF THE ISSUER EXCEPT FROM THE PLEDGED FUNDS IN THE MANNER PROVIDED HEREIN.

Section 4.02 Bonds Secured by Pledge of Pledged Funds.

The Issuer covenants and agrees to appropriate in its annual budget, by amendment if necessary, for each Fiscal Year in which the Bonds remain Outstanding, sufficient amounts of Non-Ad Valorem Revenues into the Debt Service Fund for the payment of principal of and interest on the Bonds and to make certain other payments required hereunder in each such Fiscal Year. Such covenant and agreement on the part of the Issuer shall be cumulative and shall continue until all payments of principal of and interest on the Bonds shall have been budgeted, appropriated, deposited and actually paid. The Issuer agrees that this covenant and agreement shall be deemed to be entered into for the benefit of the Holders of the Bonds and that this obligation may be enforced in a court of competent jurisdiction in accordance with the remedies set forth herein. No lien upon or pledge of such budgeted Non-Ad Valorem Revenues shall be in effect until such monies are budgeted, appropriated and deposited as provided herein. Notwithstanding the foregoing or any provision of this Resolution to the contrary, the Issuer does not covenant to maintain or continue any activities, services or programs now maintained or provided by the Issuer, including those programs and services which generate user fees, regulatory fees or Non-Ad Valorem Revenues. This covenant and agreement shall not be construed as a limitation on the ability of the Issuer to pledge all or a portion of such Non-Ad Valorem Revenues or to covenant to budget and appropriate Non-Ad Valorem Revenues for other legally permissible purposes. Nothing herein shall be deemed to pledge ad valorem tax revenues or to permit or constitute a mortgage or lien upon any assets owned by the Issuer and no Holder of Bonds or other person may compel the levy of ad valorem taxes on real or personal property within the boundaries of the Issuer for the payment of the Issuer's obligations hereunder or to maintain or continue any activities, services or programs now maintained or provided by the Issuer, including those programs and services which generate user fees, regulatory fees or Non-Ad Valorem Revenues.

However, this covenant to budget and appropriate in its annual budget for the purposes and in the manner stated herein has the effect of making available for the payment of the Bonds the Non-Ad Valorem Revenues of the Issuer in the manner provided herein and placing on the Issuer a positive duty to appropriate and budget, by amendment if necessary, and deposit amounts sufficient to meet its obligations hereunder; subject, however, in all respects to the restrictions of Section 166.241, Florida Statutes, which make it unlawful for any municipality to expend moneys not appropriated and in excess of such municipality's current budgeted revenues. The obligation of the Issuer to make such payments from its Non-Ad Valorem Revenues is subject in all respects to the payment of obligations secured by a pledge of such

Non-Ad Valorem Revenues or a covenant to budget and appropriate Non-Ad Valorem Revenues heretofore or hereafter entered into (including the payment of debt service on bonds and other debt instruments), and funding requirements for essential public purposes affecting health, welfare and safety of the inhabitants of the Issuer; however, such obligation is cumulative and would carry over from Fiscal Year to 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 established pursuant to Section 4.03 hereof, nor does it preclude the Issuer from pledging in the future or covenanting to budget and appropriate in the future its Non-Ad Valorem Revenues, nor does it require the Issuer to levy and collect any particular Non-Ad Valorem Revenues, nor does it give the Holders of the Bonds a prior claim on the Non-Ad Valorem Revenues as opposed to claims of general creditors of the Issuer. The payment of the debt service of all of the Bonds issued hereunder shall be secured forthwith equally and ratably by a pledge of and a lien upon the Pledged Funds, as now or hereafter constituted. The Issuer does hereby irrevocably pledge such Pledged Funds to the payment of the principal of and interest on the Bonds issued pursuant to this Resolution, and the Issuer does hereby irrevocably agree to the deposit of Non-Ad Valorem Revenues into the Debt Service Fund at the times provided of the sums required to secure to the Holders of the Bonds issued hereunder, and the payment of the principal of and interest thereon when due. The Pledged Funds shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer.

Section 4.03 Funds and Accounts. The Issuer covenants and agrees to establish a separate fund to be known as the "City of St. Augustine Capital Improvement Refunding Revenue Bonds, Series 2017 Debt Service Fund" (the "Debt Service Fund"). The Issuer shall maintain in the Debt Service Fund three accounts: the "Interest Account," the "Principal Account," and the "Bond Amortization Account." Moneys in the aforementioned funds and accounts, until applied in accordance with the provisions hereof, shall be subject to a lien and charge in favor of the Owners and for the further security of the Owners.

Section 4.04 Flow of Funds.

(1) Pursuant to Section 4.02 hereof, Non-Ad Valorem Revenues shall be deposited or credited at least five (5) business days prior to the applicable due date, in the following manner:

(a) Interest Account. The Issuer shall deposit into or credit to the Interest Account the sum which, together with the balance in said Account, shall be equal to the interest on all Outstanding Bonds accrued and unpaid and to accrue on such Interest Date. Moneys in the Interest Account shall be used to pay interest on the Bonds as and when the same become due, whether by redemption or otherwise, and for no other purpose.



(b) Principal Account. The Issuer shall deposit into or credit to the Principal Account the sum which, together with the balance in said Account, shall equal the portion of the principal on the Outstanding Bonds next due. Moneys in the Principal Account shall be used to pay the principal of the Bonds as and when the same shall mature, and for no other purpose.

(c) Bond Amortization Account. The Issuer shall deposit into or credit to the Bond Amortization Account the sum which, together with the balance in said Account, shall equal the portion of the Amortization Installments of all Bonds Outstanding next due. Moneys in the Bond Amortization Account shall be used to purchase or redeem Term Bonds in the manner herein provided, and for no other purpose. Payments to the Bond Amortization Account shall be on a parity with payments to the Principal Account.

(2) On the date established for payment of any principal of or Redemption Price, if applicable, or interest on the Bonds, the Issuer shall withdraw from the appropriate account of the Debt Service Fund sufficient moneys to pay such principal or Redemption Price, if applicable, or interest and deposit such moneys with the Paying Agent for the Bonds to be paid.

Section 4.05 Investments. The Project Fund and the Debt Service Fund shall be continuously secured in the manner by which the deposit of public funds are authorized to be secured by the laws of the State. Moneys on deposit in the Debt Service Fund and Project Fund may be invested and reinvested in Permitted Investments maturing not later than the date on which the moneys therein will be needed. Any and all income received by the Issuer from the investment of moneys in the Debt Service Fund and Project Fund shall be retained in such respective Fund or Account unless otherwise required by applicable law.

Nothing contained in this Resolution shall prevent any Permitted Investments acquired as investments of or security for funds held under this Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

The value of Permitted Investments held hereunder shall be determined as follows:

(a) For the purpose of determining the amount in any Fund or Account hereunder, all Permitted Investments credited to such fund or account shall be valued at fair market value. The Issuer shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Citigroup Global Markets, Bear Stearns or Lehman Brothers.

(b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon.

Section 4.06. Separate Accounts. The moneys required to be accounted for in each of the foregoing Funds and Accounts established herein may be deposited in a single account, and

funds allocated to the various funds and accounts established herein may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the moneys on deposit therein and such investments for the various purposes of such Funds and Accounts as herein provided.

The designation and establishment of the various Funds and Accounts in and by this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues for certain purposes and to establish certain priorities for application of such revenues as herein provided.

**ARTICLE V**
**OTHER OBLIGATIONS AND COVENANTS OF ISSUER**

Section 5.01 Special Covenants and Financial Ratios. As a condition precedent to the issuance of any debt or the incurrence of any other obligations which are secured by and/or payable solely from Non-Ad Valorem Revenues, the Issuer agrees to deliver a certificate setting forth the calculations of the financial ratios provided below and certifying that it is in compliance with the following:

(i) the average of the Non-Ad Valorem Revenues for the two most recent Fiscal Years for which audited financial statements of the Issuer are available is equal to or greater than 2.0 times the projected maximum annual debt service on the proposed debt or obligations and the other debt and obligations secured by and/or payable solely from all or a portion of such Non-Ad Valorem Revenue to be outstanding following the issuance of the proposed debt or obligations; and

(ii) projected maximum annual debt service on the proposed debt or obligations and the other debt and obligations secured by and/or payable solely from such Non-Ad Valorem Revenues will not exceed 30% of the average of the Governmental Fund Revenues for the two most recent Fiscal Years for which audited financial statements of the Issuer are available.

For purposes of the covenants provided in this Section 5.01, "maximum annual debt service" shall mean the lesser of the actual maximum annual debt service on such debt and obligations, or 15% of the original par amount thereof. For the purpose of calculating maximum annual non-ad valorem debt service on any indebtedness which bears interest at a variable rate, such indebtedness shall be deemed to bear interest at the greater of (i) 1.25 times the most recently published Bond Buyer Revenue Bond 30 Year Index or (ii) 1.25 times actual average interest rate during the prior Fiscal Year of such Issuer.

Section 5.02 Books and Records. The Issuer shall keep proper books, records and accounts of the receipt of the Non-Ad Valorem Revenues in accordance with generally accepted accounting principles, and any Holder or Owners of Bonds shall have the right at all reasonable





times to inspect such books, records, accounts and data of the Issuer relating thereto. The Issuer shall, by April 30th following the close of the prior Fiscal Year of the Issuer, cause an audit of such books, records and accounts to be made by an independent firm of certified public accountants.

Copies of each such audit report shall be placed on file with the Issuer and be made available at reasonable times for inspection by Owners of the Bonds.

Section 5.03 Annual Audit. The Issuer shall, immediately after the close of each Fiscal Year, cause the financial statements of the Issuer to be properly audited by a recognized independent certified public accountant or recognized independent firm of certified public accountants, and shall require such accountants to complete their report on the annual financial statements in accordance with applicable law. Such annual financial statements shall contain, but not be limited to, a balance sheet, a statement of revenues, expenditures and changes in fund balance, and any other statements as required by law or accounting convention, and a report by such accountants disclosing any material default on the part of the Issuer of any covenant or agreement herein which is disclosed by the audit of the financial statements. The annual financial statements shall be prepared in conformity with generally accepted accounting principles. A copy of the audited financial statements for each Fiscal Year shall be furnished to any Holder of a Bond who shall have furnished such Holder's address to the City Comptroller and requested in writing that the same be furnished to such Holder. The Issuer shall be permitted to make a reasonable charge for furnishing such audited financial statements.

Section 5.04 No Impairment. The pledging of the Pledged Funds in the manner provided herein shall not be subject to repeal, modification or impairment by any subsequent ordinance, resolution or other proceedings of the City Commission of the Issuer.

Section 5.05 Tax Covenants.

(A) The Issuer covenants with the Holders of Bonds that it shall not use the proceeds of such Bonds in any manner which would cause the interest on such Bonds to be or become includable in the gross income of the Holder thereof for federal income tax purposes.

(B) The Issuer covenants with the Holders of Bonds that neither the Issuer nor any Person under its control or direction will make any use of the proceeds of such Bonds (or amounts deemed to be proceeds under the Code) in any manner which would cause such Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and neither the Issuer nor any other Person shall do any act or fail to do any act which would cause the interest on such Bonds to become includable in the gross income of the Holder thereof for federal income tax purposes.

(C) The Issuer hereby covenants with the Holders of Bonds that it will comply with all provisions of the Code necessary to maintain the exclusion of interest on such Bonds from the gross income of the Holder thereof for federal income tax purposes, including, in particular, the payment of any amount required to be rebated to the U.S. Treasury pursuant to the Code.

(D) There is hereby created and established a fund to be known as the "City of St. Augustine Capital Improvement Refunding Revenue Bonds, Series 2017 Rebate Fund," and a separate account therein for each Series of Bonds. The Issuer shall deposit into the appropriate account in the Rebate Fund, from investment earnings on moneys deposited in the other funds and accounts created hereunder, or from any other legally available funds of the Issuer, an amount equal to the Rebate Amount for such Rebate Year. The Issuer shall use such moneys deposited in the appropriate account in the Rebate Fund only for the payment of the Rebate Amount to the United States as required by this Section 5.05. In complying with the foregoing, the Issuer may rely upon any instructions or opinions from Bond Counsel.

If any amount shall remain in the Rebate Fund after payment in full of all Bonds issued hereunder and after payment in full of the Rebate Amount to the United States in accordance with the terms hereof, such amounts shall be available to the Issuer for any lawful purpose.

The Rebate Fund shall be held separate and apart from all other funds and accounts of the Issuer, shall not be impressed with a lien in favor of the Bondholders and the moneys therein shall be available for use only as herein provided.

## ARTICLE VI
## DEFAULTS AND REMEDIES

Section 6.01 Events of Default. The following events shall each constitute an "Event of Default:"

(1) Default shall be made in the payment of the principal of, Amortization Installment, redemption premium or interest on any Bond when due.

(2) There shall occur the dissolution or liquidation of the Issuer, or the filing by the Issuer of a voluntary petition in bankruptcy, or the commission by the Issuer of any act of bankruptcy, or adjudication of the Issuer as a bankrupt, or assignment by the Issuer for the benefit of its creditors, or appointment of a receiver for the Issuer, or the entry by the Issuer into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Issuer in any proceeding for its reorganization instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar act in any jurisdiction which may now be in effect or hereafter enacted.

(3) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in this Resolution on the part of the Issuer to be performed, and such default shall continue for a period of thirty (30) days after written notice of such default shall have been received from the Owners of not less than twenty-five percent (25%) of the aggregate principal amount of Bonds Outstanding. Notwithstanding the foregoing, the Issuer shall not be deemed in default hereunder if such default can be cured within a reasonable period of time and if the Issuer in good faith institutes curative action and diligently pursues such action until the default has been corrected.



Section 6.02 Remedies. Any Holder of Bonds issued under the provisions of this Resolution or any trustee or receiver acting for such Bondholders may either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights under the laws of the State, or granted and contained in this Resolution, and may enforce and compel the performance of all duties required by this Resolution or by any applicable statutes to be performed by the Issuer or by any officer thereof.

The Holder or Owners of Bonds in an aggregate principal amount of not less than twenty-five percent (25%) of the Bonds then Outstanding may by a duly executed certificate in writing appoint a trustee for Owners of Bonds issued pursuant to this Resolution with authority to represent such Bondholders in any legal proceedings for the enforcement and protection of the rights of such Bondholders and such certificate shall be executed by such Bondholders or their duly authorized attorneys or representatives, and shall be filed in the office of the City Clerk. Notice of such appointment, together with evidence of the requisite signatures of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding and the trust instrument under which the trustee shall have agreed to serve shall be filed with the Issuer and the trustee and notice of appointment shall be given to all Owners of Bonds in the same manner as notices of redemption are given hereunder. After the appointment of the first trust hereunder, no further trustees may be appointed; however, the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding may remove the trustee initially appointed and appoint a successor and subsequent successors at any time.

Section 6.03 Directions to Trustee as to Remedial Proceedings. The Owners of a majority in principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the trustee, to direct the method and place of conducting all remedial proceedings to be taken by the trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions hereof, and that the trustee shall have the right to decline to follow any such direction which in the opinion of the trustee would be unjustly prejudicial to Owners of Bonds not parties to such direction.

Section 6.04 Remedies Cumulative. No remedy herein conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 6.05 Waiver of Default. No delay or omission of any Bondholder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by Section 6.02 of this Resolution to the Bondholders may be exercised from time to time, and as often as may be deemed expedient.

Section 6.06 Application of Moneys After Default. If an Event of Default shall happen and shall not have been remedied, the Issuer or a trustee or receiver appointed for the purpose shall apply all Pledged Funds as follows and in the following order:

(1) To the payment of the reasonable and proper charges, expenses and liabilities of the trustee or receiver, Registrar and Paying Agent hereunder; and

(2) To the payment of the interest and principal or Redemption Price, if applicable, then due on the Bonds, as follows:

(A) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

FIRST: to the payment to the Persons entitled thereto of all installments of interest then due, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference;

SECOND: to the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of Section 8.01 of this Resolution), in the order of their due dates, with interest upon such Bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the Persons entitled thereto without any discrimination or preference; and

THIRD: to the payment of the Redemption Price of any Bonds called for optional redemption pursuant to the provisions of this Resolution.

(B) If the principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with interest thereon as aforesaid, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.





## ARTICLE VII
## SUPPLEMENTAL RESOLUTIONS

Section 7.01 Supplemental Resolutions without Bondholders' Consent. The Issuer, from time to time and at any time, may adopt such Supplemental Resolutions without the consent of the Bondholders (which Supplemental Resolutions shall thereafter form a part hereof) for any of the following purposes:

(1) To cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in this Resolution or to clarify any matters or questions arising hereunder.

(2) To grant to or confer upon the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders.

(3) To add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of this Resolution other conditions, limitations and restrictions thereafter to be observed.

(4) To add to the covenants and agreements of the Issuer in this Resolution other covenants and agreements thereafter to be observed by the Issuer or to surrender any right or power herein reserved to or conferred upon the Issuer.

(5) To specify and determine the matters and things referred to in Sections 2.01 or 2.02 hereof, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with this Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first delivery of such Bonds.

(6) To make any other change that, in the opinion of the Issuer, would not materially adversely affect the security for the Bonds.

Section 7.02 Supplemental Resolutions with Bondholders' Consent. Subject to the terms and provisions contained in this Section 7.02 and Section 7.01 hereof, the Holder or Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in this Resolution to the contrary notwithstanding, to consent to and approve the adoption of such Supplemental Resolution or resolutions hereto as shall be deemed necessary or desirable by the Issuer for the purpose of supplementing, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Resolution. No Supplemental Resolution may be approved or adopted which shall permit or require (A) an extension of the maturity of the principal of or the payment of the interest on any Bond issued hereunder, (B) reduction in the principal amount of any Bond or the Redemption Price or the rate of interest thereon, (C) the creation of a lien upon or a pledge of other than the lien and pledge created by this Resolution which adversely affects any Bondholders, (D) a preference or priority of any

Bond or Bonds over any other Bond or Bonds, or (E) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Resolution. Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders of the adoption of any Supplemental Resolution as authorized in Section 7.01 hereof.

If, at any time the Issuer shall determine that it is necessary or desirable to adopt any Supplemental Resolution pursuant to this Section 7.02, the City Clerk shall cause the Registrar to give notice of the proposed adoption of such Supplemental Resolution and the form of consent to such adoption to be mailed, postage prepaid, to all Bondholders at their addresses as they appear on the registration books. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the offices of the City Clerk and the Registrar for inspection by all Bondholders. The Issuer shall not, however, be subject to any liability to any Bondholder by reason of its failure to cause the notice required by this Section 7.02 to be mailed and any such failure shall not affect the validity of such Supplemental Resolution when consented to and approved as provided in this Section 7.02.

Whenever the Issuer shall deliver to the City Clerk an instrument or instruments in writing purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Resolution described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Issuer may adopt such Supplemental Resolution in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

If the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the adoption of such Supplemental Resolution shall have consented to and approved the adoption thereof as herein provided, no Holder of any Bond shall have any right to object to the adoption of such Supplemental Resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Issuer from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the adoption of any Supplemental Resolution pursuant to the provisions of this Section 7.02, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution of the Issuer and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of this Resolution as so modified and amended.





## ARTICLE VIII
## MISCELLANEOUS

Section 8.01 Defeasance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid to the Owners of all Bonds, the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of the Pledged Funds, and all covenants, agreements and other obligations of the Issuer to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Paying Agents shall pay over or deliver to the Issuer all money or securities held by them pursuant to this Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Any Bonds or interest installments appertaining thereto, whether at or prior to the maturity or redemption date of such Bonds, shall be deemed to have been paid within the meaning of this Section 8.01 if (A) in case any such Bonds are to be redeemed prior to the maturity thereof, there shall have been taken all action necessary to call such Bonds for redemption and notice of such redemption shall have been duly given or provision shall have been made for the giving of such notice, and (B) there shall have been deposited in irrevocable trust with a banking institution or trust company by or on behalf of the Issuer either moneys in an amount which shall be sufficient, or Federal Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with such bank or trust company at the same time shall be sufficient, to pay the principal of or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be. Except as hereafter provided, neither the Federal Securities nor any moneys so deposited with such bank or trust company nor any moneys received by such bank or trust company on account of principal of or Redemption Price, if applicable, or interest on said Federal Securities shall be withdrawn or used for any purpose other than, and all such moneys shall be held in trust for and be applied to, the payment, when due, of the principal of or Redemption Price, if applicable, of the Bonds for the payment or redemption of which they were deposited and the interest accruing thereon to the date of maturity or redemption; provided, however, the Issuer may substitute new Federal Securities and moneys for the deposited Federal Securities and moneys if the new Federal Securities and moneys are sufficient to pay the principal of or Redemption Price, if applicable, and interest on the refunded Bonds.

In the event the Bonds for which moneys are to be deposited for the payment thereof in accordance with this Section 8.01 are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall cause the Registrar to mail a notice to the Owners of such Bonds that the deposit required by this Section 8.01 of moneys or Federal Securities has been made and said Bonds are deemed to be paid in accordance with the provisions of this Section 8.01 and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of or Redemption Price, if applicable, and interest on said Bonds.

Nothing herein shall be deemed to require the Issuer to call any of the Outstanding Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Issuer in determining whether to exercise any such option for early redemption.

Section 8.02 Sale of Bonds. The Bonds shall be issued and sold at public or private sale at one time or in installments from time to time and at such price or prices as shall be consistent with the provisions of the Act, the requirements of this Resolution and other applicable provisions of law and as shall be approved by Supplemental Resolution of the Issuer.

Section 8.03 General Authority. The members of the City Commission of the Issuer, the City Manager, the City Attorney, the City Comptroller and all other of the Issuer's officers, attorneys and other agents and employees are hereby authorized to perform all acts and things required of them by this Resolution or any Supplemental Resolution or desirable or consistent with the requirements hereof for the full, punctual and complete performance of all of the terms, covenants and agreements contained in the Bonds, this Resolution, and any Supplemental Resolution, and they are hereby authorized to execute and deliver all documents which shall be required by Bond Counsel or the initial purchasers of the Bonds to effectuate the sale of the Bonds to said initial purchasers.

Section 8.04 No Personal Liability. Neither the members of the City Commission of the Issuer nor any person executing the Bonds shall be personally liable therefor or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 8.05 Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions of this Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Bonds issued hereunder.

Section 8.06 Repeal of Inconsistent Resolutions. All resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

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Section 8.07 Effective Date. This Resolution shall become effective immediately upon its adoption.

ADOPTED this 13th day of November, 2017.

_____
Mayor-Commissioner

ATTEST:

_____
City Clerk

Approved as to Form and Correctness:

_____
City Attorney

RESOLUTION NO. 2017-53

A RESOLUTION OF THE CITY COMMISSON OF THE CITY OF ST. AUGUSTINE, FLORIDA SUPPLEMENTING A RESOLUTION ADOPTED ON EVEN DATE HEREWITH; AUTHORIZING AND APPROVING THE NEGOTIATED SALE OF NOT TO EXCEED $24,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF ST. AUGUSTINE, FLORIDA CAPITAL IMPROVEMENT REFUNDING REVENUE BONDS, SERIES 2017; AUTHORIZING THE SALE THEREOF TO RBC CAPITAL MARKETS, LLC SUBJECT TO THE TERMS AND CONDITIONS CONTAINED HEREIN; APPOINTING THE PAYING AGENT AND REGISTRAR; APPROVING THE FORM AND AUTHORIZING THE EXECUTION OF AN ESCROW DEPOSIT AGREEMENT; APPOINTING THE ESCROW HOLDER; PROVIDING CERTAIN OTHER MATTERS RELATING TO THE BONDS; PROVIDING FOR CONFLICTS; PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, the City Commission (the "City Commission") of the City of St. Augustine, Florida (the "Issuer") adopted a resolution on even date herewith, as supplemented hereby (collectively, the "Resolution"); and

WHEREAS, all capitalized undefined terms used herein shall have the meanings ascribed thereto in the Resolution; and

WHEREAS, by the Resolution, the Issuer authorized the issuance of (a) not to exceed $24,000,000 in aggregate principal amount of the City of St. Augustine, Florida Capital Improvement Refunding Revenue Bonds, Series 2017 (the "Bonds") to (i) refund, on a current basis, all or a portion of the Issuer's outstanding Capital Improvement and Refunding Revenue Bonds, Series 2004 (the “Refunded Series 2004 Bonds”), (ii) refund, on an advanced basis, all or a portion of the Issuer's outstanding Capital Improvement Revenue Bonds, Series 2011 (the “Refunded Series 2011 Bonds”) (the Refunded Series 2004 Bonds together with the Refunded Series 2011 Bonds, the "Refunded Bonds"), (iii) finance and/or reimburse the costs of the Project, and (iv) pay certain costs of issuance incurred with respect thereto; and

WHEREAS, the Issuer now desires to supplement the Resolution to authorize the sale of the Bonds on a negotiated basis to RBC Capital Markets, LLC (the "Underwriter") based on satisfaction of the terms and conditions contained herein; and

WHEREAS, due to the willingness of the Underwriter to purchase the Bonds at interest rates favorable to the Issuer, the complicated nature of transactions of this type, and the critical importance of timing of the sale of the Bonds, it is hereby determined that it is in the best interest of the public and the Issuer to sell the Bonds at a negotiated sale upon meeting the

terms and conditions contained herein and in the Purchase Contract attached hereto as Exhibit "A" (the " Purchase Contract"); and

WHEREAS, the Issuer expects to receive an offer from the Underwriter to purchase the Bonds, subject to the terms and conditions contained in the Resolution, herein and set forth in the Purchase Contract; and

WHEREAS, the Issuer desires to sell its Bonds subject to the terms and conditions contained in the Resolution, herein and set forth in the Purchase Contract, and authorize execution and distribution of the Official Statement in connection with the issuance of the Bonds; and

WHEREAS, prior to the execution of the Purchase Contract the Issuer will be provided all applicable disclosure information required by Section 218.385, Florida Statutes, a copy of which will be attached to or otherwise included as part of the Purchase Contract; and

WHEREAS, this Resolution shall constitute a Supplemental Resolution under the terms of the Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF CITY OF ST. AUGUSTINE, FLORIDA:

SECTION 1. Due to the willingness of the Underwriter to purchase not to exceed $24,000,000 in aggregate principal amount of the Bonds at interest costs favorable to the Issuer, the complicated nature of transactions of this type, and the critical importance of timing of the sale of the Bonds, it is hereby determined that it is in the best interest of the public and the Issuer to sell the Bonds at a negotiated sale (rather than through a competitive bid) and such sale to the Underwriter (pursuant to the terms and conditions contained in the Resolution, herein and in the Purchase Contract) is hereby authorized and approved.

SECTION 2. Subject to the terms and conditions of Section 3 hereof, the Bonds may be sold in a negotiated sale to the Underwriter upon the terms and conditions set forth in the Resolution, herein and in the Purchase Contract, in substantially the form attached hereto as Exhibit "A" (with such changes and filling of blanks as shall be approved by the Mayor-Commissioner) and incorporated by reference. The form of the Purchase Contract is hereby approved by the Issuer (such approval indicating the recognition of the Issuer that the conditions precedent in the Purchase Contract and Section 3 hereof will be met prior to the delivery of the Bonds). Upon satisfaction of the conditions contained in the Resolution, Section 3 hereof and the Purchase Contract, the Issuer hereby authorizes the Mayor-Commissioner to execute and deliver the Purchase Contract in the name of and on behalf of the Issuer, such signature to be attested by the City Clerk, and the form and correctness of which Purchase Contract to be approved by the City Attorney. All of the provisions of the Purchase Contract, when executed and delivered by the Issuer as authorized herein shall be deemed to be part of this instrument as fully and to the same extent as if incorporated verbatim herein. The





execution and delivery of the Purchase Contract shall constitute conclusive evidence of the approval thereof.

SECTION 3. (I) The Issuer hereby delegates to the Mayor-Commissioner the authority (a) to determine (i) the dated date, (ii) the maturity dates and amounts, (iii) the interest rates and payment dates, (iv) the redemption features, (v) the Amortization Installments for the Term Bonds, if any, (vi) the delivery date, and (vii) all other details of the Bonds; (b) to take such further action as shall be required for carrying out the purposes of the Resolution and this Resolution all with respect to the Bonds; and (c) to execute and deliver, on behalf of the Issuer, the Purchase Contract as provided in Section 2 above; provided, however, that the Mayor-Commissioner shall not take any action pursuant to this Section 3 unless the Mayor-Commissioner shall have received from the Underwriter such information as the Mayor-Commissioner shall deem necessary in order to demonstrate that (i) the par amount of the Bonds is not in excess of $24,000,000, (ii) the true interest cost rate of the Bonds is not in excess of 5.0%, (iii) the final maturity of the Bonds is not later than October 1, 2041, (iv) the underwriting discount is not greater than 0.5% of the original principal amount of the Bonds, and (v) the net present value debt service savings is not less than 5.0% of the principal amount of the Refunded Bonds.

(II) All actions of the Mayor-Commissioner taken pursuant to the authority contained in Section 3(I) shall be evidenced by the Purchase Contract. The execution of the Purchase Contract shall constitute complete evidence of the actions of the Mayor-Commissioner in accordance with this Section and shall constitute official action of the Issuer.

SECTION 4. The Bonds shall be issued under and secured by the Resolution and shall be executed and delivered in the manner as set forth in the Resolution, with such additional changes and insertions therein as conform to the provisions of the Purchase Contract, and such execution and delivery shall be conclusive evidence of the approval thereof by such officers.

SECTION 5. The members of the City Commission and the Issuer's officers, attorneys and other agents and employees are hereby authorized and directed to execute any and all certifications or other instruments or documents required by the Resolution, the Purchase Contract or any other document referred to above as a prerequisite or precondition to the issuance of the Bonds and any such representation made therein shall be deemed to be made on behalf of the Issuer. All action taken to date by the officers of the Issuer in furtherance of the issuance of the Bonds is hereby approved, confirmed and ratified.

SECTION 6. Wells Fargo Bank, National Association is hereby appointed as Paying Agent and Registrar with respect to the Bonds. The Mayor-Commissioner is hereby authorized to execute an agreement with Wells Fargo Bank, National Association to act as Paying Agent and Registrar, the form of which shall be approved by the City Attorney.

SECTION 7. Wells Fargo Bank, National Association is hereby appointed as Escrow Holder with respect to the Refunded Bonds. The Issuer hereby approves the Escrow Deposit

Agreement as set forth in the form attached hereto as Exhibit D (the "Escrow Agreement"). The Escrow Agreement shall be executed in the name of the Issuer by the Mayor-Commissioner, such signature to be attested to by the City Clerk, the official seal of the Issuer to be imprinted thereon, and shall be approved as to form and correctness by the City Attorney, with such additional changes and insertions therein as are subsequently approved, and such execution and delivery shall be conclusive evidence of the approval thereof by such officers.

Subject to the execution and delivery of the Bonds to refund the Refunded Bonds, there is hereby authorized a deposit of proceeds of the which, together with other legally available funds of the Issuer, if any, and investment earnings thereon, if any, is equal to the principal of and interest and redemption premium, if any, on the Refunded Bonds when due in accordance with the schedules to be attached to the Escrow Agreement to pay principal and interest on the Refunded Bonds and to pay applicable call premiums and any costs with respect thereto.

Subject to the execution and delivery of the Bonds for the purpose of refunding the Refunded Bonds, the Issuer hereby irrevocably calls:

(i) the callable Refunded Series 2004 Bonds for redemption within 90 days of the issue date of the Bonds, such date to be determined by the Mayor-Commissioner in the Escrow Agreement, at a redemption price of 100% of the principal amount of such Refunded Series 2004 Bonds to be redeemed, plus accrued interest thereon to the redemption date. Not before issuance of the Bonds and not less than thirty (30) days prior to such redemption date, the Issuer hereby directs U.S. Bank National Association, the Paying Agent for the Refunded Series 2004 Bonds (the "2004 Paying Agent"), to mail a notice of the redemption of the callable Refunded Series 2004 Bonds to each holder thereof in accordance with the requirements of Section 3.03 of Resolution No. 2004-17 adopted by the City Commission on August 23, 2004, as amended, in the form to be prepared by Bond Counsel. Furthermore, upon issuance of the Bonds for the purposes of refunding the Refunded Series 2004 Bonds, the Issuer hereby directs the 2004 Paying Agent to mail a notice of defeasance to each holder of the Refunded Series 2004 Bonds in the form to be prepared by Bond Counsel; and

(ii) the callable Refunded Series 2011 Bonds for redemption on October 1, 2021, or such other date as determined by the Mayor-Commissioner in the Escrow Agreement, at a redemption price of 100% of the principal amount of such Refunded Series 2011 Bonds to be redeemed, plus accrued interest thereon to the redemption date. Not less than thirty (30) days prior to such redemption date, the Issuer hereby directs Wells Fargo Bank, National Association, the Paying Agent for the Refunded Series 2011 Bonds (the "2011 Paying Agent"), to mail a notice of the redemption of the callable Refunded Series 2011 Bonds to each holder thereof in accordance with the requirements of Section 3.03 of Resolution No. 2011-05 adopted by the City Commission on February 28, 2011, as supplemented, in the form to be prepared by Bond Counsel. Furthermore, upon issuance of the Bonds for the purposes of refunding the Refunded Series 2011 Bonds, the Issuer hereby directs the 2011 Paying Agent to mail a notice of defeasance to each holder of the Refunded Series 2011 Bonds in the form to be prepared by Bond Counsel.





Unless the Financial Advisor recommends that funds should be held uninvested, the Issuer may invest certain proceeds of the Bonds, together with other legally available funds, in U.S. Treasury Obligations—State and Local Government Series for deposit pursuant to the Escrow Agreement, to the extent possible. If more financially advisable, the Issuer may cause the Escrow Holder to purchase, on behalf of and for the benefit of the Issuer, certain direct and general obligations of the United States of America, or those obligations which are unconditionally guaranteed as to the timely payment of principal and interest by the same, in a manner which Bryant Miller Olive P.A., as Bond Counsel determines is required by applicable federal tax law, which may include the necessity that a competitive bidding process be utilized. If a competitive bidding process is required, PFM Asset Management, LLC is hereby authorized to conduct such process for a bidding agent fee in accordance with a separate letter agreement. Such fee is separate and apart from the fees and expenses charged by the Financial Advisor pursuant to its existing services contract with the Issuer. The Issuer authorizes Bond Counsel, the Financial Advisor, the Escrow Holder, Mayor-Commissioner, the City Manager, the City Attorney, the City Comptroller and all other of the Issuer's officers, attorneys, to do all things and take any actions which are necessary to accomplish the foregoing, including without limitation the execution and delivery or consents or approvals.

SECTION 8. The Issuer hereby covenants and agrees that, in order to assist the Underwriter in complying with the continuing disclosure requirements of Rule 15c2-12 of the Securities and Exchange Commission with respect to the Bonds, it will comply with and carry out all of the provisions of the Disclosure Dissemination Agent Agreement to be executed by the Issuer prior to the time the Issuer delivers the Bonds to the Underwriter, as it may be amended from time to time in accordance with the terms thereof. The form of the Disclosure Dissemination Agent Agreement, attached hereto as Exhibit "B", is hereby approved and ratified, and the Issuer hereby authorizes the Mayor-Commissioner to execute and deliver said Disclosure Dissemination Agent Agreement in the name of and on behalf of the Issuer, such signature to be attested by the City Clerk and the form and correctness of which Disclosure Dissemination Agent Agreement to be approved by the City Attorney. Notwithstanding any other provision of this Resolution, failure of the Issuer to comply with such Disclosure Dissemination Agent Agreement shall not be considered an Event of Default under the Resolution. However, the Disclosure Dissemination Agent Agreement shall be enforceable by the Bondholders in the event that the Issuer fails to cure a breach thereunder within a reasonable time after written notice from a Bondholder to the Issuer that a breach exists. Any rights of the Bondholders to enforce the provisions of the covenant shall be on behalf of all Bondholders and shall be limited to a right to obtain specific performance of the Issuer's obligations thereunder.

SECTION 9. The Issuer hereby ratifies and approves the form of the Preliminary Official Statement attached hereto as Exhibit "C". The Issuer hereby authorizes execution by the Mayor-Commissioner and City Manager of the Issuer, and the delivery of, a final Official Statement which incorporates the terms and provisions set forth in the Purchase Contract.

SECTION 10. All prior resolutions of the Issuer inconsistent with the provisions of this Resolution are hereby supplemented to conform with the provisions herein contained and, except as may otherwise supplemented hereby, the Resolution shall remain in full force and effect.

SECTION 11. If any one or more of the covenants, agreements or provisions of this Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Bonds issued hereunder.

SECTION 12. Except as may be expressly described herein or in the Resolution, nothing in the Resolution, this Resolution or in the Bonds, expressed or implied, is intended or shall be construed to confer upon anyone of another entity other than the Issuer and the Bondholders any right, remedy or claim, legal or equitable, under and by reason of the Resolution or any provision thereof, or of the Bonds, all provisions hereof and thereof being intended to be and being for the sole and exclusive benefit of the Issuer and the Bondholders from time to time.

SECTION 13. Neither the members of the City Commission nor any person executing the Bonds shall be personally liable therefor or be subject to any personal liability or accountability by reason of the issuance thereof.

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SECTION 14. This Resolution shall become effective immediately upon its adoption.

ADOPTED this 13th day of November, 2017.

CITY OF ST. AUGUSTINE, FLORIDA

_____

Mayor-Commissioner

ATTEST:

_____

City Clerk

Approved as to Form and Correctness:

_____

City Attorney

EXHIBITS INTENTIONALLY OMITTED

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# APPENDIX D

# FORM OF BOND COUNSEL OPINION

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## APPENDIX D

## FORM OF BOND COUNSEL OPINION

December 14, 2017

City Commission
City of St. Augustine
St. Augustine, Florida

Re: $18,395,000 City of St. Augustine, Florida
Capital Improvement Refunding Revenue Bonds, Series 2017

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of St. Augustine, Florida (the "Issuer") in connection with the issuance by the Issuer of its $18,395,000 Capital Improvement Refunding Revenue Bonds, Series 2017 (the "2017 Bonds") pursuant to and under the authority of the Constitution and laws of the State of Florida, including, particularly, Chapter 11148, Laws of Florida, Special Acts of 1925, as amended; Chapter 166, Part II, Florida Statutes; and other applicable provisions of law (collectively, the "Act"); and pursuant to Resolution No. 2017-52 adopted by the City Commission of the City of St. Augustine, Florida (the "Commission") on November 13, 2017, as amended and supplemented from time to time (collectively, the "Bond Resolution"). In such capacity, we have examined such law and certified proceedings, certifications and other documents as we have deemed necessary to render this opinion. Any capitalized undefined terms used herein shall have the meaning set forth in the Bond Resolution.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the Bond Resolution and in the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation. We have not undertaken an independent audit, examination, investigation or inspection of such matters and have relied solely on the facts, estimates and circumstances described in such proceedings and certifications. We have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

In rendering this opinion, we have examined and relied upon the opinion of even date herewith of Isabelle C. Lopez, Esq., Issuer's Counsel, as to the due creation and valid existence of the Issuer, the due adoption of the Bond Resolution, the due execution and delivery of the 2017 Bonds and the compliance by the Issuer with all conditions contained in ordinances and resolutions of the Issuer precedent to the issuance of the 2017 Bonds.

The 2017 Bonds are payable from the Pledged Funds, which consist primarily of Non-Ad Valorem Revenues budgeted, appropriated, and deposited as provided in the Bond Resolution. The Issuer has covenanted and has agreed to appropriate in its annual budget, by amendment if necessary, for each Fiscal Year, sufficient amount of Non-Ad Valorem Revenues for payment of principal of and interest on the 2017 Bonds, and to make certain other payments required by the Bond Resolution, subject to the limitations described in the Bond Resolution.

The 2017 Bonds do not constitute a general obligation or indebtedness of the Issuer within the meaning of any constitutional, statutory or other limitation of indebtedness and the holders thereof shall never have the right to compel the exercise of any ad valorem taxing power of the Issuer or taxation in any form on any real or personal property for the payment of the principal of or interest on the 2017 Bonds.

The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the federal income tax laws of the United States of America.

Based on our examination, we are of the opinion that, under existing law:

1. The Bond Resolution constitutes a valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its terms.

2. The 2017 Bonds are valid and binding limited obligations of the Issuer enforceable in accordance with their terms, payable solely from the Pledged Funds in the manner and to the extent provided in the Bond Resolution.

3. The Bond Resolution creates a valid lien upon the Pledged Funds for the security of the 2017 Bonds, all in the manner and to the extent provided in the Bond Resolution.

4. Interest on the 2017 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the 2017 Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. The opinions set forth in the preceding two sentences are subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the 2017 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted in the Bond Resolution to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the 2017 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2017 Bonds.

It is to be understood that the rights of the owners of the 2017 Bonds and the enforceability thereof may be subject to the exercise of judicial discretion in accordance with general principles of equity, to the valid exercise of the sovereign police powers of the State of

Florida and of the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

For purposes of this opinion, we have not been engaged or undertaken to review and, therefore, express no opinion herein regarding the accuracy, completeness or adequacy of the Official Statement or any other offering material relating to the 2017 Bonds. This opinion should not be construed as offering material, an offering circular, prospectus or official statement and is not intended in any way to be a disclosure statement used in connection with the sale or delivery of the 2017 Bonds. Furthermore, we are not passing on the accuracy or sufficiency of any CUSIP numbers appearing on the 2017 Bonds. In addition, we have not been engaged to and, therefore, express no opinion as to compliance by the Issuer or the underwriter or underwriters with any federal or state statute, regulation or ruling with respect to the sale and distribution of the 2017 Bonds or regarding the perfection or priority of the lien on the Pledged Funds created by the Bond Resolution. Further, we express no opinion regarding federal income or state tax consequences arising with respect to the 2017 Bonds other than as expressly set forth herein.

Our opinions expressed herein are predicated upon present law, facts and circumstances, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after the date hereof.

Respectfully submitted,

BRYANT MILLER OLIVE P.A.

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# APPENDIX E

## FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

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**DISCLOSURE DISSEMINATION AGENT AGREEMENT**

This Disclosure Dissemination Agent Agreement (the "Disclosure Agreement"), dated as of December 14, 2017, is executed and delivered by the City of St. Augustine, Florida (the "Issuer") and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent" or "DAC") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to assist the Issuer in processing certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer through use of the DAC system and do not constitute "advice" within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary. DAC is not a "Municipal Advisor" as such term is defined in Section 15B of the Securities Exchange Act of 1934, as amended, and related rules.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f) hereof, by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Annual Report" means an Annual Report containing Annual Financial Information described in and consistent with Section 3 of this Disclosure Agreement.

"Audited Financial Statements" means the annual financial statements of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i)(B) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor

Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

"Disclosure Representative" means the Director, Financial Services Department, of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Failure to File Event" means the Issuer's failure to file an Annual Report on or before the Annual Filing Date.

"Force Majeure Event" means: (i) acts of God, war, or terrorist action; (ii) failure or shutdown of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

"Holder" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"Information" means, collectively, the Annual Reports, the Audited Financial Statements, the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

"MSRB" means the Municipal Securities Rulemaking Board, or any successor thereto, established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Notice Event" means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

"Obligated Person" means any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

"Official Statement" means that Official Statement prepared by the Issuer in connection with the Bonds, as listed on Exhibit A.

"Voluntary Event Disclosure" means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement.

"Voluntary Financial Disclosure" means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report to the Disclosure Dissemination Agent not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than March 30 after the end of each fiscal year of the Issuer, commencing with the fiscal year ending September 30, 2017. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent to immediately send a Failure to File Event notice to the MSRB in substantially the form attached as Exhibit B, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report by 10:00 a.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a Failure to File Event notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide at such time an electronic copy to the Disclosure Dissemination Agent for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) hereof with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) hereof with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) hereof with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 4(a) or 4(b)(ii) hereof (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

1. "Principal and interest payment delinquencies;"

2. "Non-Payment related defaults, if material;"

3. "Unscheduled draws on debt service reserves reflecting financial difficulties;"

4. "Unscheduled draws on credit enhancements reflecting financial difficulties;"

5. "Substitution of credit or liquidity providers, or their failure to perform;"

6. "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"

7. "Modifications to rights of securities holders, if material;"

8. "Bond calls, if material;"

9. "Defeasances;"

10. "Release, substitution, or sale of property securing repayment of the securities, if material;"

11. "Rating changes;"

12. "Tender offers;"

13. "Bankruptcy, insolvency, receivership or similar event of the obligated person;"

14. "Merger, consolidation, or acquisition of the obligated person, if material;" and

15. "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) hereof with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. "amendment to continuing disclosure undertaking;"

2. "change in obligated person;"

3. "notice to investors pursuant to bond documents;"

4. "certain communications from the Internal Revenue Service" other than those communications included in the Rule;

5. "secondary market purchases;"

6. "bid for auction rate or other securities;"

7. "capital or other financing plan;"

8. "litigation/enforcement action;"

9. "change of tender agent, remarketing agent, or other on-going party;"

10. "derivative or other similar transaction;" and

11. "other event-based disclosures."

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) hereof with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. "quarterly/monthly financial information;"

2. "timing of annual disclosure;"

3. "change in fiscal year/timing of annual disclosure;"

4. "change in accounting standard;"

5. "interim/additional financial information/operating data;"

6. "budget;"

7. "investment/debt/financial policy;"

8. "information provided to rating agency, credit/liquidity provider or other third party;"

9. "consultant reports;" and

10. "other financial/operating data."

(viii) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Anything in this Disclosure Agreement to the contrary notwithstanding, any Information received by the Disclosure Dissemination Agent before 10:00 a.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports. (a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement in the tables entitled:

1. "Historical Non-Ad Valorem Revenues;"

2. "Debt Service Schedule for Non-Ad Valorem Revenue Obligations;"

3. "General Fund Revenues and Expenses;" and

4. "Direct Debt of the City."

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles ("GAAP"), as modified by applicable State of Florida requirements and the governmental accounting standards promulgated by the Governmental Accounting Standards Board will be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with GAAP, as modified by applicable State of Florida requirements and the governmental accounting standards promulgated by the Governmental Accounting Standards Board will be included in the Annual Report. In such event, Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an "obligated person" (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

If the Annual Financial Information contains modified operating data or financial information different from the Annual Financial Information agreed to in the continuing disclosure undertaking related to the Bonds, the Issuer is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events. (a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed

Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

7. Modifications to rights of Bond holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

    **Note to subsection (a)(12) of this Section 4:** For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer shall, in a timely manner not later than nine (9) business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the

occurrence pursuant to subsection (c). Such notice shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth (10th) business day after the occurrence of the Notice Event, if the Issuer determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that either (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4. Such instruction shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2 (e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. The Issuer will provide the Dissemination Agent with the CUSIP numbers for (i) new certificates at such time as they are issued or become subject to the Rule, and (ii) any Bonds to which new CUSIP numbers are assigned in substitution for the CUSIP numbers previously assigned to such Bonds.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time. Such instruction shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time. Such instruction shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(b) hereof to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that the Issuer is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with

respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty (30) days written notice to the Disclosure Dissemination Agent, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable to the Disclosure Dissemination Agent until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than twenty (20) days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within ten (10) days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Disclosure Dissemination Agent, the underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Disclosure Dissemination Agent and the Issuer have caused this Disclosure Dissemination Agent Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Disclosure Dissemination Agent

By: _____
Name: Diana O'Brien
Title: Vice President

CITY OF ST. AUGUSTINE, FLORIDA, as Issuer

By: _____
Name: Nancy Shaver
Title: Mayor-Commissioner

(SEAL)

ATTEST:

By: _____
Name: Darlene H. Galambos
Title: City Clerk

APPROVED AS TO FORM AND LEGAL CORRECTNESS:

By: _____
Name: Isabelle C. Lopez
Title: City Attorney

**EXHIBIT A**
**NAME AND CUSIP NUMBERS OF CERTIFICATES**

Name of Issuer: City of St. Augustine, Florida

Obligated Person(s): City of St. Augustine, Florida

Name of Bond Issue: Capital Improvement Refunding Revenue Bonds, Series 2017

Date of Issuance: December 14, 2017

Date of Official Statement: December 1, 2017

$1,185,000 Serial Bonds

| Maturity (October 1) | Amount | Interest Rate | Initial CUSIP Numbers |
|---|---|---|---|
| 2018 | $125,000 | 2.000% | 787350 CE5 |
| 2019 | 160,000 | 4.000 | 787350 CF2 |
| 2020 | 165,000 | 4.000 | 787350 CG0 |
| 2021 | 175,000 | 4.000 | 787350 CH8 |
| 2022 | 180,000 | 4.000 | 787350 CJ4 |
| 2023 | 185,000 | 4.000 | 787350 CK1 |
| 2024 | 195,000 | 4.000 | 787350 CL9 |

$1,090,000 – 5.000% Term Series 2017 Bonds due October 1, 2030 –
Initial CUSIP Number 787350 CM7

$6,290,000 – 5.000% Term Series 2017 Bonds due October 1, 2037 –
Initial CUSIP Number 787350 CN5

$9,830,000 – 5.000% Term Series 2017 Bonds due October 1, 2041 –
Initial CUSIP Number 787350 CP0

**EXHIBIT B**
**NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

| | |
|---|---|
| Name of Issuer: | City of St. Augustine, Florida |
| Obligated Person: | City of St. Augustine, Florida |
| Name(s) of Bond Issue(s): | Capital Improvement Refunding Revenue Bonds, Series 2017 |
| Date(s) of Issuance: | December 14, 2017 |
| Date(s) of Disclosure Agreement: | December 14, 2017 |
| CUSIP Number: | |

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual report with respect to the above-named Bonds as required by the Disclosure Agreement between the Issuer and Digital Assurance Certificate, L.L.C., as Disclosure Dissemination Agent. [The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.]

Dated: _____

DIGITAL ASSURANCE CERTIFICATION,
L.L.C., as Disclosure Dissemination Agent, on
behalf of the Issuer

_____

cc:

**EXHIBIT C-1**
**EVENT NOTICE COVER SHEET**

This cover sheet and accompanying "event notice" may be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name: City of St. Augustine, Florida

Issuer's Six-Digit CUSIP Number:

_____

_____

Or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

_____

Number of pages attached: _____

_____ Description of Notice Events (Check One):

1. _____ Principal and interest payment delinquencies;
2. _____ Non-payment related defaults, if material;
3. _____ Unscheduled draws on debt service reserves reflecting financial difficulties;
4. _____ Unscheduled draws on credit enhancements reflecting financial difficulties;
5. _____ Substitution of credit or liquidity providers, or their failure to perform;
6. _____ Adverse tax opinions, IRS notices or events affecting the tax status of the security;
7. _____ Modifications to rights of securities holders, if material;
8. _____ Bond calls, if material;
9. _____ Defeasances;
10. _____ Release, substitution, or sale of property securing repayment of the securities, if material;
11. _____ Rating changes;
12. _____ Tender offers;
13. _____ Bankruptcy, insolvency, receivership or similar event of the obligated person;
14. _____ Merger, consolidation, or acquisition of the obligated person, if material; and
15. _____ Appointment of a successor or additional trustee or the change of name of a trustee, if material.

_____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

_____

Name: _____ Tile: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: _____

**EXHIBIT C-2**
**VOLUNTARY EVENT DISCLOSURE COVER SHEET**

This cover sheet and accompanying "voluntary event disclosure" may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of December 14, 2017, between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name: City of St. Augustine, Florida

Issuer's Six-Digit CUSIP Number:
_____
_____

Or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:
_____

Number of pages attached: _____

_____ Description of Voluntary Event Disclosure (Check One):

1. _____ Amendment to continuing disclosure undertaking;
2. _____ Change in obligated person;
3. _____ Notice to investors pursuant to bond documents;
4. _____ Certain communications from the Internal Revenue Service;
5. _____ Secondary market purchases;
6. _____ Bid for auction rate or other securities;
7. _____ Capital or other financing plan;
8. _____ Litigation/enforcement action;
9. _____ Change of tender agent, remarketing agent, or other on-going party;
10. _____ Derivative or other similar transaction; and
11. _____ Other Event-based disclosures.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:
_____
Name: _____ Tile: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: _____

**EXHIBIT C-3**
**VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET**

This cover sheet and accompanying "voluntary financial disclosure" may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of December 14, 2017, between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name: City of St. Augustine, Florida

Issuer's Six-Digit CUSIP Number:
_____
_____

Or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:
_____

Number of pages attached: _____

_____ Description of Voluntary Financial Disclosure (Check One):

1. _____ Quarterly/monthly financial information;
2. _____ Change in fiscal year/timing of annual disclosure;
3. _____ Change in accounting standard;
4. _____ Interim/additional financial information/operating data;
5. _____ Budget;
6. _____ Investment/debt/financial policy;
7. _____ Information provided to rating agency, credit/liquidity provider or other third party;
8. _____ Consultant reports; and
9. _____ Other financial/operating data.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:
_____
Name: _____ Tile: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: _____

CITY OF ST. AUGUSTINE, FLORIDA • CAPITAL IMPROVEMENT REFUNDING REVENUE BONDS, SERIES 2017

CITY OF
ST AUGUSTINE
EST. 1565

Mixed Sources
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