City of Stuart, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2010

Photo by Thomas Winter

Dan Hudson, *City Manager*
Dorothy B. Zaharako, *CPA, CGFO, Financial Services Director*

CITY OF STUART, FLORIDA

Comprehensive Annual Financial Report

Fiscal Year Ended
September 30, 2010

Prepared by:
Department of Finance

CITY OF STUART, FLORIDA
Comprehensive Annual Financial Report
Year Ended September 30, 2010

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CITY OF STUART, FLORIDA

INTRODUCTORY SECTION

- Letter of Transmittal
- Organizational Chart
- List of Elected and Appointed Officials
- Certificate of Achievement for Excellence in Financial Reporting

City of Stuart

121 S. W. Flagler Avenue • Stuart • Florida 34994
Telephone (772) 288-5310

March 21, 2011

To the Honorable Mayor Michael J. Mortell,
Members of the City Commission and Citizens of the City of Stuart, Florida

State law requires that all local governments publish each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with auditing standards generally accepted in the United States by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of Stuart for the fiscal year ended September 30, 2010.

The report consists of management's representation concerning the finances of the City of Stuart. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Stuart has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Stuart's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Stuart's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Stuart's financial statements have been audited by Cherry, Bekaert & Holland LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City of Stuart for the fiscal year ended September 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Stuart's financial statements for the fiscal year ended September 30, 2010 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Stuart's MD&A can be found immediately following the independent auditors' report.

Profile of the Government

The City of Stuart, Florida is a municipal corporation of the State of Florida and was created in 1914. The City is the county seat of Martin County, and is located on the broad St. Lucie River on the east coast of Florida approximately 120 miles north of Miami. The estimated 2008 population of the City was 17,011, and the estimated 2009 population was 17,004. The geographical

jurisdiction of the City encompasses approximately 8.8 square miles of territory. The City is empowered to levy a property tax on real and personal properties located within its boundaries. It is empowered by state statute to extend its corporate limits by annexation, which occurs when deemed appropriated by the City Commission.

The City of Stuart has operated under the Commission-manager form of government since inception. Policy making and legislative authority are vested in a governing commission consisting of the mayor and four other members. The Commission is responsible for, among other things, enacting ordinances, resolutions and regulations governing the City, as well as appointing the members of various advisory boards, the City Manager and City Attorney. The City Manager is responsible for implementing the policies adopted by the City Commission and for overseeing the day-to-day operations of the government. The City Manager is also charged with the hiring of department directors and with preparing the recommended annual budget for review and approval by the City Commission.

The City of Stuart provides a full range of services to its citizenry. These services include general government, police and fire protection, public works, recreation and park facilities, building, planning and zoning services, economic and community development, and emergency management. In addition, the City operates the Water and Sewer Utility, Stormwater Utility and Solid Waste Services as enterprise activities and the Stuart Community Redevelopment Agency as a Special Revenue fund.

The financial reporting entity (the City of Stuart) includes all funds of the primary government (i.e., the City of Stuart as legally defined), as well as all of its component units. Component units are legally separate entities for which the City of Stuart is financially accountable or the nature and significance of the relationship between the City and the entity was such that exclusion would cause the City's financial statements to be misleading or incomplete.

The City has identified one component unit and two related organizations. The Community Redevelopment Agency (CRA) is reported as a component unit of the City and is composed of the City Commission and two citizens appointed by the City Commission. The Stuart Housing Authority, organized for the purpose of providing housing for low-income families, is a related organization but does not meet the criteria necessary to be considered a component unit. The Tri County Risk Management Program (TRICO), a public entity risk pool of which the City is a member and enjoys one vote on the Board of Directors, is not considered a component unit of the City's reporting entity. Additional information can be found in Note 1 of the notes to the basic financial statements.

The annual budget serves as a foundation for the City of Stuart's financial planning and control systems. All departments of the City are required to submit requests for appropriations to the City Manager and these requests are the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Commission for review. The Commission holds public hearings on the proposed budget prior to adopting the final budget and setting the tax rates for the budget year. Budgetary control over expenditures is legally maintained at the fund level. Therefore, management must have the City Commission's approval to reallocate resources into or out of the fund. The budget to actual comparison for the General Fund is included as required supplementary information following the notes to the basic financial statements.

Factors Affecting Financial Condition

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment with which the City of Stuart operates.

Local economy

The City of Stuart's current economic environment remains slow and flat, as is with most of Florida. The City is comprised of commercial properties and also a broad residential housing stock with prices covering a full range. The housing stock includes a mix of single family homes, apartment buildings, and condominiums which are kept in good condition through the efforts of property owners and strong City code enforcement activities.

The economic condition of the area during the past year declined, however the City was able to maintain its level of service as well as favorable reporting conditions. Property tax valuations decreased by 11% and property tax revenues shrunk by 13.1%.

Long-term financial planning

The City of Stuart's Commission has directed staff to eliminate as much short-term debt as possible and to avoid any future short-term borrowings or capital financing whenever possible. To that end the City, did not finance any operations with short term loans or notes in the General Fund. The City did however join the Florida State Revolving Fund program to finance a portion of the reclaimed water service expansion program. The City maintains a 90-day operating reserve as well as designations of fund balances and net assets to provide for capital purchases and future expansion.

The City maintains a Comprehensive Plan as required by Florida State Statutes, which incorporates a "Capital Improvement Element" identifying future capital needs, as well as earmarked funding sources, comprised of grants, reserves, and special revenue sources such as the voter approved half-cent discretionary surtax to be used for infrastructure enhancements.

Relevant Financial Policies

The City reviews and adopts a Fiscal Policy with each budgetary cycle, on a fiscal year basis. The Fiscal Policy incorporates budgetary policies and practices, financial policies and practices, and policies to promote joint public and private investment in the community.

The Fiscal Policy denotes the City's budgetary cycle from preparation to adoption. The process for amending the budget, the outline of legal level of budgetary control, as well as the use of revenues and appropriations are addressed. The policy speaks to the use of funds from non-recurring revenue sources, the percentage makeup of Ad Valorem, or Property Taxes, of the total General Fund revenues, and process to apply for and subsequently accept any grants staff may want to acquire.

Additionally, the Fiscal Policy mandates the establishment of fund balance reserves for both the General Fund as well as the enterprise funds along with various contingencies and reserves for such future expenditures as capital replacement reserve. The General Fund maintains a reservation of fund balances equal to three months or 25% of the General Fund's personal services and operating costs of the current adopted budget.

As well as these budgetary related issues, the Fiscal Policy also addresses long-range financial planning strategies, accounting and reporting practices, and establishes the capitalization thresholds and capital expenditure limits. The policy allows for the administration of investments and procurements through other external policies, for which the City also maintains separate, external polices.

Major Initiatives

During fiscal year 2010, the City of Stuart achieved many significant accomplishments in furtherance of the goals and objectives established by the City Commission. The accomplishments included the following:

- The City began work on an approximately $6,000,000 project to renovate and revitalize the Memorial Park in downtown Stuart, spending over $239,000 in 2010
- The City moved forward with an odor control and containment process at the City's wastewater treatment plant spending over $368,000 in 2010
- As part of a larger project to install "reclaimed water" distribution, the City spent just over $1,500,000 in 2010 on reclaimed water transmission pipes and subsystems
- After opening a temporary Fire Station #3 in the northern sector of town, the City decided to close the station due to a lack of activity in the area; the City continues to respond to calls as needed or rely on the County to assist as closest unit response is in place
- In accordance with the City's historical homes ordinance, the "Crary House" was saved from demolition, acquired, and relocated to a historical site in downtown Stuart for a cost of just over $119,000

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Stuart for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2009. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. This was the thirteenth consecutive year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied 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 the September 30, 2010 Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been accomplished without the efficient and dedicated services of the entire staff of the Financial Services Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. The unconditional cooperation of the other department directors and their staff is also greatly appreciated.

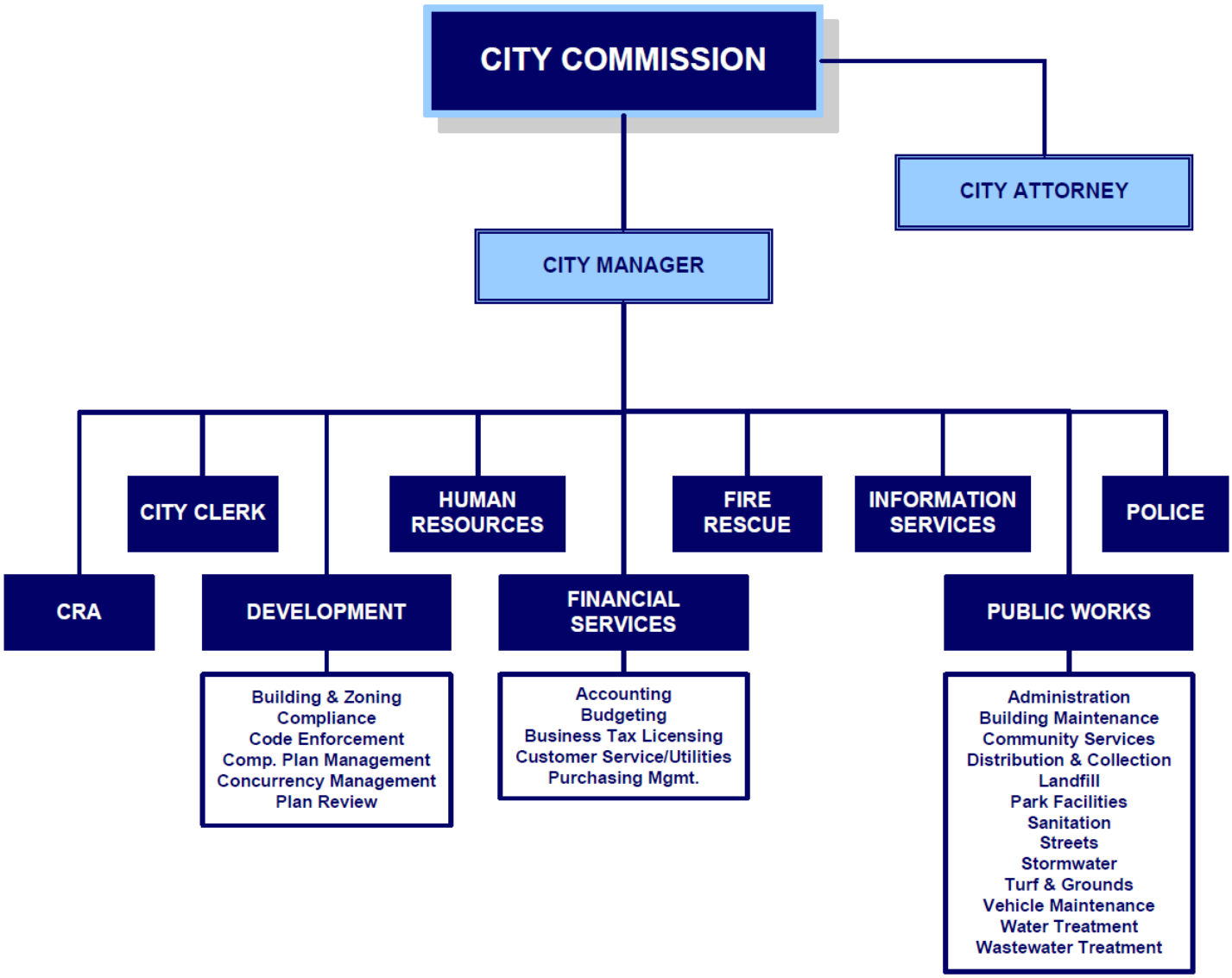
We also would like to express a special note of thanks to our independent certified public accountants, Cherry Bekaert & Holland, L.L.P., for their cooperation and assistance. Their professional approach and high standards in the conduct of their independent audit of the City's financial records and transactions is greatly appreciated.

Sincere appreciation is also expressed to the City Commission for their leadership, and support in matters pertaining to the financial affairs of the City.

Respectfully submitted,

Dan Hudson, City Manager

Dorothy B. Zaharako, CPA, CGFO, Financial Services Director


CITY COMMISSION
CITY ATTORNEY
CITY MANAGER
CRA
CITY CLERK
DEVELOPMENT
HUMAN RESOURCES
FINANCIAL SERVICES
FIRE RESCUE
INFORMATION SERVICES
POLICE
PUBLIC WORKS
Building & Zoning
Compliance
Code Enforcement
Comp. Plan Management
Concurrency Management
Plan Review
Accounting
Budgeting
Business Tax Licensing
Customer Service/Utilities
Purchasing Mgmt.
Administration
Building Maintenance
Community Services
Distribution & Collection
Landfill
Park Facilities
Sanitation
Streets
Stormwater
Turf & Grounds
Vehicle Maintenance
Water Treatment
Wastewater Treatment

CITY OF STUART, FLORIDA

LIST OF ELECTED AND APPOINTED OFFICIALS

SEPTEMBER 30, 2010

City Commission – 2009-10

Michael J. Mortell	Mayor
Carol S. Waxler	Vice-Mayor
James A. Christie Jr.	Commissioner
Mary L. Hutchinson	Commissioner
Jeffrey A. Krauskopf	Commissioner

Appointed Officials

Dan Hudson	City Manager
Paul J. Nicoletti, Esquire	City Attorney

Department Directors

Dorothy B. Zaharako, CPA, CGFO	Financial Services Director
Cheryl A. White, CMC	City Clerk
Edward M. Morley	Chief of Police
Lori M. Sunderman	Fire/Rescue Chief
Terrance W. O'Neil	Development Director
Samuel T. Amerson, PE	Public Works Director
Linda J. Skelton	Human Resources Director
Kevin B. Edwards	Information Services Director

Independent Certified Public Accountants

Cherry, Bekaert & Holland, LLP
Accountants

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Stuart
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

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

President

Executive Director

CITY OF STUART, FLORIDA

FINANCIAL SECTION

- Report of Independent Certified Public Accountants
- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Statements and Schedules

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor, City Commission, and City Manager
City of Stuart, Florida:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Stuart, Florida (the "City"), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2011 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cherry, Bekaert & Holland, L.L.P.

Orlando, Florida
March 21, 2011

Management's Discussion and Analysis

As management of the City of Stuart (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Stuart for the fiscal year ended September 30, 2010, which will assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, and to identify individual fund issues and concerns. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The assets of the City of Stuart exceeded its liabilities at the close of the most recent fiscal year by $135,315,003 (*net assets*). Of this amount, $13,972,561 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by $1,556,404. This translates into a 1 percent decrease. This is primarily due to the City's efforts to maintain the same level of service for the citizens while experiencing declines in property values and most major revenue sources.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $11,376,335, a decrease of $498,043 in comparison with the prior year. Approximately 58 percent of this total amount, $6,631,747, is *available for spending* at the government's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was $4,449,938, or 21 percent of total General Fund expenditures.
- The City of Stuart's governmental fund debt decreased $413,445 (4 percent) as of September 30, 2010. The reason for the decrease is the City's continuing policy to fund future capital purchases on a "pay as you go" basis while still paying down outstanding debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City of Stuart's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designated to provide readers with a broad overview of the City of Stuart's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the

underlying event giving rise to the change occurs, regardless of the time 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 (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Stuart that are principally supported by taxes 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 governmental activities of the City of Stuart include general government, public safety, public works, parks and recreation. The business-type activities of the City include water and sewer utility, sanitation services, and stormwater enterprise.

The government-wide financial statements can be found immediately following this management's discussion and analysis.

Fund 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 local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

*Governmental funds***.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as, on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund and six special revenue funds. Only the General Fund, the Property Management Fund, and the CRA (Community Redevelopment Agency) Fund are to be considered major funds. Data from the other funds is combined into a single, aggregated presentation. Individual fund data for each of the nonmajor special revenue funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund as well other governmental funds. A budgetary comparison statement has been provided for the General Fund and Major Special Revenue Funds to demonstrate compliance with this budget.

*Proprietary funds***.** The City maintains enterprise funds which are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, sanitation, and stormwater enterprises.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the three enterprise funds, all of which are considered to be major funds. The City adopts an annual appropriated budget for each enterprise fund.

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

Other financial information. In addition to the basic financial statements, the accompanying notes and the required supplementary information, this report presents certain financial data of individual fund statements and schedules.

The combining and individual fund statements and schedule referred to earlier in connection with nonmajor governmental funds are presented immediately following the footnotes.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the City, assets exceeded liabilities by $135,315,003 at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets ($114,887,983 or 85 percent) reflects its investment in capital assets (e.g., land, land improvements, buildings, machinery and equipment, furniture and fixtures, vehicles, infrastructure, system improvements, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF STUART, FLORIDA - STATEMENT OF NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Cash and cash equivalents	$ 1,753,048	$ 2,406,105	$ 4,308,930	$ 3,924,890	$ 6,061,978	$ 6,330,995
Other current assets	11,664,224	12,407,964	8,234,581	5,754,555	19,898,805	18,162,519
Restricted cash and cash equivalents	1,368,366	1,275,154	3,727,795	5,666,683	5,096,161	6,941,837
Capital assets net of accumulated depreciation	87,038,453	88,593,965	61,481,490	61,475,104	148,519,943	150,069,069
Total assets	101,824,091	104,683,188	77,752,796	76,821,232	179,576,887	181,504,420
Liabilities						
Current liabilities	4,853,092	5,765,336	2,902,014	2,544,094	7,755,106	8,309,430
Noncurrent liabilities	13,264,752	13,878,492	23,242,026	22,445,091	36,506,778	36,323,583
Total liabilities	18,117,844	19,643,828	26,144,040	24,989,185	44,261,884	44,633,013
Net assets						
Invested in capital assets, net of related debt	76,789,485	77,948,666	38,098,498	39,092,176	114,887,983	117,040,842
Restricted	4,634,567	4,756,052	1,819,892	3,829,893	6,454,459	8,585,945
Unrestricted	2,282,195	2,334,642	11,690,366	8,909,978	13,972,561	11,244,620
Total net assets	$ 83,706,247	$ 85,039,360	$ 51,608,756	$ 51,832,047	$ 135,315,003	$ 136,871,407

An additional portion of the City's net assets, $6,454,459, represents resources that are restricted for specific uses. The balance of net assets, $13,972,561 may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Stuart is able to report positive balances in all three categories of net assets, both the government as a whole, as well as for its separate governmental and business-type activities.

There was a decrease in the restricted net assets of the City's business-type activities of $2,131,486. This decrease is attributable to further completion of various construction projects through the expenditure of previous reserved impact fees and capital reserves.

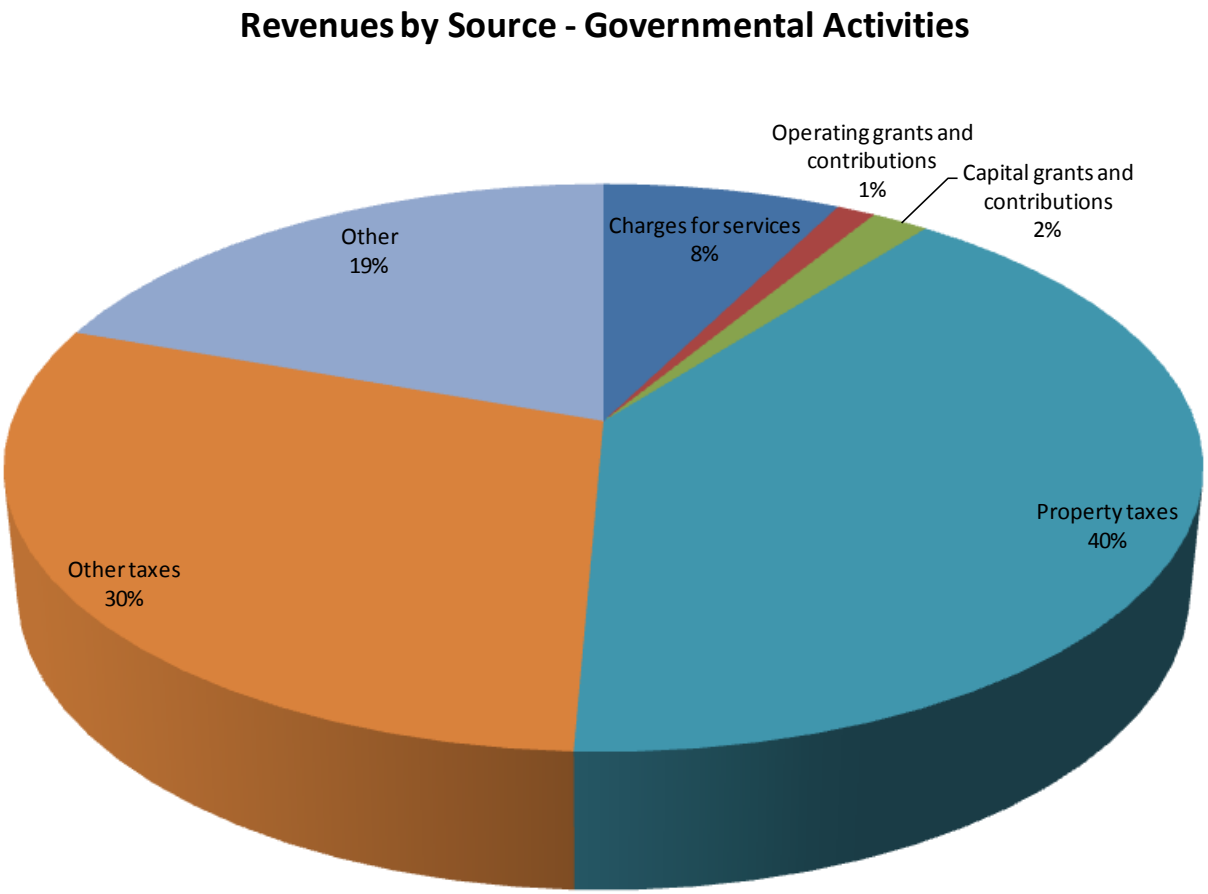
The City of Stuart's net assets decreased by $1,556,404. Total assets decreased $1,927,533, offset by total liabilities decrease of $371,129, resulting in the net negative change. This is a result of declining revenues streams while maintaining prior levels of service.

Governmental Activities. Governmental activities decreased the City's net assets by $1,278,209 before transfers, and $1,333,113, including transfers, thereby accounting for 86 percent of the total decrease in net assets. Key elements of this decrease are included in the display below:

CITY OF STUART, FLORIDA - CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues						
Charges for services	$ 1,707,985	$ 1,254,816	$ 12,374,915	$ 12,128,626	$ 14,082,900	$ 13,383,442
Operating grants and contributions	277,838	1,121,334	-	-	277,838	1,121,334
Capital grants and contributions	409,805	119,374	57,200	124,957	467,005	244,331
General revenues:						
Property taxes	9,115,344	10,211,152	-	-	9,115,344	10,211,152
Other taxes	6,775,928	7,164,614	-	-	6,775,928	7,164,614
Other	4,430,666	3,516,847	194,452	449,994	4,625,118	3,966,841
Total revenues	22,717,566	23,388,137	12,626,567	12,703,577	35,344,133	36,091,714
Expenses:						
General government	5,189,601	6,019,808	-	-	5,189,601	6,019,808
Public safety	12,689,830	13,225,140	-	-	12,689,830	13,225,140
Culture/recreation	1,690,535	1,685,758	-	-	1,690,535	1,685,758
Physical environment	1,860,956	2,060,206	-	-	1,860,956	2,060,206
Transportation	1,141,768	1,312,333	-	-	1,141,768	1,312,333
Economic environment	901,883	854,628	-	-	901,883	854,628
Interest on long-term debt	521,202	526,194	-	-	521,202	526,194
Water and sewer	-	-	8,540,405	8,651,144	8,540,405	8,651,144
Stormwater	-	-	1,090,929	916,931	1,090,929	916,931
Sanitation	-	-	3,273,428	3,932,023	3,273,428	3,932,023
Total expenses	23,995,775	25,684,067	12,904,762	13,500,098	36,900,537	39,184,165
Increase in net assets before transfers	(1,278,209)	(2,295,930)	(278,195)	(796,521)	(1,556,404)	(3,092,451)
Transfers	(54,904)	(2,295,930)	54,904	(796,521)	-	(3,092,451)
Increase in net assets	(1,333,113)	(4,591,860)	(223,291)	(1,593,042)	(1,556,404)	(6,184,902)
Net assets - beginning	85,039,360	87,335,290	51,832,047	52,628,568	136,871,407	139,963,858
Net assets - ending	$ 83,706,247	$ 85,039,360	$ 51,608,756	$ 51,832,047	$ 135,315,003	$ 136,871,407

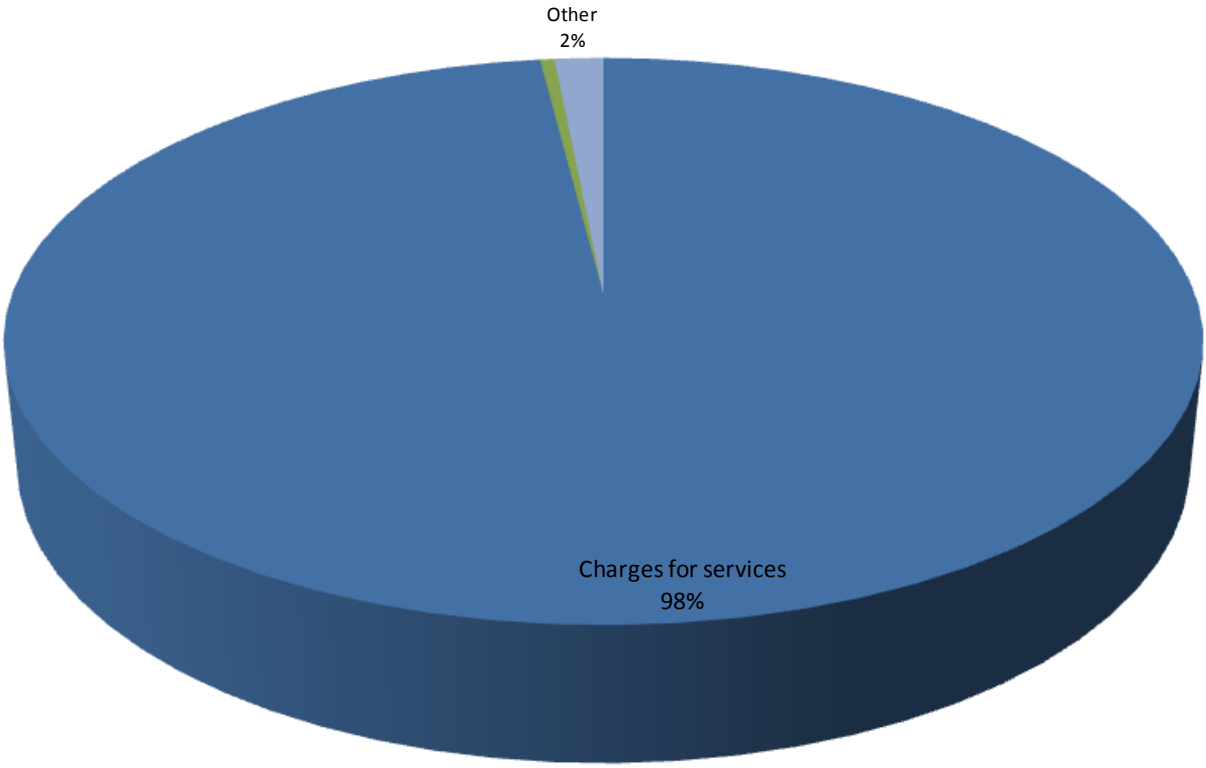
Property taxes decreased by $1,095,810 (11 percent) from the previous year. This decrease is the result of Florida legislation over the last four years, which enacted a mandatory “roll-back” of property tax assessments, as well as a decrease in overall “taxable” value for properties assessed within the City of Stuart. The City’s millage rate remained the same as the prior year. The 2010 fiscal year millage in effect was 4.3329. During fiscal year 2010, the City added .2752 mills for the General Obligation Voted Debt Service to fund the Public Safety Complex (PSC). Program revenues consisting of charges for services, operating grants and contributions, plus the capital grants and contributions decreased in total from the prior year by $99,896. This decrease is due primarily to operating grants not present in 2010, reduced interest earnings, and a decline in many major revenue sources, most likely caused by the sluggish economy.



Business-type Activities. The City operates three enterprises that comprise its business-type activities; water and sewer utilities, sanitation and stormwater. All enterprise funds are classified as major funds.

Business-type activities decreased the City's net assets by $278,195 before transfers, and by $223,291 including $54,904 of transfers in from Governmental funds resulting in a net decrease to net assets of 14 percent. Charges for services increased by $246,289 or 2 percent (from $12,128,626 in 2009 to $12,374,915 in 2010) in total. There was however, a decrease in capital grants during the 2010 fiscal year. Decreases in interest earnings, and the decrease in asset disposals accounted for the rest of the overall decrease.

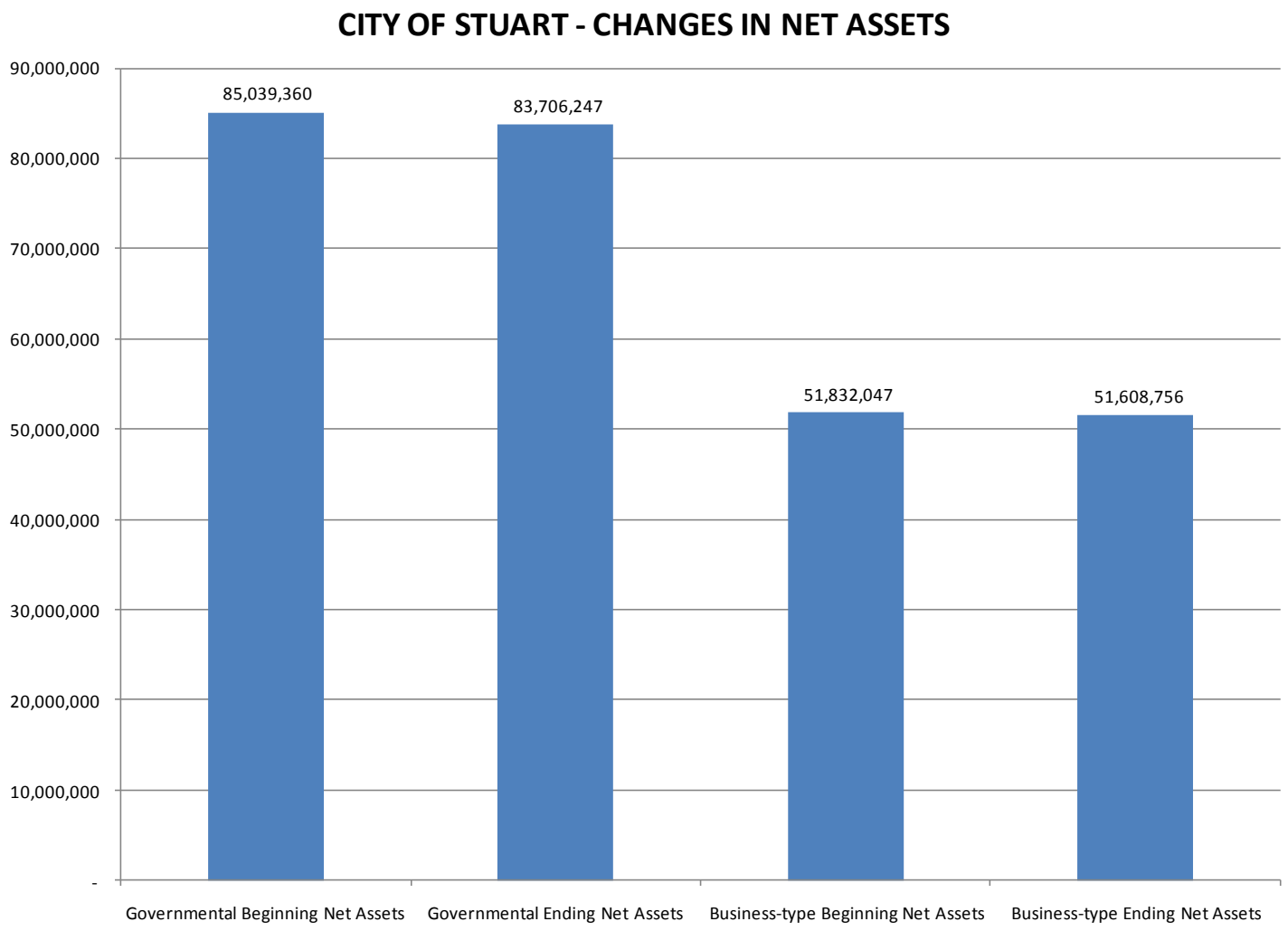
Revenues by Source - Business-type Activities



Expenses for the Water and Sewer Fund activities decreased $110,739, or 1 percent, from $8,651,144 in 2009 to $8,540,405 in 2010. There was an increase in personal services of $26,246 (1 percent) and a decrease in operating expenses of $201,196 (8 percent). The overall operating expenses decreased $46,869 (1 percent). The increase in personal services is in line with normal pay increases for performance. In the non-operating expenses, interest expense increased $45,437.

Expenses for the Sanitation Fund activities decreased by $661,200, from $3,932,025 in 2009 to $3,270,825 in 2010. This decrease (17 percent) consists in part, of a $109,110, or a 12 percent increase in personal services and a 6 percent ($118,244) net decrease in operating expenses.

Expenses in the Stormwater Fund activities increased by $171,302 (19 percent), from $916,931 in 2009 to $1,088,233 in 2010. This is primarily comprised of increases in personal services, operating, and depreciation of 73, 16, and 6 percents, respectively. The personal services increase is primarily due to reallocation of personnel costs to the Stormwater Fund. Depreciation expense increased by 6 percent as additional stormwater maintenance projects in the Stormwater Fund were capitalized.



Financial Analysis of the Government's Funds

The City used fund accounting to ensure and demonstrate compliance with finance related requirements.

Governmental funds – The focus of the City's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Stuart'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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $11,376,335, a total decrease of $498,043 from the prior year; an increase of $177,360 attributable to the General Fund; a decrease of $371,750 attributable the Community Redevelopment Agency Fund (CRA); an increase of $231,818 in the Property Management fund; and a decrease of $535,471 in other governmental funds. The General Fund increase is mainly comprised of a $408,618 increase in unreserved, undesignated fund balance. Approximately 58 percent of the total fund balance, or $6,631,747, constitutes unreserved undesignated fund balance, which is available for spending at the government's discretion.

The CRA fund continued to spend available fund balance on projects within the CRA district as revenues from property taxes decreased. Property Management fund's negative fund balance, which reflects its advance from the General Fund in 2009 to purchase the "Dockside" property, decreased as the annual transfer to the General Fund decreased its liability and additional rents were collected.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was $4,449,938. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 21 percent of total General Fund expenditures, while total fund balance represents 43 percent of that same amount.

Proprietary funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to $8,596,070, those for the Sanitation Fund were $2,151,540, and those for Stormwater Fund were $942,756. The total growth/ (decrease) in unrestricted net assets for these funds were $2,372,692, $436,634, and ($28,938), respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

The Water and Sewer fund maintained a high collection rate, combined with using restricted resources from impact fees and renewal and replacement reserves to make major improvements to the wastewater treatment plant and acquired other improvement assets. The Sanitation fund expanded services into the northern sector of town, and decreased overall expenses with the proliferation of the "single-stream" recycling program and commercial recycling efforts. The Stormwater fund used current resources as well as some available net assets to extend storm run-off management systems and the operation of the watershed facilities.

General Fund Budgetary Highlights

For the fiscal year 2010, the City adopted a balanced budget in the General Fund. The General Fund had original budgeted revenues of $20,369,200 and original budgeted appropriations of $21,586,464; the balance of the budget was made with $1,217,264 of net transfers in and out of the General Fund. The final budget reflected amended revenues of $20,540,738 and amended appropriations of $24,491,103, and net transfers were amended to $3,064,008. Revenues continued to decline as a result of the economic downturn experienced in Florida, as well as nationwide. Interest earnings revenues fell short of budget; with the economic slowdown and the City's desire to move the excess funds into safer investment vehicles, the rates of return publicly available were significantly reduced.

Budget amendments – Differences between the original budget and the final amended budget were $2,904,639 (increase in appropriations). Of this amount, $1,327,775 was due to appropriations approved in fiscal year 2009 that were automatically re-appropriated for fiscal year 2010. Of the normal amendments to the appropriation budget, the more significant were:

- $1,711,000 was appropriated for the refurbishment of Memorial Park Phase 1.
- $114,168 was appropriated for Dixie Highway landscaping Phase 2.
- $180,000 was appropriated for the purchase and relocation of the historical Crary House.

These increases were funded by a combination of undesignated, unreserved fund balance, grants proceeds being recognized as revenues, contributions from developers, and additional revenues above original budget. Expenditures came in below budget, with a positive variance of $3,006,456, as efforts were taken to curtail spending and several projects were deferred. The City eliminated General Fund positions and offered early retirement incentives, as well as closing the expanded Fire Station #3, which was only open temporarily.

Capital Assets and Debt Administration

Capital assets. The City's capital assets for its governmental and business-type activities as of September 30, 2010, amounts to $148,519,943 (net of accumulated depreciation). This amount in capital assets includes land, land improvements, buildings, machinery and equipment, furniture and fixtures, infrastructure, system improvements, and construction in progress. The City of Stuart's capital assets for the current fiscal year decreased by 1 percent, with a net decrease for governmental funds of $1,555,512 and business-type funds increase of $6,386.

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

- $164,343 in replacement patrol cars for the Police department.
- The purchase of a new Residential side-loader truck for $224,767.
- Over $20,000 of new playground equipment was put in place.
- Another $104,000 worth of improvements for landscaping and design were made to South Dixie Highway intersection in addition to the previous year's investment.
- $194,590 of additional baffle boxes were installed to regulate run-off stormwater.
- The City purchased an additional large capacity generator for $101,457.

CITY OF STUART, FLORIDA - CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	$ 3,832,997	$ 3,832,997	$ 5,981,083	$ 5,981,083	$ 9,814,080	$ 9,814,080
Buildings and improvements	14,740,853	15,184,325	522,358	443,849	15,263,211	15,628,174
Improvements other than buildings	11,857,797	12,389,057	48,807,122	50,871,625	60,664,919	63,260,682
Equipment	2,047,220	2,185,158	2,689,690	2,495,264	4,736,910	4,680,422
Infrastructure	53,840,963	54,816,859	307,875	-	54,148,838	54,816,859
Construction in progress	718,623	185,569	3,173,362	1,683,283	3,891,985	1,868,852
	$ 87,038,453	$ 88,593,965	$ 61,481,490	$ 61,475,104	$ 148,519,943	$ 150,069,069

Additional information can be found in Note 5 of the "Notes to the Basic Financial Statements".

Long-term Debt. At the end of the current fiscal year, the City of Stuart had debt outstanding of $33,929,911. This amount represents revenue bond debt and is secured solely by specified revenue sources. Other long-term liabilities at the end of the current fiscal year included $3,324,880 in compensated absences, $90,000 for continued monitoring cost of the capped landfill, and $882,992 for other post employment benefits (OPEB).

CITY OF STUART, FLORIDA - BONDED DEBT OUTSTANDING

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation bonds	$ 7,497,955	$ 7,678,120	$ -	$ -	$ 7,497,955	$ 7,678,120
Tax Increment Financing bonds	2,032,843	2,241,671	-	-	2,032,843	2,241,671
Revenue bonds and notes	1,016,121	1,040,573	21,881,855	22,382,928	22,897,976	23,423,501
Promissory notes	-	-	1,501,137	-	1,501,137	-
	$ 10,546,919	$ 10,960,364	$ 23,382,992	$ 22,382,928	$ 33,929,911	$ 33,343,292

Additional information of the City's long-term debt can be found in Note 6 of the "Notes to the Basic Financial Statements".

Economic Factors and Next Year's Budgets and Rates

- Fiscal year 2010 is a census year, but the results have not been released; Stuart's population is estimated to be 17,011.
- Decreases in half-cent sales taxes and discretionary taxes, and all other intergovernmental revenues are expected to continue in the next year.
- The City renegotiated all union contracts changing health insurance coverage, benefits, and wage increase policies in order to combat the decrease in resources.
- Stuart has experienced some home foreclosures, but not as severe as surrounding communities, and the pace and frequency continue to decrease for the City.
- Building related activities did see small gains in 2010 at certain times, but did continue to decline. This decrease is indicative of the declining housing market in Florida, and overall economic downturn.

All of these factors were considered in preparing the City's budget for the 2011 fiscal year.

During the fiscal year ending September 30, 2010, unreserved fund balance in the General Fund increased to $4,449,938 as compared to $4,041,320 for the prior fiscal year. All appropriations lapse at year end, but any encumbered appropriations are automatically re-appropriated and re-encumbered as part of the subsequent year's budget. During fiscal year 2011, it is the City's intention to conserve fund balance for emergencies and to obviate the need for the transfer of additional resources from the enterprise funds to the General Fund. As of September 30, 2010, there are no foreseen extraordinary restrictions, commitments, or other limitations which may significantly affect the availability of fund resources for future use.

Requests for Information

The financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Financial Services Director, City of Stuart, 121 S.W. Flagler Avenue, Stuart, FL 34994.

BASIC FINANCIAL STATEMENTS

CITY OF STUART, FLORIDA
Statement of Net Assets
September 30, 2010

	Primary Government		
	Governmental Activities	**Business-type Activities**	**Total Primary Government**
Assets			
Cash and cash equivalents	$ 1,753,048	$ 4,308,930	$ 6,061,978
Investments	11,345,369	3,429,643	14,775,012
Accounts receivable, net	551,464	1,243,132	1,794,596
Special assessments receivable	-	348,978	348,978
Internal balances	(1,494,636)	1,494,636	-
Due from other governments	1,174,450	1,560,181	2,734,631
Inventories	87,057	-	87,057
Prepaid items and other assets	520	158,011	158,531
Restricted cash and cash equivalents	853,294	1,907,903	2,761,197
Restricted investments	515,072	1,819,892	2,334,964
Capital assets net of accumulated depreciation:			
Nondepreciable	4,551,620	9,154,445	13,706,065
Depreciable	82,486,833	52,327,045	134,813,878
Total assets	101,824,091	77,752,796	179,576,887
Liabilities			
Accounts payable	363,517	664,872	1,028,389
Accrued liabilities	803,696	113,915	917,611
Due to other governments	1,317	-	1,317
Unearned revenue	1,921,529	62,345	1,983,874
Customer deposits	2,543	749,440	751,983
Accrued interest	112,244	489,116	601,360
Other liabilities	68,207	-	68,207
Long-term liabilities:			
Due within one year	1,580,039	822,326	2,402,365
Due in more than one year	13,264,752	23,242,026	36,506,778
Total liabilities	18,117,844	26,144,040	44,261,884
Net assets			
Invested in capital assets, net of related debt	76,789,485	38,098,498	114,887,983
Restricted for:			
Infrastructure surtax	3,632,358	-	3,632,358
Renewal and replacement	-	527,893	527,893
Construction	77,679	-	77,679
Law enforcement	133,255	-	133,255
Impact fees	791,275	1,291,999	2,083,274
Unrestricted	2,282,195	11,690,366	13,972,561
Total net assets	$ 83,706,247	$ 51,608,756	$ 135,315,003

The notes to the financial statements
are an integral part of this statement.

CITY OF STUART, FLORIDA
Statement of Activities
Year Ended September 30, 2010

Functions/Programs	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 Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Primary government:							
Governmental activities:							
General government	$ 5,189,601	$ 47,255	$ 20,000	$ -	$ (5,122,346)	$ -	$ (5,122,346)
Public safety	12,689,830	1,178,401	19,221	96,060	(11,396,148)	-	(11,396,148)
Culture/recreation	1,690,535	142,226	238,617	-	(1,309,692)	-	(1,309,692)
Physical environment	1,860,956	-	-	248,494	(1,612,462)	-	(1,612,462)
Transportation	1,141,768	340,103	-	-	(801,665)	-	(801,665)
Economic environment	901,883	-	-	65,251	(836,632)	-	(836,632)
Interest on long-term debt	521,202	-	-	-	(521,202)	-	(521,202)
Total governmental activities	23,995,775	1,707,985	277,838	409,805	(21,600,147)	-	(21,600,147)
Business-type activities:							
Water and sewer	8,540,405	8,110,817	-	-	-	(429,588)	(429,588)
Stormwater	1,090,929	545,093	-	57,200	-	(488,636)	(488,636)
Sanitation	3,273,428	3,719,005	-	-	-	445,577	445,577
Total business-type activities	12,904,762	12,374,915	-	57,200	-	(472,647)	(472,647)
Total	$ 36,900,537	$ 14,082,900	$ 277,838	$ 467,005	(21,600,147)	(472,647)	(22,072,794)
General revenues:							
Property taxes					9,115,344	-	9,115,344
Franchise fees based on gross receipts					1,653,379	-	1,653,379
Sales taxes					2,532,535	-	2,532,535
Fuel taxes					739,786	-	739,786
Simplified communications service tax					1,246,930	-	1,246,930
Local business tax					603,298	-	603,298
Utility taxes					2,134,596	-	2,134,596
Unrestricted intergovernmental revenues					804,707	-	804,707
Rental Income					562,086	-	562,086
Miscellaneous and other taxes					679,036	68,468	747,504
Unrestricted investment earnings					235,200	105,201	340,401
Gain (loss) on sale of capital assets					15,041	20,783	35,824
Transfers					(54,904)	54,904	-
Total general revenues and transfers					20,267,034	249,356	20,516,390
Change in net assets					(1,333,113)	(223,291)	(1,556,404)
Net assets - beginning					85,039,360	51,832,047	136,871,407
Net assets - ending					$ 83,706,247	$ 51,608,756	$ 135,315,003

The notes to the financial statements are an integral part of this statement.

CITY OF STUART, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2010

	General Fund	Community Redevelopment Agency	Property Management Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 665,036	$ 105,020	$ 82,815	$ 900,177	$ 1,753,048
Investments	7,679,967	852,134	-	2,813,268	11,345,369
Accounts receivable, net	533,288	1,344	7,467	9,365	551,464
Due from other funds	-	-	-	288,438	288,438
Advance to other fund	2,775,594	-	-	-	2,775,594
Due from other governments	1,033,172	-	-	141,278	1,174,450
Inventories	87,057	-	-	-	87,057
Prepaid items	520	-	-	-	520
Restricted cash and cash equivalents	555,344	297,950	-	-	853,294
Restricted investments	515,072	-	-	-	515,072
Total assets	$ 13,845,050	$ 1,256,448	$ 90,282	$ 4,152,526	$ 19,344,306
Liabilities and fund balances					
Liabilities:					
Accounts payable	$ 256,819	$ 11,568	$ 7,175	$ 87,955	$ 363,517
Accrued liabilities	796,896	6,800	-	-	803,696
Due to other funds	1,494,636	250,000	-	38,438	1,783,074
Advance from other fund	-	-	2,775,594	-	2,775,594
Due to other governments	-	-	1,317	-	1,317
Deferred revenue	2,031,423	-	138,600	-	2,170,023
Customer deposits	2,543	-	-	-	2,543
Other liabilities	26,569	-	-	-	26,569
Matured bonds payable	41,638	-	-	-	41,638
Total liabilities	4,650,524	268,368	2,922,686	126,393	7,967,971
Fund balances:					
Reserved for:					
Prepaid items	520	-	-	-	520
Inventories	87,057	-	-	-	87,057
Advance from other fund	2,775,594	-	-	-	2,775,594
Unreserved, designated, reported in:					
Contingencies and other	1,881,417	-	-	-	1,881,417
Unreserved, undesignated, reported in:					
General fund	4,449,938	-	-	-	4,449,938
Special revenue funds	-	988,080	(2,832,404)	4,026,133	2,181,809
Total fund balances (deficit)	9,194,526	988,080	(2,832,404)	4,026,133	11,376,335
Total liabilities and fund balances	$ 13,845,050	$ 1,256,448	$ 90,282	$ 4,152,526	$ 19,344,306

The notes to the financial statements
are an integral part of this statement.

CITY OF STUART, FLORIDA
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
September 30, 2010

Amounts reported for governmental activities in the statement of net assets are different because:

Ending fund balance - governmental funds		$ 11,376,335
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:		
Land	$ 3,832,997	
Construction in progress	718,623	
Buildings and improvements, net of $2,157,005 accumulated depreciation	14,740,853	
Improvements other than buildings, net of $3,524,705 accumulated depreciation	11,857,797	
Equipment, net of $5,892,159 accumulated depreciation	2,047,220	
Infrastructure, net of $24,505,405 accumulated depreciation	53,840,963	
Total capital assets, net		87,038,453
Amounts to be collected under long-term receivables are not available to pay for the current period's expenditures and therefore are reported as deferred in the funds.		248,494
Long-term liabilities, including bonds and notes, are not due and payable in the current period and, therefore, are not reported in the funds. Interest expense on long-term debt is not accrued in the governmental funds, but rather is recognized when due. Accrued judgments are not accrued in the governmental funds, but rather are recognized when paid. These liabilities, both current and long-term, consist of:		
Bonds and notes payable	(10,546,919)	
Compensated absences	(3,324,880)	
Other postemployment benefits payable	(882,992)	
Accrued clean-up and long-term care costs	(90,000)	
Accrued interest on long-term debt	(112,244)	
Total liabilities		(14,957,035)
Net assets of governmental activities		$ 83,706,247

The notes to the financial statements are an integral part of this statement.

CITY OF STUART, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2010

	General Fund	Community Redevelopment Agency	Property Management Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Ad valorem taxes	$ 7,770,864	$ 1,344,480	$ -	$ -	$ 9,115,344
Utility taxes	2,134,596	-	-	-	2,134,596
Simplified communication service tax	1,246,930	-	-	-	1,246,930
Local business tax	603,298	-	-	-	603,298
Franchise fees	1,653,379	-	-	-	1,653,379
Intergovernmental	3,310,780	-	-	1,262,958	4,573,738
Licenses and permits	511,896	-	-	-	511,896
Charges for services	988,594	2,371	-	-	990,965
Impact fees	485,996	-	-	-	485,996
Fines and forfeitures	231,024	-	-	-	231,024
Interest	148,173	21,283	1,646	64,098	235,200
Rental Income	-	-	562,086	-	562,086
Miscellaneous	131,210	3,732	11,250	31,116	177,308
Total revenues	19,216,740	1,371,866	574,982	1,358,172	22,521,760
Expenditures					
Current:					
General government	3,053,417	-	51,376	-	3,104,793
Public safety	12,352,569	-	-	-	12,352,569
Culture/recreation	1,344,012	-	-	-	1,344,012
Physical environment	1,932,937	-	-	42,585	1,975,522
Transportation	1,037,157	-	-	-	1,037,157
Economic environment	-	624,527	-	45	624,572
Capital outlay	1,161,302	152,181	134,152	167,237	1,614,872
Debt service:					
Principal	209,452	208,828	-	-	418,280
Interest	392,087	97,743	28,563	-	518,393
Other debt service costs	1,714	-	-	-	1,714
Total expenditures	21,484,647	1,083,279	214,091	209,867	22,991,884
Excess (deficiency) of revenues over (under) expenditures	(2,267,907)	288,587	360,891	1,148,305	(470,124)
Other financing sources (uses)					
Proceeds from sale of capital assets	26,985	-	-	-	26,985
Transfers in	2,461,159	-	120,927	270,000	2,852,086
Transfers out	(42,877)	(660,337)	(250,000)	(1,953,776)	(2,906,990)
Total other financing sources (uses)	2,445,267	(660,337)	(129,073)	(1,683,776)	(27,919)
Net change in fund balances	177,360	(371,750)	231,818	(535,471)	(498,043)
Fund balance (deficit) - beginning	9,017,166	1,359,830	(3,064,222)	4,561,604	11,874,378
Fund balance (deficit) - ending	$ 9,194,526	$ 988,080	$ (2,832,404)	$ 4,026,133	$ 11,376,335

The notes to the financial statements are an integral part of this statement.

CITY OF STUART, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2010

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds		$ (498,043)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation in the current period.		
Capitalized capital outlay	$ 1,627,230	
Net capital asset disposals	(24,699)	
Depreciation	(3,158,043)	
		(1,555,512)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but does not have any effect on net assets. This amount is the net effect of the treatment of long-term debt.		413,445
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until it is due, rather than as it accrues.		
The details of the differences are as follows:		
Decrease in compensated absences	382,650	
Increase in other post employment benefits payable	(303,444)	
Landfill closure costs previously recognized on the statement of activities but currently expended in the funds	45,000	
Decrease in deferred revenue	180,765	
Decrease in accrued interest on long-term debt	2,026	
		306,997
Change in net assets of governmental activities		$ (1,333,113)

The notes to the financial statements are an integral part of this statement.

CITY OF STUART, FLORIDA
Balance Sheet
Proprietary Funds
September 30, 2010

	Business-type Activities - Enterprise Funds			
	Water and Sewer	**Stormwater**	**Sanitation**	**Total Enterprise**
Assets				
Current assets				
Cash and cash equivalents	$ 3,755,252	$ -	$ 553,678	$ 4,308,930
Investments	1,050,305	789,127	1,590,211	3,429,643
Accounts receivable, net	856,216	114,926	271,990	1,243,132
Special assessments receivable	348,978	-	-	348,978
Due from other funds	1,514,794	-	-	1,514,794
Due from other governments	1,501,137	59,044	-	1,560,181
Restricted cash and cash equivalents	1,609,041	41,093	231,693	1,881,827
Restricted investments	1,819,892	-	-	1,819,892
Total current assets	12,455,615	1,004,190	2,647,572	16,107,377
Noncurrent assets				
Restricted cash and cash equivalents	26,076	-	-	26,076
Capital assets				
Capital assets not being depreciated				
Land	72,260	5,834,183	74,640	5,981,083
Construction in progress	3,169,003	4,359	-	3,173,362
Total non-depreciable capital assets	3,241,263	5,838,542	74,640	9,154,445
Capital assets being depreciated				
Buildings and improvements	502,862	-	245,299	748,161
Improvements other than buildings	61,533,935	18,281,270	102,387	79,917,592
Equipment	4,292,716	442,797	2,118,776	6,854,289
Total depreciable assets	66,329,513	18,724,067	2,466,462	87,520,042
Less accumulated depreciation	(29,574,251)	(4,627,269)	(991,477)	(35,192,997)
Total property, plant and equipment	39,996,525	19,935,340	1,549,625	61,481,490
Total noncurrent assets	40,022,601	19,935,340	1,549,625	61,507,566
Other assets	145,285	12,726	-	158,011
Total other assets	145,285	12,726	-	158,011
Total assets	$ 52,623,501	$ 20,952,256	$ 4,197,197	$ 77,772,954

The notes to the financial statements
are an integral part of this statement.

CITY OF STUART, FLORIDA
Balance Sheet
Proprietary Funds
September 30, 2010

	Business-type Activities - Enterprise Funds			
	Water and Sewer	**Stormwater**	**Sanitation**	**Total Enterprise**
Liabilities and net assets				
Current liabilities payable from current assets				
Accounts payable	$ 571,290	$ 13,126	$ 80,456	$ 664,872
Accrued liabilities	84,203	7,432	22,280	113,915
Due to other funds	-	20,158	-	20,158
Unearned revenue	60,501	1,844	-	62,345
Current portion of compensated absences	126,371	4,478	66,646	197,495
Payable from restricted assets:				
Current portion of bonds and loans payable	602,000	22,831	-	624,831
Accrued interest	470,854	18,262	-	489,116
Customer deposits	517,747	-	231,693	749,440
Total current liabilities	2,432,966	88,131	401,075	2,922,172
Noncurrent liabilities				
Loan payable	1,501,137	-	-	1,501,137
Revenue bonds payable	20,422,842	834,182	-	21,257,024
Compensated absences	383,182	5,726	94,957	483,865
Total noncurrent liabilities	22,307,161	839,908	94,957	23,242,026
Total liabilities	24,740,127	928,039	496,032	26,164,198
Net assets				
Invested in capital assets, net of related debt	17,467,412	19,081,461	1,549,625	38,098,498
Restricted for:				
Renewal and replacement	527,893	-	-	527,893
Impact fees	1,291,999	-	-	1,291,999
Unrestricted	8,596,070	942,756	2,151,540	11,690,366
Total net assets	27,883,374	20,024,217	3,701,165	51,608,756
Total liabilities and net assets	$ 52,623,501	$ 20,952,256	$ 4,197,197	$ 77,772,954

The notes to the financial statements
are an integral part of this statement.

CITY OF STUART, FLORIDA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended September 30, 2010

	Business-type Activities - Enterprise Funds			
	Water and Sewer	**Stormwater**	**Sanitation**	**Total Enterprise**
Operating revenues				
Charges for services	$ 8,088,594	$ 545,093	$ 3,719,005	$ 12,352,692
Total operating revenues	8,088,594	545,093	3,719,005	12,352,692
Operating expenses				
Personal services	2,926,763	208,763	1,017,810	4,153,336
Operating	2,425,291	238,985	1,968,733	4,633,009
Depreciation	2,206,615	600,535	247,099	3,054,249
Total operating expenses	7,558,669	1,048,283	3,233,642	11,840,594
Operating income (loss)	529,925	(503,190)	485,363	512,098
Nonoperating revenues (expenses)				
Impact fees	22,223	-	-	22,223
Interest income	70,158	11,509	23,534	105,201
Interest expense	(972,114)	(39,950)	-	(1,012,064)
Gain on sale of capital assets	13,053	30	7,700	20,783
Other non-operating revenues (expenses)	33,431	20,116	(37,183)	16,364
Total nonoperating revenues (expenses)	(833,249)	(8,295)	(5,949)	(847,493)
Income (loss) before contributions and transfers	(303,324)	(511,485)	479,414	(335,395)
Capital contributions	-	57,200	-	57,200
Transfers in	42,877	30,889	-	73,766
Transfers out	(18,862)	-	-	(18,862)
Change in net assets	(279,309)	(423,396)	479,414	(223,291)
Total net assets - beginning	28,162,683	20,447,613	3,221,751	51,832,047
Total net assets - ending	$ 27,883,374	$ 20,024,217	$ 3,701,165	$ 51,608,756

The notes to the financial statements
are an integral part of this statement.

CITY OF STUART, FLORIDA
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2010

	Business-type Activities - Enterprise Funds			
	Water and Sewer	**Stormwater**	**Sanitation**	**Total Enterprise**
Operating activities				
Cash received from customers	$ 8,046,500	$ 524,915	$ 3,714,229	$ 12,285,644
Cash payments to suppliers for goods and services	(2,051,408)	(280,405)	(1,986,396)	(4,318,209)
Cash payments to employees for services	(2,976,190)	(205,949)	(1,148,429)	(4,330,568)
Net cash provided by operating activities	3,018,902	38,561	579,404	3,636,867
Noncapital financing activities				
Payments on amounts due from other funds	(1,670,235)	-	-	(1,670,235)
Receipts on amounts due to other funds	-	11,855	163,744	175,599
Transfers in from other funds	42,877	30,889	-	73,766
Transfers out to other funds	(18,862)	-	-	(18,862)
Net cash provided by (used in) noncapital financing activities	(1,646,220)	42,744	163,744	(1,439,732)
Capital and related financing activities				
Acquisition and construction of capital assets	(2,572,174)	(185,499)	(282,179)	(3,039,852)
Capital contributions and grants	-	32,847	-	32,847
Proceeds from special assessment fees	57,524	-	-	57,524
Principal paid on revenue bonds and notes	(576,000)	(20,548)	-	(596,548)
Interest expense	(887,565)	(40,293)	-	(927,858)
Impact fees	22,223	-	-	22,223
Net cash (used in) capital and related financing activities	(3,955,992)	(213,493)	(282,179)	(4,451,664)
Investing activities				
Interest income	70,158	11,509	23,534	105,201
Sale of investments	2,636,895	-	-	2,636,895
Purchase of investments	-	(11,339)	(23,009)	(34,348)
Net cash provided by investing activities	2,707,053	170	525	2,707,748
Net increase (decrease) in cash and cash equivalents	123,743	(132,018)	461,494	453,219
Cash and cash equivalents				
Beginning of year	5,266,626	173,111	323,877	5,763,614
End of year	$ 5,390,369	$ 41,093	$ 785,371	$ 6,216,833
Cash and cash equivalents classified as:				
Current assets	$ 3,755,252	$ -	$ 553,678	$ 4,308,930
Restricted assets	1,635,117	41,093	231,693	1,907,903
	$ 5,390,369	$ 41,093	$ 785,371	$ 6,216,833
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	$ 529,925	$ (503,190)	$ 485,363	$ 512,098
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	2,206,615	600,535	247,099	3,054,249
Nonoperating revenues (expenses)	49,346	20,561	(37,183)	32,724
Change in assets and liabilities				
Accounts receivable	(95,613)	(42,583)	8,412	(129,784)
Due from other governments	-	-	-	-
Prepaid items	1,375	-	-	1,375
Accounts payable	372,508	(41,420)	(17,663)	313,425
Accrued liabilities	7,810	2,256	(39,677)	(29,611)
Unearned revenue	(11,533)	1,844	-	(9,689)
Customer deposits	15,706	-	23,995	39,701
Compensated absences	(57,237)	558	(90,942)	(147,621)
Total adjustments	2,488,977	541,751	94,041	3,124,769
Net cash provided by operating activities	$ 3,018,902	$ 38,561	$ 579,404	$ 3,636,867
Supplemental schedule of noncash financing activities:				
Environmental Protection Agency - State Revolving Fund Loan	$ 1,501,137	$ -	$ -	$ 1,501,137

The notes to the financial statements
are an integral part of this statement

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Stuart, Florida (the "City") was incorporated in 1914 under the general law. This incorporation was validated by an Act of the State Legislature, Section 165.041 and 165.061. The City covers an area of approximately 9 square miles. The City operates under a commission-manager form of government and has an elected City Commission (5 members) and provides services to approximately 17,000 residents in the form of fire protection, law enforcement, water and sewer, sanitation, stormwater, culture and recreation, planning and zoning and general administrative services. The powers of the City Commission include the ability to enact legislation, adopt budgets, determine policies and appoint the City Manager, City Attorney and City Clerk.

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the City's accounting policies are described below.

a. Financial Reporting Entity

The financial statements are prepared in accordance with governmental accounting standards, which establish standards for defining and reporting on the financial reporting entity. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The accompanying financial statements present the City and its component unit, for which the City is considered to be financially accountable. A blended component unit, although a legally separate entity, is, in substance, part of the government's operations. Other than the operations of the primary government, the accompanying statements include the Community Redevelopment Agency (the "CRA").

The CRA was created in 1986 under Chapter 163, Florida Statutes, for the purpose of carrying out redevelopment activities for certain areas existing in the City. The CRA's governing board is substantially the same as the City Commission. In addition, the CRA's budget is subject to the approval of the City Commission. The CRA is included in the City's reporting entity as a blended component unit, presented as a major special revenue fund. Separate financial statements are not prepared for the CRA.

Related Organizations

Stuart Housing Authority (the "Authority") – The Stuart Housing Authority was organized for the purpose of providing housing for low-income families. The City of Stuart appoints the governing board but the City's accountability for this organization does not extend beyond making these appointments. The City has no financial benefit or burden from the Authority and there is no fiscal dependency between the City and the Authority. Therefore, the financial statements of the Authority are excluded from the reporting entity.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Financial Reporting Entity (continued)

***Related Organizations** (continued)*

Tri-County Risk Management Program ("TRICO") – TRICO is a multi-geographical public entity risk pool of which the City is a member. The City, along with the other four members, makes an actuarially determined contribution to the pool in exchange for transferring the risk of loss for its property and casualty and workers' compensation coverage to the pool. The pool is administered by a third party administrator. The City has one vote on the Board of Directors, which is composed of one person from each of the four members' cities and counties. Because the City's vote does not constitute a majority and TRICO is not fiscally dependent on the City, TRICO is not considered a component of the City's reporting entity.

b. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining nonmajor governmental funds are aggregated and reported as other governmental funds.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary 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 when they are received. 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)

c. Measurement Focus, Basis of Accounting and Basis of Presentation

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 current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues of the City which are susceptible to accrual under the modified accrual basis include property taxes, utility taxes, simplified communication service tax, local business tax, franchise fees, sales taxes, fuel taxes, grant revenue, interest revenue, charges for services, rental income, and certain intergovernmental revenue. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund – The General Fund is the City's primary operating fund. It accounts for all of the financial resources of the general government, except for those required to be accounted for in another fund.

Community Redevelopment Agency – This special revenue fund is used to account for all sources and uses of financial resources provided by increased ad valorem tax value in the geographically designated area. Resources are consumed in operations and improvements specifically designated by the CRA.

Property Management Fund – This special revenue fund is used to account for the activities related to City real properties leased or rented for public and private ventures. Resources are consumed to fund upkeep and maintenance on the properties and all excess resources are maintained in the fund balance of the fund or transferred to the General Fund for other purposes.

The City's non-major special revenue funds are used to account for the collection and use of funds related to development projects, CDBG grant activities, local surtax revenues for infrastructure projects, and the ongoing monitoring costs and various operations on the City's closed landfill. Expenditures may include public art displays, tree replacements, community enhancements, and transfers to the General Fund.

The City reports the following major proprietary funds in the basic financial statements:

Water and Sewer Fund – This fund accounts for the operating activities related to providing water treatment and distribution services, and sewage treatment to all areas within the City limits and certain districts outside the City limits.

Stormwater Fund – This fund accounts for the construction and maintenance of the City's stormwater systems and pollution from stormwater runoff.

Sanitation Fund – This fund accounts for the operating activities related to the solid waste operations.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Measurement Focus, Basis of Accounting and Basis of Presentation (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as 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 water and sewer, sanitation and stormwater funds are charges to customers for services. Operating expenses for the enterprise funds include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government’s water and sewer functions, stormwater, and sanitation operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

d. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, time and demand deposits, and short-term investments consisting primarily of overnight repurchase agreements and investments with Seacoast National Bank, PFM Funds and the Florida Municipal Investment Trust. For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less, when purchased, to be cash equivalents.

2. Investments – Pooled Cash and Investments

Resources of all funds and certain other cash and investment accounts, which are maintained in accordance with legal requirements, have been combined into a pooled cash and investment system for the purpose of maximizing earnings. Interest earned on pooled cash and investments is allocated based upon equity balances of the respective funds.

Short-term investments, except the Florida Municipal Investment Trust (FMIVT), are reported at cost, which approximates fair value. The FMIVT and all other investments are reported at mark to market or fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Net Assets or Equity (continued)

3. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds”. (i.e., the current portion of interfund loans) or "advances to/from other funds' (i.e., the non-current portion of interfund loans). All other outstanding balances between funds (i.e., amounts owed for goods/services rendered to a particular fund by another fund in the reporting entity) are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Transactions for services rendered or facilities provided are recorded as revenue in the receiving fund and as expenditures in the disbursing fund. Transactions to transfer revenue or contributions from the fund budgeted to receive them to the fund budgeted to expend them are recorded as transfers in or out.

4. Inventories and Prepaid Items

Inventories of materials and supplies in the General Fund are recorded as expenditures when consumed (consumption method). All inventories are recorded on a first-in, first-out (FIFO) basis. Inventory in the Proprietary Funds, when present, consists of supplies held for consumption and are stated at the lower of cost or market and are recorded as an expense when consumed (consumption method). However, due to efficiencies of operation, many of the supplies are consumed as needed and are ordered in accordance with just-in-time principles, eliminating the need for most inventories.

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. Prepaid items are reported using the consumption method or purchase method depending on the nature of the expenditure.

5. Restricted Assets

The City ordinance calls for the establishment of deposits for all new Water, Sewer, Residential Garbage and Commercial Garbage services. These deposits are collected at the time when service is established and are equal to approximately 1 to 3 months of service charges. These deposits may be applied against delinquent customer balances or periodic refunding for customers in good standing. Any deposits on account are applied against final billings of customers and any excess is refunded to the customer on file.

When a new Water and/or Sewer connection is established to the existing system, an impact fee for future expansion is collected based on the consumption factor of the service being connected. These monies are restricted and used for future capital expenses and used to accommodate additional connections.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Net Assets or Equity (continued)

5. Restricted Assets (continued)

In 2003, 2006 and 2007, the City issued water and sewer revenue refunding and improvement bonds to make improvements and extensions to the Water and Sewer Utility of the City and to refund certain then outstanding revenue bonds. In conjunction with the issue of the Series 2003 Bonds, a surety bond in the amount of the debt service reserve requirement substitutes for the establishment of a bond sinking fund. In addition, the water and sewer bond covenants require that certain funds be established and specify the order in which pledged proceeds are to be deposited into these funds. Accordingly, the Water and Sewer Renewal and Replacement Fund was established to set aside resources for capital expenditures related to renewal and replacement of the City's water and sewer utility.

Restricted assets are classified as noncurrent if they are for acquisition or construction of capital assets, for liquidation of long-term debt, or are for other than current operations.

The balances of the restricted asset accounts are as follows:

Capital projects	$	375,629
Public safety reserve		133,255
Impact fees		791,275
Performance bonds		26,569
Other		41,638
Total restricted - Governmental		1,368,366
Debt service payments		1,113,947
Customer deposits and unapplied credits		767,880
Water availability fees		18,190
Sewer availability fees		1,299,885
Renewal and replacement		527,893
Total restricted - Business		3,727,795
Total fair value	$	5,096,161

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Net Assets or Equity (continued)

6. Capital Assets

Capital assets, which include property, utility plant and equipment, and certain infrastructure assets (e.g., utility plant, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $1,000 or more and an estimated useful life in excess of one year. Purchased or constructed capital assets are recorded at actual cost or estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Utility plant, building and improvement	10-30 Years
Infrastructure	10-100 Years
Machinery and equipment	3-10 Years

Upon disposal of capital assets, the related cost and accumulated depreciation are removed from the accounts with gains or losses on disposal reported currently.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Net Assets or Equity (continued)

7. Compensated Absences

Police officers, Fire fighters, General employees and International Union of Operating Engineers (IUOE) union members of the City are entitled to paid vacation, sick and compensatory time. Upon resignation, death, termination or retirement, Police officers and Fire fighters, General employees and IUOE union members are paid in one lump sum for accrued vacation as of the last day of employment and 50% of their sick leave. Police officers and Fire fighters who retire or resign in good standing with two to five years of service receive 33% of accumulated sick leave. Fire fighters who retire or resign in good standing with more than five years of service receive 50% of accumulated sick leave. Police officers who retire or resign in good standing with more than five years of service receive 55% of accumulated sick leave.

Accumulated unpaid vacation and sick pay and the benefits associated with them are accrued when incurred in the government-wide and proprietary fund financial statements. The governmental fund financial statements report only the compensated absences liability payable from expendable available financial resources. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For the governmental funds, compensated absences are liquidated by the general fund.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Net Assets or Equity (continued)

9. Property Taxes

Property taxes (ad valorem taxes) are assessed on January 1 (the lien date) and are billed and payable November 1. They are due March 31 and become delinquent April 1. On June 1, delinquent taxes are offered for sale in the form of tax certificates. These taxes are collected by the County and are remitted to the City.

Assessed values are established by Martin County Property Appraiser for all properties in the County at approximately fair market value. The County bills and collects all property taxes for the City. The assessed value of property at January 1, 2009, upon which the 2009-2010 levy was based, was approximately $1.8 billion.

Under Florida law, the assessment of all properties and the collection of all County, municipal, school district and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The City is permitted by Article 7, Section 8 of the Florida Constitution to levy taxes up to 10 mills ($10 per $1,000 of assessed valuation) for general governmental services other than general obligation debt service. To the extent required by voter approved general obligation debt, unlimited amounts may be levied to pay debt service. The millage rate levied to finance general governmental services for the 2010 fiscal year was 4.3329 mills ($4.3329 per $1,000 of assessed valuation).

10. Utility Billings

Utility customers are billed monthly on a cycle basis. Unbilled revenue is recognized in the accompanying financial statements based upon estimates of revenue for services rendered between billing cycle dates and fiscal year end.

11. Capitalization of Interest

The City capitalizes interest in association with project construction in the enterprise funds. During fiscal 2010, total interest incurred by these funds was $984,327, of which interest capitalized was $83,799.

12. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available or are legally restricted by outside parties for use for a specific purpose. Restricted net assets are limited to specific uses as defined in the various bond documents. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Net Assets or Equity (continued)

13. Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing collectability of accounts receivable, valuation of postretirement obligations, and useful lives and impairment of tangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results may differ from those estimates.

14. Budgets and Budgetary Accounting

All governmental funds budgets are prepared on a modified accrual basis consistent with accounting principles generally accepted in the United States of America (GAAP). The budgets for the enterprise funds are prepared on an accrual basis and are consistent with GAAP except that depreciation, amortization, and gain/losses on the disposal of assets are not budgeted, capitalized net interest costs on funds borrowed to finance the construction of capital assets are budgeted as interest income and interest expense, capital outlays are budgeted as expense, and debt proceeds and principal payments are respectively budgeted as revenue and expense. The procedures for establishing budgetary data reflected in the budgetary comparison schedule are as follows:

1. The City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget is restricted to proposed expenditures and the means of financing them by means of appropriated revenues, other financing sources and appropriations of fund balances.

2. Two public hearings are conducted to obtain taxpayer comments as required by Truth in Millage (TRIM) legislation.

3. Prior to October 1st, the budget is legally enacted through passage of a resolution.

4. Budgeted amounts are as originally adopted or as amended. No significant revisions to the budget were required in 2010. There were several supplemental appropriations which included re-appropriation of prior year encumbrances during fiscal year ended September 30, 2010 of approximately $3.08 million.

5. The level of control (level at which expenditures may not exceed budget) is at the fund level. Unexpended balances of appropriations lapse at year end.

6. Formal budgetary integration is employed as a management control device during the year for all funds which have a legally adopted budget, including the General Fund, Community Redevelopment Fund, Property Management Fund, Community Development Block Grant Fund, Landfill Closure Cost Fund, Water and Sewer Fund, Stormwater Fund, and Sanitation Fund. Neither the Tree Replacement Fund nor the Infrastructure Tax Fund have legally adopted budgets.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments at September 30, 2010 are summarized in the following table.

Investment Type	Value
Certificate of Deposit	$ 16,615,957
Bank Deposits	48,880
Total Deposits	16,664,837
Repurchase Agreement	3,339,035
PFM Funds - Prime Series - Institutional Class	5,137,311
Martin County Tax Collector - Tax Certificates	494,018
Florida Municipal Investment Trust (FMIVT)	297,950
Total Investments	9,268,314
Total deposits and investments	$ 25,933,151

Reconciliation of cash, cash equivalents, and investments

Statement of Net Assets:	
Cash, cash equivalents and investments	$ 20,836,990
Restricted assets:	
Cash, cash equivalents and investments - Governmental	1,368,366
Cash, cash equivalents and investments - Business	3,727,795
Total, primary government	$ 25,933,151

Deposits

Deposits at September 30, 2010 consist of bank deposits and certificates of deposit with durations of six to eighteen months.

Deposits are insured by the Federal Depository Insurance Corporation or by collateral held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act,* the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are deemed as insured or collateralized with securities held by the City or its agent in the City's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investment Policy

The City is authorized to invest in those instruments authorized by the Florida Statutes. The objectives of the City's investment policy are to preserve principal, maximize portfolio returns, maintain a portfolio sufficiently liquid to meet current cash flow requirements, and maintain adequate diversification to minimize market risk. The policy provides that the maximum maturity shall never exceed five years from the date of purchase and includes the following investments:

1. Florida Local Governmental Surplus Funds Trust Fund, as administered by the Florida State Board of Administration.

2. Negotiable direct obligations, or obligations of the principal and interest of which are unconditionally guaranteed by the United States Government.

3. Bonds, debentures or notes, guaranteed as to principal and interest by the United States Government Agencies, provided such obligations are backed by the full faith and credit of the United States Government.

4. Bonds, debentures or notes, issued or guaranteed as to principal and interest by Federal Instrumentalities, which are non-full faith and credit agencies limited to the following: Federal Farm Credit Bank (FFCB); Federal Home Loan Banks (FHLB); Federal National Mortgage Association (FNMA); Federal Home Loan Mortgage Corporation (Freddie-Mac); and Student Loan Marketing Association (Sallie-Mae).

5. Repurchase Agreements, secured by the type of investments listed above, restricted to five years or less.

6. Interest-bearing time deposits, including Certificates of Deposit or savings accounts in banks organized under the laws of this State or the United States and doing business in this State.

7. Prime Commercial Paper (defined as a rating of “Prime-1” by Moody’s and “A-1” by Standard & Poor’s, or the equivalent by another nationally recognized credit agency) of any United States company.

8. Banker’s Acceptances issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, at the time of purchase, the short-term paper is rated, at a minimum, “Prime-1” by Moody’s and “A-1” by Standard & Poor’s, or the equivalent by another nationally recognized credit agency.

9. State and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least “Aa” by Moody’s and “AA” by Standard & Poor’s for long-term debt, or rated at least “MIG-1” by Moody’s and “SP-1” by Standard & Poor’s for short-term debt or the equivalent by another nationally recognized credit agency.

10. Shares of any open-end or close-end management type investment company provided such funds are registered under the Federal Investment Company Act of 1940 and operate in accordance with 17 C.F.R. Section 270.2a-7, which stipulates that money market mutual funds must have an average weighted maturity of 90 days or less.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investment Policy *(continued)*

11. Intergovernmental investment pools that are authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes.

12. Tax Lien Certificates, as authorized by the City Commission through Resolution No. 54-2010 to allow the City to purchase Tax Lien Certificates for real property within Martin County, Florida.

Interest Rate Risk – Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to less than thirty months. The PFM Funds, Prime Series is a registrant with the Securities and Exchange Commission (SEC) and is regulated under the Rule 2a-7. FMIVT is not a registrant with the Securities and Exchange Commission (SEC); however, the fund has adopted operating procedures consistent with the requirements for a 2a-7 Fund. Tax certificates are collateralized by underlying real estate and are to be repaid by property tax owners over time.

Credit Risk – The City has an investment policy that limits investments in Commercial Paper to an A1/P1 or higher rating by a nationally recognized rating agency such as Moody's, Standard and Poor's, or Fitch. It limits investments in Guarantee Investment Contracts (GIC) to at least the two highest ratings on its long-term debt by a nationally recognized rating agency. It also limits obligations of government-sponsored corporations (instrumentalities) to a "AAA" rating and bankers' acceptance with a bank rating of "AA" on its long-term debt. PFM Funds – Prime Series, Tax Certificates and FMIVT are not rated by a rating agency; the repurchase agreement is not subject to credit risk since underlying securities are held by the buyer-lender.

NOTE 3 – RECEIVABLES

Receivables as of September 30, 2010 for the City's major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	CRA	Property Managment Fund	Water and Sewer	Sanitation	Stormwater	Nonmajor and Other Funds	Total
Receivables:								
Customer receivables and unbilled revenue	$ -	$ -	$ -	$ 885,109	$ 326,429	$ 83,636	$ -	$ 1,295,174
Franchise and utility	476,537	-	-	-	-	-	-	476,537
Special Assessments	-	-	-	348,978	-	-	-	348,978
Disaster	91,287	-	-	-	-	-	-	91,287
Other	56,751	1,344	7,467	34,150	1,777	39,838	9,365	150,692
Total	624,575	1,344	7,467	1,268,237	328,206	123,474	9,365	2,362,668
Less allowance for uncollectibles	(91,287)	-	-	(63,043)	(56,216)	(8,548)	-	(219,094)
Total receivables, net	$ 533,288	$ 1,344	$ 7,467	$ 1,205,194	$ 271,990	$ 114,926	$ 9,365	$ 2,143,574

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

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

At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds are as follows:

	General Fund	Property Management Fund	Total
Unearned revenue:			
Permit fee revenue in excess of permit issuance expense	$ 751,177	$ -	$ 751,177
Contractor escrows	471,166	-	471,166
Business Tax	478,401	-	478,401
Comp Cards	25,504	-	25,504
Deferred grants	288,840	-	288,840
Miscellaneous deferred revenue	7,426	-	7,426
Disaster relief	8,909	-	8,909
Unearned rent	-	138,600	138,600
Total deferred revenue	$ 2,031,423	$ 138,600	2,170,023
Less: Grant revenue recognized under accrual basis			(248,494)
Total unearned revenue - Governmental Activities			$ 1,921,529

NOTE 4 – INTERFUND TRANSFERS

Interfund Receivables and Payables

Individual interfund receivable and payable balances at September 30, 2010 are as follows:

	Receivable	Payable
Due to/from other funds:		
General Fund	$ -	$ 1,494,636
Development Special Fees Fund	-	2,850
CDBG Fund	250,000	35,588
Discretionary Fund	38,438	-
CRA Fund	-	250,000
Water Sewer Fund	1,514,794	-
Stormwater Fund	-	20,158
Total	$ 1,803,232	$ 1,803,232

The outstanding balances between funds results from the time lag between the dates that payments between funds are made. All amounts are expected to be repaid within one year.

Transfers

Transfers are used to move unrestricted fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorization, including amounts provided as subsidies or matching funds for various grant programs.

In the year ended September 30, 2010, the government made the following one-time transfers:

	Transfers In					
	General Fund	Property Management Fund	Nonmajor Fund	Water and Sewer Fund	Stormwater Fund	Totals
Transfers out:						
General Fund	$ -	$ -	$ -	$ 42,877	$ -	$ 42,877
CRA Fund	290,337	100,000	270,000	-	-	660,337
Property Management Fund	250,000	-	-	-	-	250,000
Nonmajor Fund	1,920,822	20,927	-	-	12,027	1,953,776
Water and Sewer Fund	-	-	-	-	18,862	18,862
Total	$ 2,461,159	$ 120,927	$ 270,000	$ 42,877	$ 30,889	$ 2,925,852

Transfers between the funds are used to fund various activities of the City, such as reimbursements and development expenses from major and nonmajor funds to the General Fund.

NOTE 5 – CAPITAL ASSETS

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities :				
Capital assets not being depreciated:				
Land	$ 3,832,997	$ -	$ -	$ 3,832,997
Construction in progress	185,569	858,974	(325,920)	718,623
Total capital assets not being depreciated	4,018,566	858,974	(325,920)	4,551,620
Capital assets being depreciated:				
Buildings and improvements	16,790,480	107,378	-	16,897,858
Improvements other than buildings	15,195,676	186,826	-	15,382,502
Equipment	7,740,527	575,909	(377,057)	7,939,379
Infrastructure	78,122,305	224,063	-	78,346,368
Totals capital assets being depreciated	117,848,988	1,094,176	(377,057)	118,566,107
Less accumulated depreciation for:				
Buildings and improvements	1,606,155	550,850	-	2,157,005
Improvements other than buildings	2,806,619	718,086	-	3,524,705
Equipment	5,555,369	689,148	(352,358)	5,892,159
Infrastructure	23,305,446	1,199,959	-	24,505,405
Total accumulated depreciation	33,273,589	3,158,043	(352,358)	36,079,274
Total capital assets being depreciated, net	84,575,399	(2,063,867)	(24,699)	82,486,833
Governmental activities capital assets, net	$ 88,593,965	$ (1,204,893)	$ (350,619)	$ 87,038,453
Business-type activities :				
Capital assets not being depreciated:				
Land	$ 5,981,083	$ -	$ -	$ 5,981,083
Construction in progress	1,683,283	2,137,808	(647,729)	3,173,362
Total capital assets not being depreciated	7,664,366	2,137,808	(647,729)	9,154,445
Capital assets being depreciated:				
Buildings and improvements	648,269	99,892	-	748,161
Improvements other than buildings	79,136,924	467,928	-	79,604,852
Equipment	6,450,217	690,719	(286,647)	6,854,289
Infrastructure	-	312,740	-	312,740
Totals capital assets being depreciated	86,235,410	1,571,279	(286,647)	87,520,042
Less accumulated depreciation for:				
Building and improvements	204,420	21,383	-	225,803
Improvements other than buildings	28,265,299	2,532,431	-	30,797,730
Equipment	3,954,953	495,570	(285,924)	4,164,599
Infrastructure	-	4,865	-	4,865
Total accumulated depreciation	32,424,672	3,054,249	(285,924)	35,192,997
Total capital assets being depreciated, net	53,810,738	(1,482,970)	(723)	52,327,045
Business-type activities capital assets, net	$ 61,475,104	$ 654,838	$ (648,452)	$ 61,481,490

NOTE 5 – CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	$ 1,729,367
Public safety	523,221
Physical environment	133,252
Transportation	221,630
Economic environment	242,222
Culture/recreation	308,351
Total depreciation expense - governmental activities	$ 3,158,043
Business-type activities :	
Water and sewer	$ 2,206,615
Sanitation	247,099
Stormwater	600,535
Total depreciation expense - business-type activities	$ 3,054,249

NOTE 6 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities of the City for governmental activities for the year ended September 30, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities :					
General Obligation Bonds, Series 2004	$ 7,678,120	$ -	$ (180,165)	$ 7,497,955	$ 195,000
Tax Increment Redevelopment Revenue Bonds Series 2003-A and 2003-B	2,241,671	-	(208,828)	2,032,843	217,872
FMLC Series 2002-A	1,040,573	-	(24,452)	1,016,121	27,169
Total bonds payable	10,960,364	-	(413,445)	10,546,919	440,041
Other liabilities:					
Compensated absences	3,707,530	1,063,157	(1,445,807)	3,324,880	1,094,998
Landfill closure costs (Note 11)	135,000	-	(45,000)	90,000	45,000
Other postemployment benefits (Note 12)	579,548	340,115	(36,671)	882,992	-
Total other liabilities	4,422,078	1,403,272	(1,527,478)	4,297,872	1,139,998
Governmental activities long-term liabilities	$ 15,382,442	$ 1,403,272	$ (1,940,923)	$ 14,844,791	$ 1,580,039

For the governmental activities, compensated absences are generally liquidated by the General Fund.

NOTE 6 – LONG-TERM LIABILITIES (continued)

General Obligation Bonds, Series 2004

On December 15, 2004, the City issued $8,490,000 of general obligation bonds, Series 2004. The Bonds were issued to finance the cost of construction of a new public safety complex for the City and to pay costs and expenses, including municipal bond insurance premium, related to the issuance of the Series 2004 Bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the government, which are payable from ad valorem revenues appropriated by the City in its annual budget. As of September 30, 2010, the City has a net outstanding balance of $7,497,955.

Bonds payable	$ 7,615,000
Less: unamortized issue costs	(117,045)
Net bonds payable	$ 7,497,955

The Bonds are payable annually beginning July 1, 2006 through July 2034. The interest is payable semiannually on January 1 and July 1, beginning July 1, 2005, at rates ranging from 3.50% to 4.75%.

	Principal	Interest	Total
Fiscal Year Ended September 30:			
2011	$ 195,000	$ 332,476	$ 527,476
2012	200,000	325,651	525,651
2013	210,000	318,651	528,651
2014	215,000	311,301	526,301
2015	225,000	303,776	528,776
2016-2020	1,250,000	1,380,694	2,630,694
2021-2025	1,535,000	1,100,764	2,635,764
2026-2030	1,910,000	722,028	2,632,028
2031-2034	1,875,000	227,763	2,102,763
	$ 7,615,000	$ 5,023,104	$ 12,638,104

Tax Incremental Redevelopment Revenue Bonds Series 2003A and 2003B

In 2003, the City issued Tax Incremental Redevelopment Revenue Bonds, Series 2003-A and 2003-B (the Bonds), in the principal amount of $3,055,255. The purpose of the 2003-A Bonds is to finance certain utility infrastructure improvements and construct certain streetscape projects within the City's Community Redevelopment Area and to pay the costs of issuing the 2003-A Bonds. The purpose of the 2003-B Bonds is to pay the costs of acquiring land within the City's Community Redevelopment Area that will be sold and used for private and commercial purposes as well as to pay the costs of issuing the 2003-B Bonds.

After payment of approximately $42,000 in underwriting fees, insurance and other issuance costs, the net proceeds of the Bonds were approximately $3,013,130. This debt is subject to arbitrage. The arbitrage rebate requirement requires issuers of tax exempt debt to rebate, to the U.S. Treasury, investment income arising from proceeds of tax exempt debt to the extent that such income results from investment yield in excess of the bond yield.

NOTE 6 – LONG-TERM LIABILITIES (continued)

Tax Incremental Redevelopment Revenue Bonds Series 2003A and 2003B *(continued)*

The City has covenanted that it will collect tax incremental revenues in the CRA to cover 110% of the annual debt service on the Tax Incremental Redevelopment Revenue Bonds.

The Bonds are payable annually beginning September 2004 through September 2018. The interest is payable on March 1 and September 1, at rates ranging from 4.27% to 4.38%.

	Principal	Interest	Total
Fiscal Year Ended September 30:			
2011	$ 217,872	$ 88,699	$ 306,571
2012	227,322	79,249	306,571
2013	237,197	69,374	306,571
2014	247,517	59,054	306,571
2015	258,304	48,267	306,571
2016-2018	844,631	75,082	919,713
	$ 2,032,843	$ 419,725	$ 2,452,568

FMLC Series 2002A

In 2002, the City entered into a loan agreement with the Florida Municipal Loan Council in the principal amount of $2,190,000, with $1,190,000 for improvements to the Fire Station, the Recreational Center, and sidewalks and the remainder to fund stormwater improvements. The loan proceeds were funded through a Florida Municipal Loan Council bond issuance (FMLC-Series 2002A). The bonds are payable from non-ad valorem revenues appropriated by the City in its annual budget. For the current year, principal and interest paid and total non-ad valorem revenues were $77,588 and $11,423,384.

This debt is subject to arbitrage. The arbitrage rebate requirement requires issuers of tax exempt debt to rebate, to the U.S. Treasury, investment income arising from proceeds of tax exempt debt to the extent that such income results from an investment yield in excess of the bond yield.

The bonds are payable annually beginning May 2003 through May 2032. The interest is payable semiannually on November 1 and May 1, at rates ranging from 3.25% to 5.125%.

	Principal	Interest	Total
Fiscal Year Ended September 30:			
2011	$ 27,169	$ 52,158	$ 79,327
2012	27,169	51,037	78,206
2013	27,169	49,678	76,847
2014	29,886	48,184	78,070
2015	32,603	46,540	79,143
2016-2020	184,749	204,460	389,209
2021-2025	239,087	150,991	390,078
2026-2030	304,292	85,283	389,575
2031-2032	143,997	11,139	155,136
	$ 1,016,121	$ 699,470	$ 1,715,591

NOTE 6 – LONG-TERM LIABILITIES (continued)

The following is a summary of changes in long-term liabilities of the City for business-type activities for the year ended September 30, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities :					
State Revolving Fund Loan	$ -	$ 1,501,137	$ -	$ 1,501,137	$ -
Water and Sewer Bonds	23,409,000	-	(576,000)	22,833,000	602,000
Stormwater Utilities Note	874,427	-	(20,548)	853,879	22,831
Unamortized bonds premiums and deferred amount on refunding	(1,900,499)	-	95,475	(1,805,024)	-
Total bonds payable	22,382,928	1,501,137	(501,073)	23,382,992	624,831
Other liabilities:					
Compensated absences	828,981	175,632	(323,253)	681,360	197,495
Total other liabilities	828,981	175,632	(323,253)	681,360	197,495
Business-type activities long-term liabilities	$ 23,211,909	$ 1,676,769	$ (824,326)	$ 24,064,352	$ 822,326

Bonds and Loans Payable

Water and Sewer Revenue Bonds

The City issued Public Utilities Revenue Refunding and Improvement Bonds in the amounts of $4,080,000 in 2003, $8,129,000 in 2006, and $7,142,000 and $4,923,000 in 2007, for the purposes of making improvements and extensions to the Water and Sewer Utility of the City and to refund certain then outstanding revenue bonds.

The ordinances require a monthly transfer to restricted asset accounts of amounts equal to one-sixth of the interest becoming due on the next interest payment date and one-twelfth of the amount of principal due on the next payment date. The ordinances also require that the restricted assets include an aggregate balance equal to the maximum amount of principal and interest becoming due in any succeeding year for all issues outstanding.

The ordinances also require that certain funds be established and specify the order in which pledged proceeds are to be deposited into these funds. These funds, and the order of priority in which proceeds are deposited, are as follows: Revenue Fund, Sinking Funds, Capital Improvement Fund – Renewal and Replacement Account, and Acquisition or Construction Fund.

In conjunction with the issue of the Series 2003 Bonds, a surety bond in the amount of the debt service reserve requirement substitutes for the establishment of a bond sinking fund.

For the Series 2003 Water and Sewer bonds, the ordinances specify that net revenues, exclusive of depreciation, must equal or exceed 110% of the maximum annual principal and interest requirements on all revenue bonds outstanding.

NOTE 6 – LONG-TERM LIABILITIES (continued)

Bonds and Loans Payable *(continued)*

Water and Sewer Revenue Bonds (continued)

The bond resolutions of the Series 2006, 2007, and 2007B debt issues require a debt service reserve requirement of an amount equal to the lesser of the (1) maximum amount of principal and interest on the respective bond series becoming due in the current of any succeeding fiscal year, or (2) 125% of the average annual amount of principal and interest on the bonds, or (3) 10% of the principal amount of the bonds or the issue price of the bonds, if the bonds have more than a deminimus amount of original issue discount or premium.

Water and Sewer Revenue Refunding and Improvement Bonds consist of the following at September 30, 2010:

	Rate	Outstanding
Series 2003, 10/1/2017 (annual serial payments of $205,000 to $450,000)	2.00%-4.40%	$ 3,130,000
Series 2006, 10/1/2033 (annual serial payments of $16,000 to $1,392,00)	3.96%	8,096,000
Series 2007, 10/1/2028 (annual serial payments of $22,000 to $1,101,000)	4.05%	7,097,000
Series 2007B, 10/1/2024 (annual serial payments of $202,000 to $398,000)	4.33%	4,510,000
Subtotal		22,833,000
Less current portion		(602,000)
Less unamortized bonds premium and deferred amount on refunding portion		(1,805,024)
		$ 20,425,976

Debt Service Requirements to Maturity

The series 2003 bonds are payable each year through October 2017, as follows:

	Principal	Interest	Total
Fiscal Year Ended September 30:			
2011	$ 340,000	$ 121,885	$ 461,885
2012	355,000	108,410	463,410
2013	365,000	94,010	459,010
2014	380,000	79,110	459,110
2015	400,000	63,510	463,510
2016-2018	1,290,000	85,845	1,375,845
	$ 3,130,000	$ 552,770	$ 3,682,770

NOTE 6 – LONG-TERM LIABILITIES (continued)

Bonds and Loans Payable *(continued)*

Debt Service Requirements to Maturity (continued)

The Series 2006 bonds are payable each year through October 2033, as follows:

	Principal	Interest	Total
Fiscal Year Ended September 30:			
2011	$ 18,000	$ 324,694	$ 342,694
2012	19,000	324,838	343,838
2013	19,000	323,188	342,188
2014	20,000	322,406	342,406
2015	21,000	321,583	342,583
2016-2020	118,000	1,596,067	1,714,067
2021-2025	1,376,000	1,519,979	2,895,979
2026-2030	1,259,000	1,274,437	2,533,437
2031-2034	5,246,000	432,281	5,678,281
	$ 8,096,000	$ 6,439,473	$ 14,535,473

The Series 2007 bonds are payable each year through October 2028, as follows:

	Principal	Interest	Total
Fiscal Year Ended September 30:			
2011	$ 24,000	$ 290,929	$ 314,929
2012	25,000	290,716	315,716
2013	25,000	288,897	313,897
2014	27,000	287,829	314,829
2015	28,000	286,700	314,700
2016-2020	1,113,000	1,377,732	2,490,732
2021-2025	1,709,000	960,338	2,669,338
2026-2029	4,146,000	349,429	4,495,429
	$ 7,097,000	$ 4,132,570	$ 11,229,570

The Series 2007B bonds are payable each year through October 2024, as follows:

	Principal	Interest	Total
Fiscal Year Ended September 30:			
2011	$ 220,000	$ 190,520	$ 410,520
2012	229,000	180,799	409,799
2013	239,000	170,667	409,667
2014	250,000	160,080	410,080
2015	260,000	149,039	409,039
2016-2020	1,482,000	562,077	2,044,077
2021-2025	1,830,000	204,809	2,034,809
	$ 4,510,000	$ 1,617,991	$ 6,127,991

NOTE 6 – LONG-TERM LIABILITIES (continued)

Bonds and Loans Payable *(continued)*

Stormwater Utility Note

In 2002 the City entered into a loan agreement with the Florida Municipal Loan Council (FMLC) in the principal amount of $2,190,000, with $1,000,000 for stormwater improvements and the remainder for general government projects.

The bonds are payable annually beginning May 2003 through May 2032. Interest is payable semiannually on May 1 and November 1 at rates ranging from 3.25% to 5.125%.

	Principal	Interest	Total
Fiscal Year Ended September 30:			
2011	$ 22,831	$ 43,830	$ 66,661
2012	22,831	42,888	65,719
2013	22,831	41,747	64,578
2014	25,114	40,491	65,605
2015	27,397	39,110	66,507
2016-2020	155,251	171,815	327,066
2021-2025	200,913	126,884	327,797
2026-2030	255,708	71,667	327,375
2031-2032	121,003	9,361	130,364
	$ 853,879	$ 587,793	$ 1,441,672

State Revolving Fund Loan

On January 15, 2010, the City entered into a loan agreement with the State of Florida Department of Environmental Protection to construct a reclaimed water system. The maximum amount of the loan is $2,869,538, including capitalized interest. The loan specifies semiannual loan payments of $90,919 including interest at 2.42%, to begin once a final repayment schedule is established upon project completion. Current draws from this loan total $1,501,137 as of September 30, 2010. The revenues pledged for the repayment of the loan are net water and sewer utility system revenues after payment of debt service on the City's Water and Sewer Revenue Bonds and any refunding bonds issued to refund such bonds, provided such bonds do not increase annual debt service during the repayment period of the loan.

Advance Refunding's Resulting In Defeasance of Debt

The outstanding balance of the City's defeased debt, all of which relates to the Water and Sewer Fund, consisted of the following at September 30, 2010:

Public Utilities Revenue Refunding Bond	Series 1997	$ 4,245,000
Public Utilities Refunding and Improvement Bond	Series 2003	7,680,000
Public Utilities Refunding and Improvement Bond	Series 2003	6,750,000
Total		$ 18,675,000

NOTE 6 – LONG-TERM LIABILITIES (continued)

Compensated Absences

Those funds presented under the full economic resources measurement focus (the proprietary and government-wide statements) show a current portion (amount expected to be expended in the subsequent year) and non-current portion of the compensated absences liability. Consistent with GAAP guidelines in the Governmental Funds statements, none of the liability is expected to be liquidated with expendable available financial resources. A liability for these amounts is reported in governmental funds only if they have matured; for example, as a result of employee resignations and retirements.

NOTE 7 – LEASE INCOME

The City is a lessor on various ground lease agreements. The City's total lease revenue for the year ended September 30, 2010 is $625,970. One of these leases is a 30-year ground lease agreement effective beginning April 1, 2007, for which the carrying cost for this property is described in note 11. The future minimum lease payments for all non-cancelable leases are as follows:

Fiscal year ended September 30:	
2011	$ 492,529
2012	506,360
2013	520,606
2014	535,279
2015	550,393
2016-2020	3,000,802
2021-2025	3,477,688
2026-2030	3,198,584
2031-2035	3,110,212
2036-2040	3,367,571
2041-2045	3,839,904
2046-2048	2,591,598
	$ 25,191,526

NOTE 8 – FUND BALANCE DEFICIT

The Property Management Fund expended $3,959,889 for the acquisition of Dockside property during fiscal 2009, funded through an advance from the General Fund of $2,959,935 and a transfer from the Community Redevelopment Agency Fund of $1,000,000. As a result of this transaction in 2009, the Property Management Fund has a $2,832,404 fund balance deficit in the current year. The advance from the General Fund, amounting to $2,775,594 at September 30, 2010, is to be repaid through proceeds from future lease revenues and the fund balance deficit is to be recovered through such lease revenues.

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM

The City participates in one retirement and benefit plan. The Florida Retirement System (FRS) is provided to all full time employees.

Plan Description

The State of Florida, Division of Retirement, administers the Florida Retirement System (FRS), a cost-sharing multiple-employer, defined benefit public employee retirement system established under Chapter 121, Florida Statutes, which may be amended by the Florida Legislature. FRS issues a publicly available financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000.

Contributions and Funding Policies

The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as a percentage of covered payroll are adequate to accumulate sufficient assets to pay benefits when due. A level percentage of payroll employer contribution rates, established by state law, is determined using the entry-age actuarial funding method. Effective July 1, 2010 the FRS is funded by employer contributions at a rate of 10.77% of gross salary for general employees, 14.57% for senior management, and 23.25% for special risk employees. Special risk employees are law enforcement officers and firefighters. If an unfunded actuarial liability reemerges, future plan benefit changes, assumption changes and methodology changes are amortized within 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated that future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount.

FRS provides for vesting of benefits after six years of service (six years for elected officials). Employees are eligible for normal retirement at age 62. Early retirement may be taken any time after six years of service (six years for elected officials). If an eligible employee elects to take early retirement there is a 5% benefit reduction for each year prior to normal retirement. Benefits are computed on the basis of age, average final compensation and service credit. Average final compensation is the average of the five highest fiscal years of earnings. The system also provides for death and disability benefits. These benefit provisions and all other requirements for FRS are established and may be amended by the Florida Legislature.

For the three years ended 2008, 2009 and 2010, employer contributions to the FRS, all made in accordance with actuarially determined requirements were $1,966,813, $2,138,834 and $2,349,151, respectively, which was 14.60%, 14.65% and 14.81%, respectively, of annual covered payroll. The City's covered payroll for employees covered by FRS for the year ended September 30, 2010 is $15,866,500.

NOTE 10 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, natural disasters and employee health and medical claims. The above risks are managed in two ways.

Property and Casualty Risks

These risks relate to third party liability claims, property damage claims, workers' compensation claims, and public employee bond and comprehensive crime loss. In October 1987, the City entered into an interlocal agreement with Martin County, City of Port St. Lucie, and St. Lucie County to form the Tri-County Risk Management Program (TRICO), a public entity risk pool. TRICO, a self-insured fund, was organized to develop, implement, and administer a multi-district cooperative property and casualty risk management program for the member cities and counties in which risk of loss is transferred to TRICO. The City makes an annual actuarially determined contribution to TRICO and the interlocal agreement and by-laws of TRICO call for it to be self-sustaining through member contributions. However, the City is subject to supplemental contributions in the event of a deficiency except to the extent that the deficiency results from a specific claim against another member in excess of the coverage available, then such deficiency is solely the responsibility of that member. Payments paid by the City of Stuart to TRICO have been charged to the various funds which receive benefit from the risk management coverage. During the year ended September 30, 2010 the City paid premiums of approximately $1,006,398 for general property, casualty and worker's compensation.

As of September 30, 2010, TRICO has no contribution deficiency.

It is TRICO's policy to reinsure through commercial carriers for specific workers' compensation and property loss claims in excess of $200,000 and $100,000, respectively. The City has not had any significant reduction in insurance coverage from coverage’s in the prior year and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

In addition, the City is covered by Florida Statutes under the Doctrine of Sovereign Immunity, which generally limits the amount of liability of the City to individual claims of $100,000 or $200,000 for all claims relating to the same incident.

NOTE 10 – RISK MANAGEMENT (continued)

As of September 30, 2010, the City's risk retention for certain types of risk is as follows:

	Retention/Deductible	Coverage after Retention/Deductible
Self-insured:		
Workers' Compensation	None	100% - liabilities under F.S. 440
	TRICO's - $1,000,000	Employers Liability Limit: $2,000,000 Each Accident
General liability		
(included automobile)	None	No Excess Policy for GL/AL
Commercial insurance:		
Property:		
Property, multi-peril	$1,000	Loss limit $75,000,000
Except Hurricane/CAT:		5%/$100,000 Minimum per Occurrence
Boiler and machinery	$10,000	Loss limit $50,000,000
Flood	Buildings: $1,000	Buildings: NFIP Flood: $106,900 to $500,000; Excess value covered under Property program
	Contents: $1,000	Contents: NFIP Flood: $123,600 to $500,000; Excess value covered under Property program
		Varies according to facility
Other:		
Public officials' liability	$225,000	$1,000,000 limit each claim/$1,000,000 Member Aggregate $4,000,000 Aggregate for Pool
Storage tank pollution liability	$5,000	$1,000,000 each incident $2,000,000 aggregate
Crime	None	$2,000,000, except $5,000,000 for Computer Fraud and $5,000,000 for Funds Transfer Fraud
	TRICO's - $25,000	

NOTE 11 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The City has entered into a consent order with the Florida Department of Environmental Protection (FDEP) to close the City's old landfill in accordance with Florida Statutes and FDEP regulations. The consent order requires the City to take certain steps and remove all contaminants from the landfill which ceased operations in June 1980. In addition, the consent order requires the City to submit a revised groundwater monitoring plan and prepare a Remedial Action Plan (RAP).

In accordance with the consent order, the City has completed a Contamination Assessment Plan (CAP), which identified the garbage buried in the landfill, a Contamination Assessment Report (CAR), which identified the leachate created by the garbage and the impact on the groundwater surrounding the landfill and a Remedial Action Plan (RAP), that sets forth a plan to remediate the leachate and protect the surrounding groundwater. The plans have been approved by the FDEP and the City is in the process of implementing the RAP. The approved RAP will cost approximately $45,000 annually for operation, maintenance, and monitoring. The long-term postclosure care liability recognized by the City at September 30, 2010 totaled $90,000. The reported postclosure care liability at September 30, 2010 represents the cumulative amount accrued to date based on the use of approximately 30% of the estimated capacity of the landfill. Estimates for the annual postclosure operation, maintenance and monitoring expenses were developed by the environmental engineers who prepared the RAP.

Actual cost may be higher due to inflation, changes in technology or changes in regulations.

Additionally, subsequent to the implementation of the RAP, the City has leased significant portions of the landfill for a communications tower. It is anticipated that revenues generated through the lease will fund the operation and maintenance costs of the RAP. If these revenues are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example) these costs may need to be covered by adjustments in the lease or the addition of other funding sources.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to providing retirement benefits through FRS, the City administers a single-employer defined other postemployment benefit plan (OPEB) which allows retirees to purchase health, life and dental benefits at the same rate as active employees. To be eligible for this benefit, the employee must retire from the City, have no break between his/her active employment and retirement, and be collecting pension benefits from FRS. The retirees pay all premiums for the coverage elected.

In order to comply with the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, the City contracted with a certified actuarial firm to provide an actuarial valuation of postemployment benefits. The postemployment benefits will continue to be offered on a pay-as-you-go basis with the same premium subsidy rates that active employees receive. In addition, as required by the State of Florida Statute 112.0801(1), the claims experience of the retirees is co-mingled with that of active employees in determining the health plan cost, providing an implicit subsidy to retirees that creates an OPEB liability on the part of the City. Therefore, the City has incurred a liability for the implicit rate subsidy. The City does not intend to fund the actuarial accrued liability.

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The calculation produced an unfunded obligation of $882,992 and an ARC as 2.5% of average projected payroll. The following table shows the components of the City's OPEB cost for the year, the amount contributed to the plan, and changes in the City's net OPEB obligation:

Description	Amount
Annual Required Contribution	$ 348,082
Interest on Net OPEB Obligation	26,080
Adjustment to Annual Required Contribution	(34,047)
Annual OPEB Cost (Expenses)	340,115
Net Contributions Made	(36,671)
Increase in Net OPEB Obligation	303,444
Net OPEB Obligation, Beginning of Year	579,548
Net OPEB Obligation, End of Year	$ 882,992

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last two fiscal years were as follows:

Year Ending	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
9/30/2010	$ 340,115	10.8%	$ 882,992
9/30/2009	628,155	7.7%	579,548

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

As of October 1, 2009, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $2,795,703 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $2,795,703. The covered payroll (annual payroll of active participating employees) was $14,075,537, and the ratio of the UAAL to the covered payroll was 19.9 percent.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. A separate, publicly available postemployment benefit plan report is not prepared for the defined benefit plans.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer 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 the 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 the plan members to that point. The actuarial 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, consistent with the long-term perspective of the calculations.

The plan does not issue a stand-alone financial report nor is one included in the report of another entity.

The information presented in the required supplementary schedule was determined as a part of the actuarial valuation at the data indicated:

Valuation date	10/01/2009
Actuarial cost method	Entry Level Normal Actuarial
Amortization method	Level Percentage of Payroll, closed
Remaining amortization period	30 years
Asset Valuation method	Market value
Actuarial assumptions:	
Investment rate	4.5% per year, compounded annually
Projected salary increases	0.0% per year
Inflation rate	Included in healthcare cost trend
Healthcare cost trend	9.0% initially
	5.0% ultimately, in 2014

NOTE 13 – REDEVELOPMENT TRUST FUND

Pursuant to Florida Statute 163.387, listed below is a summary of the sources and amounts of deposits into, and the amount and purpose of withdrawals from the Redevelopment Trust Fund (CRA) for the fiscal year ended September 30, 2010:

	Deposits	Withdrawals
Sources of deposits:		
Ad valorem taxes	604,186	-
Ad valorem taxes received from Martin County	740,294	-
Interest	18,982	-
Special events charge	2,371	-
Miscellaneous revenue	3,732	-
Purpose of withdrawals:		
Debt payment - principal	-	208,828
Debt payment - interest	-	97,743
Personal services	-	331,040
Administrative expenses	-	323,570
Copier lease/Phone/Utilities	-	9,238
Insurance	-	18,364
Repair & maintenance - general	-	17,441
Repair & maintenance - recycling	-	2,910
Printing/advertising/supplies/operating	-	26,607
Certifications, dues, memberships & training	-	12,432
FEC Railway Signal Maintenance	-	22,633
Rental expenses for CRA downtown events	-	2,400
Sailfish Tram (repair, advertising, fuel)	-	2,048
Sailfish Circle surveillance project	-	7,048
Community paint/cleanup project for property in CRA	-	10,804
Public restroom construction	-	82,687
Woodlawn Park	-	20,000
Property improvement program	-	26,929
Special events grant to aid private organizations	-	12,550
Community Policing in CRA	-	290,337
East Stuart Mainstreet	-	4,015
Green Incentive	-	23,519
Women Supporting Art	-	2,000
Crosswalk Confusion Corner professional services	-	36,711
USO Event	-	8,226
Coffee with the City manager	-	1,381
Way Finding Signs	-	17,546
Crary House Relocation	-	100,000
Downtown parking masterplan professional services	-	17,816
Downtown summer theatre promotion	-	6,000
4th of July fireworks festival	-	3,000
	1,369,565	1,745,823

NOTE 14 – PLEDGED REVENUES

Utility Revenues Pledged

The City has pledged future water customer revenues, net of specified operating expenses, to repay $24.3 million in water system revenue bonds issued in December 2003. Proceeds from the bonds provided financing for the construction of 47 projects involving improvements to the Water Treatment Plan, Wastewater Treatment Plant, introduction of sanitary sewer service in areas not previously served, and upgrades in the distribution and collection systems. The bonds are payable solely from water customer net revenues and the longest bonds are payable through 2033. Annual principal and interest payments on the bonds are expected to require approximately 65 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $35,575,804. Principal and interest paid for the current year and total customer net revenues were $1,527,090 and $2,773,148, respectively.

Tax Increment Revenues Pledged

The City has pledged a portion of future ad valorem revenues derived from tax incremental financing of the Stuart Community Redevelopment Area to repay $3.1 million in ad valorem tax increment bonds issued in 2003 to finance the infrastructure, land acquisition, and economic improvements of the Downtown business district. The bonds are payable solely from the incremental ad valorem taxes generated by increased taxable property values in the refurbished district. Incremental ad valorem taxes were projected to produce 110 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $2,452,568, payable through June 2018. For the current year, principal and interest paid and total net incremental ad valorem tax revenues were $306,571 and $1,344,480, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF STUART, FLORIDA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended September 30, 2010

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Ad valorem taxes	$ 7,782,472	$ 7,782,472	$ 7,770,864	$ (11,608)
Utility taxes	2,009,267	2,009,267	2,134,596	125,329
Simplified communications services tax	1,441,043	1,441,043	1,246,930	(194,113)
Local business tax	-	637,054	603,298	(33,756)
Franchise fees	2,094,761	2,094,761	1,653,379	(441,382)
Intergovernmental	3,450,165	3,465,634	3,310,780	(154,854)
Licenses and permits	1,323,777	686,723	511,896	(174,827)
Charges for services	917,950	917,950	988,594	70,644
Impact fees	-	-	485,996	485,996
Fines and forfeitures	131,050	131,050	231,024	99,974
Interest	167,600	167,600	148,173	(19,427)
Miscellaneous	1,051,115	1,207,184	131,210	(1,075,974)
Total revenues	20,369,200	20,540,738	19,216,740	(1,323,998)
Expenditures				
Current:				
General government	3,244,322	3,401,690	3,053,417	348,273
Public safety	11,701,425	11,752,603	12,352,569	(599,966)
Culture/Recreation	1,375,754	1,380,391	1,344,012	36,379
Physical environment	2,005,281	2,038,517	1,932,937	105,580
Transportation	1,113,323	1,301,631	1,037,157	264,474
Capital outlay	1,543,204	4,013,116	1,161,302	2,851,814
Debt service:				
Principal	209,452	209,452	209,452	-
Interest and fiscal charges	392,087	392,087	392,087	-
Other debt service costs	1,616	1,616	1,714	(98)
Total expenditures	21,586,464	24,491,103	21,484,647	3,006,456
Excess (deficiency) of revenues over (under) expenditures	(1,217,264)	(3,950,365)	(2,267,907)	1,682,458
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	26,985	26,985
Transfers in	1,430,205	3,456,949	2,461,159	(995,790)
Transfers out	(212,941)	(392,941)	(42,877)	350,064
Total other financing sources (uses)	1,217,264	3,064,008	2,445,267	(618,741)
Net change in fund balances	-	(886,357)	177,360	1,063,717
Fund balance - beginning	-	9,017,166	9,017,166	-
Fund balance - ending	$ -	$ 8,130,809	$ 9,194,526	$ 1,063,717

The City's budget basis is in accordance with accounting standards generally accepted in the United States of America.

CITY OF STUART, FLORIDA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Community Redevelopment Agency
Year Ended September 30, 2010

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Ad valorem taxes	$ 1,330,574	$ 1,330,574	$ 1,344,480	$ 13,906
Charges for services		-	2,371	2,371
Interest	26,000	26,000	21,283	(4,717)
Miscellaneous	1,218,103	1,218,103	3,732	(1,214,371)
Total revenues	2,574,677	2,574,677	1,371,866	(1,202,811)
Expenditures				
Current:				
Economic environment	680,733	722,516	624,527	97,989
Capital outlay	1,050,428	1,004,078	152,181	851,897
Debt service:				
Principal	208,828	208,828	208,828	-
Interest and fiscal charges	97,743	97,743	97,743	-
Total expenditures	2,037,732	2,033,165	1,083,279	949,886
Excess (deficiency) of revenues over (under) expenditures	536,945	541,512	288,587	(252,925)
Other financing sources (uses)				
Transfers out	(536,945)	(636,945)	(660,337)	(23,392)
Total other financing sources (uses)	(536,945)	(636,945)	(660,337)	(23,392)
Net change in fund balances	-	(95,433)	(371,750)	(276,317)
Fund balance - beginning	-	1,359,830	1,359,830	-
Fund balance - ending	$ -	$ 1,264,397	$ 988,080	$ (276,317)

The City's budget basis is in accordance with accounting standards generally accepted in the United States of America.

CITY OF STUART, FLORIDA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Property Management
Year Ended September 30, 2010

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Interest	$ 12,000	$ 12,000	$ 1,646	$ (10,354)
Rental Income	693,834	693,834	562,086	(131,748)
Miscellaneous	-	-	11,250	11,250
Total revenues	705,834	705,834	574,982	(130,852)
Expenditures				
Current:				
General government	63,935	63,935	51,376	12,559
Capital outlay	-	280,000	134,152	145,848
Debt service:				
Interest and fiscal charges	-	-	28,563	(28,563)
Total expenditures	63,935	343,935	214,091	129,844
Excess (deficiency) of revenues over (under) expenditures	641,899	361,899	360,891	(1,008)
Other financing sources (uses)				
Transfers in	-	100,000	120,927	20,927
Transfers out	(641,899)	(641,899)	(250,000)	391,899
Total other financing sources (uses)	(641,899)	(541,899)	(129,073)	412,826
Net change in fund balances	-	(180,000)	231,818	411,818
Fund deficit - beginning	-	(3,064,222)	(3,064,222)	-
Fund deficit - ending	$ -	$ (3,244,222)	$ (2,832,404)	$ 411,818

The City's budget basis is in accordance with accounting standards generally accepted in the United States of America.

CITY OF STUART, FLORIDA
Required Supplementary Information
Schedule of Funding Progress - Other Postemployment Benefits
Year Ended September 30, 2010

OTHER POSTEMPLOYMENT BENEFIT PLAN

Schedule of Funding Progress

Actuarial Valuation Date	10/01/09	10/01/08
Actuarial Value of Plan Assets	$ -	$ -
Actuarial Accrued Liability (AAL)	2,795,703	5,059,050
Unfunded Actuarial Accrued Liability (UAAL)	2,795,703	5,059,050
Funded Ratio	0.00%	0.00%
Covered Payroll	$ 14,075,537	$ 14,601,714
Ratio of UAAL to Covered Payroll	19.9%	34.6%

September 30, 2009 is the first fiscal year that an actuarial valuation was performed on the City's Other Postemployment Benefits Plan.

Information is not available for the preceding year.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULE

CITY OF STUART, FLORIDA
Combining Balance Sheet
Nonmajor Special Revenue Funds
September 30, 2010

	Tree Replacement	Landfill Closure Cost	Community Development Block Grant	Infrastructure Tax	Total Nonmajor Special Revenue Funds
Assets					
Cash and cash equivalents	$ -	$ 18,986	$ -	$ 881,191	$ 900,177
Investments	205,453	-	-	2,607,815	2,813,268
Accounts receivable, net	173	5,305	-	3,887	9,365
Due from other governments	-	-	40,251	101,027	141,278
Due from other funds	-	-	250,000	38,438	288,438
Total assets	$ 205,626	$ 24,291	$ 290,251	$ 3,632,358	$ 4,152,526
Liabilities and fund balances					
Liabilities:					
Accounts payable	$ -	$ 1,261	$ 86,694	$ -	$ 87,955
Due to other funds	2,850	-	35,588	-	38,438
Total liabilities	2,850	1,261	122,282	-	126,393
Fund balances:					
Unreserved:					
Undesignated	202,776	23,030	167,969	3,632,358	4,026,133
Total fund balances	202,776	23,030	167,969	3,632,358	4,026,133
Total liabilities and fund balances	$ 205,626	$ 24,291	$ 290,251	$ 3,632,358	$ 4,152,526

CITY OF STUART, FLORIDA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended September 30, 2010

	Tree Replacement	Landfill Closure Cost	Community Development Block Grant	Infrastructure Tax	Total Nonmajor Special Revenue Funds
Revenues					
Intergovernmental	$ -	$ -	$ 65,251	$ 1,197,707	$ 1,262,958
Interest	7,396	275	-	56,427	64,098
Miscellaneous	-	31,116	-	-	31,116
Total revenues	7,396	31,391	65,251	1,254,134	1,358,172
Expenditures					
Current:					
Physical environment	-	42,585	-	-	42,585
Economic environment	-	-	45	-	45
Capital outlay	-	-	167,237	-	167,237
Total expenditures	-	42,585	167,282	-	209,867
Excess (deficiency) of revenues over (under) expenditures	7,396	(11,194)	(102,031)	1,254,134	1,148,305
Other financing sources (uses)					
Transfers in	-	-	270,000	-	270,000
Transfers out	(447,215)	-	-	(1,506,561)	(1,953,776)
Total other financing sources (uses)	(447,215)	-	270,000	(1,506,561)	(1,683,776)
Net change in fund balances	(439,819)	(11,194)	167,969	(252,427)	(535,471)
Fund balance - beginning	642,595	34,224	-	3,884,785	4,561,604
Fund balance - ending	$ 202,776	$ 23,030	$ 167,969	$ 3,632,358	$ 4,026,133

CITY OF STUART, FLORIDA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended September 30, 2010

	Landfill Closure Cost		
	Final Budget	**Actual Amounts**	**Variance with Final Budget - Positive (Negative)**
Revenues			
Interest	$ 600	$ 275	$ (325)
Miscellaneous	54,371	31,116	(23,255)
Total revenues	54,971	31,391	(23,580)
Expenditures			
Current:			
Physical environment	55,049	42,585	12,464
Total expenditures	55,049	42,585	12,464
Excess (deficiency) of revenues over (under) expenditures	(78)	(11,194)	(11,116)
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(78)	(11,194)	(11,116)
Fund balance - beginning	34,224	34,224	-
Fund balance - ending	$ 34,146	$ 23,030	$ (11,116)

CITY OF STUART, FLORIDA
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended September 30, 2010

	Community Development Block Grant		
	Final Budget	**Actual Amounts**	**Variance with Final Budget - Positive (Negative)**
Revenues			
Intergovernmental	$ 1,427,990	$ 65,251	$ (1,362,739)
Total revenues	1,427,990	65,251	(1,362,739)
Expenditures			
Current:			
Economic environment	-	45	(45)
Capital outlay	1,738,490	167,237	1,571,253
Total expenditures	1,738,490	167,282	1,571,208
Excess (deficiency) of revenues over (under) expenditures	(310,500)	(102,031)	208,469
Other financing sources (uses)			
Transfers in	310,500	270,000	(40,500)
Total other financing sources (uses)	310,500	270,000	(40,500)
Net change in fund balances	-	167,969	167,969
Fund balance - beginning	-	-	-
Fund balance - ending	$ -	$ 167,969	$ 167,969

CITY OF STUART, FLORIDA

STATISTICAL SECTION

STATISTICAL SECTION

Statistical Section

This part of the City of Stuart, Florida's (the "City") comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Pages
Financial trends	**65-74**
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenues Capacity	**75-78**
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax, and the municipal sales tax.	
Debt Capacity	**79-84**
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Economic and Demographic Information	**85-86**
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	**87-89**
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

City of Stuart, Florida
Net Assets by Component
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2010	2009	2008	2007
Governmental activities				
Invested in capital assets, net of related debt	$ 76,789,485	$ 77,948,666	$ 75,681,851	$ 74,136,868
Restricted	4,634,567	4,756,052	3,734,468	2,504,907
Unrestricted	2,282,195	2,334,642	7,918,971	10,425,879
Total governmental activities net assets	$ 83,706,247	$ 85,039,360	$ 87,335,290	$ 87,067,654
Business-type activities				
Invested in capital assets, net of related debt	$ 38,098,498	$ 39,092,176	$ 38,907,050	$ 37,603,192
Restricted	1,819,892	3,829,893	4,010,737	3,696,290
Unrestricted	11,690,366	8,909,978	9,710,781	10,326,825
Total business-type activities net assets	$ 51,608,756	$ 51,832,047	$ 52,628,568	$ 51,626,307
Primary government				
Invested in capital assets, net of related debt	$ 114,887,983	$ 117,040,842	$ 114,588,901	$ 111,740,060
Restricted	6,454,459	8,585,945	7,745,205	6,201,197
Unrestricted	13,972,561	11,244,620	17,629,752	20,752,704
Total primary government net assets	$ 135,315,003	$ 136,871,407	$ 139,963,858	$ 138,693,961

Note: The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information included information beginning in that year.

City of Stuart, Florida
Net Assets by Component (continued)
Last Eight Fiscal Years
(accrual basis of accounting)

Fiscal Year			
2006	2005	2004	2003
$ 72,293,645	$ 63,200,001	$ 72,286,543	$ 70,313,873
586,457	8,373,800	782,140	5,709,435
10,355,167	9,947,107	4,841,875	5,358,231
$ 83,235,269	$ 81,520,908	$ 77,910,558	$ 81,381,539
$ 38,063,772	$ 29,049,977	$ 36,167,287	$ 34,552,884
4,435,904	4,230,690	1,432,670	15,881,869
6,864,279	13,749,001	5,725,282	(6,649,686)
$ 49,363,955	$ 47,029,668	$ 43,325,239	$ 43,785,067
$ 110,357,417	$ 92,249,978	$ 108,453,830	$ 104,866,757
5,022,361	12,604,490	2,214,810	21,591,304
17,219,446	23,696,108	10,567,157	(1,291,455)
$ 132,599,224	$ 128,550,576	$ 121,235,797	$ 125,166,606

City of Stuart, Florida
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2010	2009	2008	2007
Expenses				
Governmental activities:				
General government	$ 5,189,601	$ 6,019,808	$ 6,651,539	$ 13,197,242
Public safety	12,689,830	13,225,140	11,153,934	6,416,153
Culture/recreation	1,690,535	1,685,758	1,833,572	2,012,481
Physical environment	1,860,956	2,060,206	1,599,597	281,751
Transportation	1,141,768	1,312,333	1,378,924	1,230,810
Economic environment	901,883	854,628	1,810,835	1,004,813
Interest on long-term debt	521,202	526,194	527,309	772,867
Total governmental activities expenses	23,995,775	25,684,067	24,955,710	24,916,117
Business-type activities:				
Water and sewer	8,540,405	8,651,144	8,689,830	8,249,848
Stormwater	1,090,929	916,931	1,014,773	878,952
Sanitation	3,273,428	3,932,023	3,477,826	3,555,340
Total business-type activities expenses	12,904,762	13,500,098	13,182,429	12,684,140
Total primary government expenses	$ 36,900,537	$ 39,184,165	$ 38,138,139	$ 37,600,257
Program Revenues				
Governmental activities:				
Charges for services:				
General government	$ 47,255	$ 36,747	$ 196,254	$ 502,610
Public safety	1,178,401	802,432	809,925	820,971
Culture/recreation	142,226	145,758	262,028	335,302
Physical environment	-	176,907	37,567	39,894
Transportation	340,103	92,972	203,386	-
Operating grants and contributions	277,838	1,121,334	1,048,317	5,310,007
Capital grants and contributions	409,805	119,374	889,495	-
Total governmental activities program revenues	2,395,628	2,495,524	3,446,972	7,008,784
Business-type activities:				
Charges for services:				
Water and sewer	8,110,817	7,777,191	7,826,205	7,813,575
Stormwater	545,093	568,335	602,571	566,283
Sanitation	3,719,005	3,783,100	3,968,861	4,084,659
Operating grants and contributions	-	-	-	520,188
Capital grants and contributions	57,200	124,957	1,349,554	-
Total business-type activities program revenues	12,432,115	12,253,583	13,747,191	12,984,705
Total primary government program revenues	$ 14,827,743	$ 14,749,107	$ 17,194,163	$ 19,993,489
Net (Expense)/Revenue				
Governmental activities	(21,600,147)	(23,188,543)	(21,508,738)	(17,907,333)
Business-type activities	(472,647)	(1,246,515)	564,762	300,565
Total primary government net expense	$ (22,072,794)	$ (24,435,058)	$ (20,943,976)	$ (17,606,768)

City of Stuart, Florida
Changes in Net Assets (continued)
Last Eight Fiscal Years
(accrual basis of accounting)

Fiscal Year			
2006	2005	2004	2003
$ 6,098,170	$ 4,623,561	$ 10,676,342	$ 5,737,535
10,606,466	10,942,325	9,546,278	8,612,599
1,783,382	2,003,096	1,595,518	1,161,880
2,906,067	1,789,737	2,171,746	2,291,842
1,564,169	1,071,678	2,410,232	777,338
241,763	-	-	-
134,576	507,546	249,942	194,645
23,334,593	20,937,943	26,650,058	18,775,839
8,072,052	7,499,626	8,029,637	7,099,510
1,110,550	923,930	1,102,305	578,332
3,377,774	3,333,147	2,721,903	2,245,850
12,560,376	11,756,703	11,853,845	9,923,692
$ 35,894,969	$ 32,694,646	$ 38,503,903	$ 28,699,531
$ 453,787	$ 2,667,499	$ 2,415,549	$ 3,000,381
784,852	1,482,632	782,502	995,940
206,705	229,026	204,131	192,581
44,751	-	-	-
-	-	-	-
3,901,335	4,099,421	193,349	95,513
306,037	-	6,449,358	521,711
5,697,467	8,478,578	10,044,889	4,806,126
8,013,327	7,297,643	6,419,873	6,789,317
368,460	348,272	350,654	337,044
3,933,104	3,469,522	2,545,915	2,305,790
650,137	549,094	59,122	-
-	-	458,615	1,085,422
12,965,028	11,664,531	9,834,179	10,517,573
$ 18,662,495	$ 20,143,109	$ 19,879,068	$ 15,323,699
(17,637,126)	(12,459,365)	(16,605,169)	(13,969,713)
404,652	(92,172)	(2,019,666)	593,881
$ (17,232,474)	$ (12,551,537)	$ (18,624,835)	$ (13,375,832)

City of Stuart, Florida
Changes in Net Assets (continued)
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2010	2009	2008	2007
Governmental activities:				
Taxes				
Property taxes	$ 9,115,344	$ 10,211,152	$ 11,109,069	$ 11,723,241
Franchise taxes	1,653,379	1,925,407	1,806,597	1,809,343
Sales taxes	2,532,535	2,558,850	2,941,055	-
Fuel taxes	739,786	745,138	756,828	-
Simplified communication service tax	1,246,930	1,303,218	1,408,594	1,344,225
Lcal business tax	603,298	632,001	-	-
Utility taxes	2,134,596	1,985,616	1,910,616	1,815,026
Unrestricted intergovernment revenue	804,707	27,422	27,126	23,240
Rental Income	562,086	535,088	-	-
Impact fees	-	-	-	554,404
Miscellaneous and other taxes	679,036	895,573	2,137,819	3,245,705
Unrestricted Investment earnings	235,200	227,965	614,195	1,124,688
Gain (loss) on sales of capital assets	15,041	2,940	(40,218)	96,256
Transfers	(54,904)	(157,757)	(759)	(472,149)
Special Item - pension plan termination	-	-	(894,548)	475,739
Total governmental activities	20,267,034	20,892,613	21,776,374	21,739,718
Business-type activities:				
Unrestricted intergovernment revenue	-	-	-	-
Impact Fees	-	-	-	601,316
Miscellaneous and other taxes	68,468	53,237	48,976	68,381
Unrestricted Investment earnings	105,201	163,190	375,914	814,773
Gain on sale of capital assets	20,783	75,810	11,850	5,168
Transfers	54,904	157,757	759	472,149
Total business-type activities	249,356	449,994	437,499	1,961,787
Total primary government	$ 20,516,390	$ 21,342,607	$ 22,213,873	$ 23,701,505
Change in Net Assets				
Governmental activities	$ (1,333,113)	$ (2,295,930)	$ 267,636	$ 3,832,385
Business-type activities	(223,291)	(796,521)	1,002,261	2,262,352
Total primary government	$ (1,556,404)	$ (3,092,451)	$ 1,269,897	$ 6,094,737

Note: The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information included information beginning in that year.

City of Stuart, Florida
Changes in Net Assets (continued)
Last Eight Fiscal Years
(accrual basis of accounting)

Fiscal Year			
2006	2005	2004	2003
$ 9,433,043	$ 5,639,613	$ 5,060,778	$ 4,591,368
1,810,948	1,371,598	1,304,571	1,182,480
-	-	-	-
-	-	-	-
1,367,305	1,370,993	1,338,871	1,417,318
-	-	-	-
1,693,111	1,516,128	1,408,444	1,411,636
14,815	6,389,912	4,138,055	2,741,624
-	-	-	-
233,075	-	-	-
2,671,173	509,496	826,432	357,910
1,142,490	473,568	213,376	185,599
49,955	(47,748)	-	-
(730,893)	(1,153,845)	(1,156,339)	514,210
1,666,465	-	-	-
19,351,487	16,069,715	13,134,188	12,402,145
-	73,559	-	127,316
396,079	1,419,313	-	-
53,638	57,472	121,126	49,893
741,840	468,978	282,373	154,849
7,185	10,433	-	-
730,893	1,153,845	1,156,339	(514,210)
1,929,635	3,183,600	1,559,838	(182,152)
$ 21,281,122	$ 19,253,315	$ 14,694,026	$ 12,219,993
$ 1,714,361	$ 3,610,350	$ (3,470,981)	$ (1,567,568)
2,334,287	3,091,428	(459,828)	411,729
$ 4,048,648	$ 6,701,778	$ (3,930,809)	$ (1,155,839)

City of Stuart, Florida
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2010	2009	2008	2007
General fund				
Reserved	$ 2,863,171	$ 3,094,429	$ 986,984	$ 2,633,798
Unreserved	6,331,355	5,922,737	9,388,033	6,836,797
Total general fund	$ 9,194,526	$ 9,017,166	$ 10,375,017	$ 9,470,595
All Other Governmental Funds				
Reserved	$ -	$ -	$ -	$ 2,395,101
Unreserved, reported in:				
Special revenue funds	2,181,809	2,857,212	6,294,259	2,593,887
Capital projects funds	-	-	-	386,741
Total all other governmental funds	$ 2,181,809	$ 2,857,212	$ 6,294,259	$ 5,375,729

City of Stuart, Florida
Fund Balances, Governmental Funds (continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year					
2006	2005	2004	2003	2002	2001
$ 1,681,754	$ 10,696,263	$ 2,040,556	$ 2,962,317	$ 2,400,298	$ 1,854,100
4,944,276	3,947,506	2,343,681	3,696,018	4,371,127	3,789,524
$ 6,626,030	$ 14,643,769	$ 4,384,237	$ 6,658,335	$ 6,771,425	$ 5,643,624
$ 5,128,060	$ 417,193	$ 526,519	$ 2,366,171	$ -	$ 73,463
2,819,702	2,916,772	3,444,494	3,453,944	3,525,550	3,143,179
1,432,002	-	-	-	-	-
$ 9,379,764	$ 3,333,965	$ 3,971,013	$ 5,820,115	$ 3,525,550	$ 3,216,642

City of Stuart, Florida
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2010	2009	2008	2007
Revenues				
Property and other local taxes	$ 12,496,870	$ 13,499,988	$ 14,428,279	$ 14,882,492
Local business tax	603,298	632,001	-	-
Franchise fees	1,653,379	1,925,407	1,806,597	1,809,343
Intergovernmental	4,573,738	4,472,718	5,893,568	6,835,088
Licenses and permits	511,896	639,686	1,480,344	1,192,482
Charges for services	990,965	801,055	940,496	1,374,487
Impact fees	485,996	302,679	392,644	654,404
Fines and forfeitures	231,024	171,967	166,501	211,327
Interest	235,200	227,965	614,195	1,124,686
Rental Income	562,086	535,088	-	-
Miscellaneous	177,308	266,674	714,802	332,523
Hurricane reimbursement	-	-	-	-
Total revenues	22,521,760	23,475,228	26,437,426	28,416,832
Expenditures				
Current:				
General government	3,104,793	4,457,951	3,878,977	4,063,277
Public safety	12,352,569	12,108,590	11,039,821	10,784,610
Culture/recreation	1,344,012	1,355,410	1,410,596	1,613,771
Physical environment	1,975,522	2,086,136	2,018,396	2,177,725
Transportation	1,037,157	1,093,094	1,156,531	1,356,759
Economic environment	624,572	610,763	790,548	559,639
Capital outlay	1,614,872	5,497,740	1,600,108	8,970,920
Debt service:				
Principal	418,280	404,624	2,051,647	1,334,554
Interest	518,393	505,764	539,277	634,517
Other debt service charges	1,714	1,768	9,755	1,832
Total expenditures	22,991,884	28,121,840	24,495,656	31,497,604
Excess of revenues over (under) expenditures	(470,124)	(4,646,612)	1,941,770	(3,080,772)
Other financing sources (uses)				
Insurance proceeds	-	-	-	211,815
Debt issuance	-	-	-	-
Proceeds from sale of capital assets	26,985	9,471	16,605	118,355
Transfers in	2,852,086	1,769,483	820,351	1,971,953
Transfers out	(2,906,990)	(1,927,240)	(821,110)	(597,954)
Total other financing sources (uses)	(27,919)	(148,286)	15,846	1,704,169
Special item - pension plan termination	-	-	(134,664)	217,133
Net change in fund balance	$ (498,043)	$ (4,794,898)	$ 1,822,952	$ (1,159,470)
Debt service as a percentage of noncapital expenditures*	4.4%	4.0%	11.3%	8.7%

Note: *The City implemented GASB Statement 34 in 2003. Data is only available for last eight years

City of Stuart, Florida
Changes in Fund Balances, Governmental Funds (continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year					
2006	2005	2004	2003	2002	2001
$ 12,493,459	$ 8,526,734	$ 7,808,093	$ 7,420,322	$ 9,811,481	$ 10,143,134
-	-	-	-	-	-
1,810,948	1,371,598	1,304,571	1,182,480	-	-
5,227,897	5,593,684	4,138,055	3,038,587	2,519,252	2,787,247
1,577,709	2,667,499	2,685,334	2,151,355	790,594	716,072
2,573,480	229,026	196,831	320,260	1,927,958	1,674,308
233,075	-	-	-	-	-
227,413	1,482,632	1,059,057	1,158,555	208,737	211,796
1,142,490	473,568	208,206	185,599	25,915	47,932
-	-	-	-	-	-
316,302	577,353	826,432	1,236,902	1,090,832	844,534
-	2,900,000	6,103,666	-	-	-
25,602,773	23,822,094	24,330,245	16,694,060	16,374,769	16,425,023
4,468,238	2,203,922	7,908,196	3,556,229	3,125,020	2,773,845
10,171,380	10,478,888	9,226,952	8,048,188	8,003,720	7,436,793
1,472,185	1,899,426	1,507,469	1,096,395	894,794	655,317
2,990,109	1,706,153	2,135,297	2,180,266	1,195,634	1,064,003
1,394,985	900,594	2,349,325	645,860	589,510	594,467
241,763	-	-	-	103,830	14,000
6,967,148	4,357,972	4,412,595	3,003,826	2,054,012	2,724,510
820,044	566,859	332,331	224,231	93,000	124,376
619,941	503,827	249,942	194,645	84,570	47,673
10,380	148,767	-	42,126	11,012	8,100
29,156,173	22,766,408	28,122,107	18,991,766	16,155,102	15,443,084
(3,553,400)	1,055,686	(3,791,862)	(2,297,706)	219,667	981,939
1,076,912	-	-	-	-	-
1,162,000	9,190,000	825,000	3,055,255	1,644,210	1,134,700
73,441	33,520	-	-	-	-
1,992,703	1,115,403	516,759	557,525	484,785	267,586
(2,723,596)	(1,772,125)	(1,673,097)	(43,315)	(911,952)	(267,586)
1,581,460	8,566,798	(331,338)	3,569,465	1,217,043	1,134,700
-	-	-	-	-	-
$ (1,971,940)	$ 9,622,484	$ (4,123,200)	$ 1,271,759	$ 1,436,710	$ 2,116,639
6.5%	5.8%	2.5%	2.6%		

City of Stuart, Florida
Assessed Value and Adjustable Taxable Value
Last Ten Fiscal Years

Tax Year	Fiscal Year	Real Property	Personal Property	Centrally Assessed Property	Less Adjustments	Total Adjustable Taxable Value	Total Direct Tax Rate
2000	2001	$ 807,003,934	$ 135,779,714	$ 1,048,000	$ 39,139,793	$ 904,691,855	4.0134
2001	2002	852,429,549	144,926,867	1,058,706	24,596,014	973,819,108	4.1539
2002	2003	920,648,892	145,337,015	1,125,351	14,911,845	1,052,199,413	4.1539
2003	2004	1,038,859,746	148,360,553	1,112,519	13,218,793	1,175,114,025	4.1539
2004	2005	1,283,121,948	157,351,651	1,319,270	30,680,650	1,411,112,219	4.1539
2005	2006	1,552,960,779	162,706,805	1,454,432	83,433,971	1,633,688,045	5.4615
2006	2007	1,963,453,357	194,196,093	1,644,564	55,634,800	2,103,659,214	5.3442
2007	2008	2,136,074,184	207,702,751	1,608,031	61,495,640	2,283,889,326	4.5573
2008	2009	1,949,318,001	184,728,352	1,848,895	84,045,530	2,051,849,718	4.5788
2009	2010	1,699,546,617	201,858,084	2,505,183	21,825,620	1,882,084,264	4.6081

Source: Martin County Property Appraiser's Office

Note: Tax rates are per $1,000 of assesed value

City of Stuart, Florida
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per $1,000 of assessed value)

	City of Stuart			Overlapping					
Fiscal Year	Operating Millage	General Obligation Debt Debt Service	Total City Millage	Martin County	Martin County Board of Education	So. Florida Water Management District	Florida Inland Navigational District	Children's Service Council	Total Direct and Overlapping Rates
2001	4.0134		4.0134	6.1700	8.4540	0.6970	0.0410	0.2747	19.6501
2002	4.1539		4.1539	6.0020	8.4150	0.6970	0.0385	0.3143	19.6207
2003	4.1539		4.1539	5.8240	8.2790	0.6970	0.0385	0.3143	19.3067
2004	4.1539		4.1539	5.8070	8.2630	0.6970	0.0385	0.3155	19.2749
2005	4.1539		4.1539	5.6020	7.5920	0.6970	0.0385	0.3337	18.4171
2006	5.1539	0.3076	5.4615	5.2200	7.3000	0.6970	0.0385	0.3335	19.0505
2007	5.1000	0.2442	5.3442	5.0420	6.7440	0.6970	0.0385	0.3202	18.1859
2008	4.3329	0.2244	4.5573	4.6700	6.6020	0.6240	0.0345	0.2972	16.7850
2009	4.3329	0.2459	4.5788	5.0240	6.2520	0.6240	0.0345	0.3523	16.8656
2010	4.3329	0.2752	4.6081	5.4472	6.7030	0.6240	0.0345	0.3523	17.7691

Source: Martin County Tax Collector's Office

Note: The Florida Constitution limits the City and County millage capacity (non debt related) to 10.000 mills.

City of Stuart, Florida
Principal Property Taxpayers
Current Year and Nine Years Ago

	2010		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Adjustable Taxable Value
Pineapple Commons Retail, LP	$ 26,708,430	1	1.42%
RLV Martin Square, LP	20,730,950	2	1.10%
Southern Associates, LP	17,100,160	3	0.91%
Wal-Mart Stores East, LP	16,332,480	4	0.87%
Stuart Centre Investors, LLC	14,633,890	5	0.78%
SPC Regency, LLC	14,383,650	6	0.76%
Lowe's Home Centers, Inc.	13,551,430	7	0.72%
Noble Management Company	12,923,590	8	0.69%
Eden Park Management, Inc.	12,071,670	9	0.64%
Ted Glasrud Associates of Stuart, FL.	12,035,010	10	0.64%
Total	$ 1,882,084,264		8.53%

	2001		
	Taxable Assessed Value	Rank	Percentage of Total Adjustable Taxable Value
Lauderdale-Regency Square, LLC	$ 11,881,453	1	1.31%
Southern Associates, LP	11,336,713	2	1.25%
Eden Park Management, Inc.	9,357,236	3	1.03%
Noble Management Company	8,135,308	4	0.90%
National Health Investors, Inc.	7,311,053	5	0.81%
Stuart News Company	6,891,276	6	0.76%
Corsair Capital Corporation	6,346,195	7	0.70%
Cedar Pointe Plaza LLP	5,937,795	8	0.66%
William Wallace Enterprises	5,710,198	9	0.63%
CA New Plan Asset Partnership	5,073,832	10	0.56%
Total	$ 904,691,855		8.62%

Source: Martin County Tax Collector's Office

City of Stuart, Florida
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year	Collected with the Fiscal Year of the Levy[a]		Collected in Subsequent Years[b]	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	$ 3,777,199	$ 3,613,447	95.66%	586	$ 3,616,633	95.75%
2002	4,127,852	3,947,406	95.63%	3,186	3,958,560	95.90%
2003	4,416,032	4,256,709	96.39%	11,154	4,268,092	96.65%
2004	4,901,858	4,717,487	96.24%	11,383	4,720,478	96.30%
2005	5,861,572	5,613,428	95.77%	2,991	5,626,043	95.98%
2006	8,779,893	8,340,723	95.00%	12,615	8,363,966	95.26%
2007	9,974,606	9,475,717	95.00%	23,243	9,519,406	95.44%
2008	9,318,756	8,895,187	95.45%	43,689	8,926,043	95.79%
2009	8,764,360	8,160,308	93.11%	30,856	8,160,308	93.11%
2010	7,588,296	7,235,413	95.35%	-	7,235,413	95.35%

Source: Martin County Tax Collector's Office

Notes: [a] Amounts collected within the fiscal year of the levy are inclusive of leagally available early payment discount (ranging form 4% to 1%).
[b] Available only for collections beginning in 2005.

City of Stuart, Florida
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities					
Fiscal Year	General Obligation Bonds	Community Redevelopment Bonds	Revenue Bond Loan	Revenue Bonds	Revenue Improvement Bonds	Promissory Notes
2001	$ -	$ -	$ -	$ 1,033,200	$ -	$ 87,508
2002	-	-	1,190,000	940,200	454,210	14,080
2003	-	3,055,255	1,170,982	842,700	346,498	-
2004	-	2,955,958	1,151,963	1,565,200	234,982	-
2005	8,490,000	2,852,417	1,132,945	1,301,117	119,529	635,234
2006	8,325,000	2,744,444	1,111,212	1,026,762	-	1,667,350
2007	8,155,000	2,631,843	1,089,477	343,030	-	1,317,809
2008	7,980,000	2,441,843	1,065,025	-	-	-
2009	7,800,000	2,241,671	1,040,573	-	-	-
2010	7,615,000	2,032,843	1,016,121	-	-	-

Source: City of Stuart Finance Department

Notes: [a] Public Ulilities Revenue Improvement Bond, Series 1995 and Series 1994 were refunded in 1997, and in 2007.
[b] See schedule of Demographic and Economic Statistics for personal income and population data.These ratios are calculated using personal income and population for the calendar year.

City of Stuart, Florida
Ratios of Outstanding Debt by Type (continued)
Last Ten Fiscal Years

Business-Type Activities							
Utility Revenue Refunding Bonds	Revenue Bond Loan	Promissory Notes	Utility Revenue Improvement Bonds[a]	State Revolving Fund Loan	Total Primary Government	Percentage of Personal Income[b]	Debt Per Capita[b]
$ 5,575,000	$ -	$ -	$ 9,325,000	$ -	$ 16,020,708	2.48%	1,085
5,545,000	1,000,000	-	9,023,000	-	18,166,490	2.79%	1,212
24,825,000	984,018	-	115,000	-	31,339,453	4.63%	2,052
24,795,000	968,037	-	-	-	31,671,140	4.03%	1,989
24,435,000	952,055	-	-	-	39,918,297	4.61%	2,419
23,980,000	933,788	418,000	-	-	40,206,556	4.33%	2,567
24,274,000	915,523	342,795	-	-	39,069,477	3.83%	2,359
23,964,000	894,975	-	-	-	36,345,843	3.65%	2,193
23,409,000	874,427	-	-	-	35,365,671	NA	2,146
22,833,000	853,879	-	-	2,869,538	37,220,381	NA	2,254

City of Stuart, Florida
Direct and Overlapping Governmental Activities Debt
September 30, 2010

Jurisdiction		Total Bonded Debt Outstanding	Percentage Applicable[a]	Estimated Amount Applicable
Overlapping:				
Martin County				
General Obligation Bonds		$ 4,125,000	100%	$ 4,125,000
Re	58,984,294	58,984,294	100%	58,984,294
Capital Leases		8,917,139	100%	8,917,139
Sate Loans		6,853,956	100%	6,853,956
Town of Jupiter Island				
General Obligation Bonds		10,481,284	100%	10,481,284
Capital Leases		113,792	100%	113,792
Martin County School Board				
State School Boards		13,540,000	100%	13,540,000
Certificates of Participation		37,745,000	100%	37,745,000
Capital Leases		61,348	100%	61,348
South Florida Water Management District				
Land Acquisition Bonds		36,160,000	2.40%	867,840
Bank Loans		4,118,196	2.40%	98,837
Certificates of Participation		520,060,000	2.40%	12,481,440
Subtotal, Overlapping Debt				154,269,930
City of Stuart Direct Debt				10,663,964
Total Direct and Overlapping Debt				$ 164,933,894

Source: Outstanding debt data for the overlapping governments is provided by the applicable government. Assessed values, after exemptions and other adjustments, are provided by the Martin County Property Appraiser for all units except for the South Florida Management Water Management District (SFWMD). The SFWMD provided provided their own value since their borders extend beyond the City/County's borders.

Notes: [a] The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by dividing the City's taxable assessed values by the County's total taxable assessed values.

City of Stuart, Florida
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding: General Obligation Bonds	General Bonded Debt Outstanding: Community Redevelopment Bonds	General Bonded Debt Outstanding: Total	Percentage of Total Adjustable Taxable Value	Debt Per Capita[a]
2001	$ -	$ -	$ -	-	-
2002	-	-	-	-	-
2003	-	3,055,255	3,055,255	0.29%	200
2004	-	2,955,958	2,955,958	0.25%	186
2005	8,490,000	2,852,417	11,342,417	0.80%	687
2006	8,325,000	2,744,444	11,069,444	0.68%	707
2007	8,155,000	2,631,843	10,786,843	0.51%	651
2008	7,980,000	2,441,843	10,421,843	0.46%	629
2009	7,800,000	2,241,671	10,041,671	0.49%	609
2010	7,615,000	2,032,843	9,647,843	0.51%	584

Source: City of Stuart Finance Department

Notes: [a] See schedule of Demographic and Economic Statistics for personal income and population data. These ratios are calculated using personal income and population for the calendar year.

City of Stuart, Florida
Legal Debt Margin Information
Last Ten Fiscal Years

The constitution of the State of Florida, Florida Statute 200.181 and the City of Stuart set no legal debt limit.

City of Stuart, Florida
Pledged-Revenue Coverage
Last Ten Fiscal Years

Tax Increment Redevelopment Revenue Bonds, Series 2003 A&B

Fiscal Year	CRA Fund Gross Revenues	Less: Non-Ad Valorem	Ad Valorem Revenue	Debt Service Principal	Debt Service Interest [1]	Debt Service Total	Coverage [2]
2003	$ 358,735	$ 28,045	$ 330,690	$ -	$ 77,545	$ 77,545	4.3
2004	387,890	57,200	330,690	99,297	132,735	232,032	1.4
2005	986,444	607,258	379,186	103,541	128,491	232,032	1.6
2006	846,975	254,867	592,108	107,973	124,059	232,032	2.6
2007	1,907,281	208,376	1,698,905	112,601	119,431	232,032	7.3
2008	1,759,067	69,923	1,689,144	190,000	114,598	304,598	5.5
2009	1,530,339	30,120	1,500,219	200,172	106,399	306,571	4.9
2010	1,369,366	24,886	1,344,480	208,828	97,743	306,571	4.4

Revenue Bonds, Series 2002A

Fiscal Year	General Fund Gross Revenues	Less: Ad Valorem	Non-Ad Valorem Revenue	Debt Service Principal	Debt Service Interest [1]	Debt Service Total	Coverage [3]
2002	$ 15,283,573	$ 3,962,786	$ 11,320,787	$ -	$ -	$ -	N/A
2003	16,232,522	4,256,709	11,975,813	35,000	109,188	144,188	80.8
2004	23,194,881	4,730,088	18,464,793	35,000	108,050	143,050	106.4
2005	21,838,230	5,260,427	16,577,803	255,849	139,742	395,591	44.3
2006	23,702,375	8,840,935	14,861,440	333,738	141,874	475,612	33.1
2007	22,570,132	10,024,336	12,545,796	626,778	197,022	823,800	16.6
2008	21,449,360	9,419,926	12,029,434	1,725,646	469,043	2,194,689	5.6
2009	19,776,796	8,710,935	11,065,861	225,000	444,496	669,496	17.2
2010	19,194,246	7,770,862	11,423,384	209,452	392,087	601,539	18.7

Public Utilities Rev. Ref. & Imp. Bonds, Series 2003, and Sub Liens, Series 2006, 2007 and 2007B

Fiscal Year	Water and Sewer Gross Revenues	Less: Operating Expenses [4]	Net Available Revenue	Debt Service Principal	Debt Service Interest [1]	Debt Service Total	Coverage [5]
2001	$ 6,729,901	$ 4,305,402	$ 2,424,499	$ 335,000	$ 801,673	$ 1,136,673	2.1
2002	6,496,909	4,372,712	2,124,197	335,000	787,144	1,122,144	1.9
2003	6,279,396	4,590,626	1,688,770	350,000	666,111	1,016,111	1.7
2004	6,382,217	4,792,548	1,589,669	145,000	1,231,484	1,376,484	1.2
2005	7,498,845	4,879,909	2,618,936	360,000	1,248,223	1,608,223	1.6
2006	8,300,989	5,475,587	2,825,402	455,000	1,229,941	1,684,941	1.7
2007	8,167,950	5,453,718	2,714,232	470,000	838,719	1,308,719	2.1
2008	7,715,552	5,777,421	1,938,131	310,000	986,746	1,296,746	1.5
2009	7,806,881	5,527,005	2,279,876	555,000	962,156	1,517,156	1.5
2010	8,125,197	5,352,049	2,773,148	576,000	940,018	1,516,018	1.8

Notes:
[1] Includes accrued interest
[2] Required coverage is 1.1%
[3] Required coverage is 1.5% of average of actual non-advalorem revenues over prior two years
[4] Operating expenses do not include interest, depreciation, or amortization expenses.
[5] Required coverage is 1.1%

City of Stuart, Florida
Demographic and Economic Statistics
Last Ten Calendar Years

Fiscal Year	City Population	City Personal Income	Martin County Per Capita Personal Income	Martin County Unemployment Rate
2001	14,766	$ 645,244,668	$ 43,698	5.6%
2002	14,989	651,391,962	43,458	5.4%
2003	15,275	676,560,300	44,292	5.2%
2004	15,922	786,435,346	49,393	4.8%
2005	16,504	866,608,536	52,509	3.6%
2006	15,661	929,151,469	59,329	3.9%
2007	16,564	1,020,176,760	61,590	4.1%
2008	16,577	996,940,780	60,140	6.3%
2009	16,483	N/A	N/A	11.1%
2010	16,514	N/A	N/A	12.4%[a]

Source: Florida Bureau of Economics and Business Research

Note: N/A - Data not available at this time
[a] This is a preliminary figure for 2010 and is subject to revision

City of Stuart, Florida
Principal Employers
Current Year and Nine Years Ago[1]

	2010		
Employer	Employees	Rank	Percentage of Total County Employment
Martin Memorial Health Systems	2,700	1	4.29%
Martin County School District	2,456	2	3.91%
Martin County	1,575	3	2.51%
Publix Supermarkets	1,168	4	1.86%
State of Florida	653	5	1.04%
Old Cell Phone	450	6	0.72%
The Home Depot	400	7	0.64%
Wal-Mart	390	8	0.62%
Winn-Dixie	382	9	0.61%
TurboCombustor Technologies Inc.	374	10	0.59%
Total County Employees	62,866		16.78%

	2001 [1]		
	Employees	Rank	Percentage of Total County Employment
Martin County School District	2,500	1	4.71%
Martin Memorial Health Systems	2,481	2	4.67%
Martin County	1,646	3	3.10%
Publix Supermarkets	1,196	4	2.25%
Armelini Express Lines	755	5	1.42%
State of Florida	743	6	1.40%
Vought Aircraft	475	7	0.89%
Winn-Dixie	450	8	0.85%
The Home Depot	363	9	0.68%
Hutchinson Island Marriot Beach Resort	300	10	0.57%
Total County Employees	53,084		20.55%

Source: Employer data - Martin County Clerk's Office

Note: [1] Information for 2001 was not available, so this schedule was prepared with the data of 2002

City of Stuart, Florida
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

	Fiscal Year									
Function/Program	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General government										
City Commission	5	5	5	5	5	5	5	5	5	5
City Manager	3	3	4	6	6	3	3	4	3	3
Human Resources	2	2	2	3	3	3	2	0	0	0
City Clerk	1	1	2	2	1	1	1	2	2	2
Financial Services	12	12	13	13	12	13	14	17	16	15
Information Services	4	4	4	4	4	4	3	0	0	0
City Attorney	2	2	2	2	2	2	2	2	2	2
Development	10	14	14	13	12	13	14	11	12	10
Public Safety										
Police	63	64	63	63	63	63	63	60	59	59
Fire / Rescue	42	41	41	43	37	38	39	38	36	33
Community Services[1]										
Anchorage	0	0	0	1	1	1	1	1	1	1
Recreation	11	12	11	11	15	12	10	8	8	5
Physical Environment										
Administration	1	2	2	3	5	4	4	4	3	3
Vehicle Maintenance	4	4	4	5	5	5	4	6	6	6
Building Maintenance	5	4	4	5	3	3	5	5	5	4
Turf & Grounds	12	13	18	18	16	18	18	17	17	17
Water Treatment	10	10	10	10	10	10	10	11	11	11
Waste Water Treatement	9	9	9	9	9	9	9	11	11	0
Distribution & Collection	9	9	9	9	9	8	8	9	9	9
Water & Sewer General	8	8	8	8	10	10	6	3	3	2
Residential Collection	2	2	2	2	2	2	3	3	4	4
Commercial Sanitation	7	8	8	8	8	8	11	12	11	11
Trash Collection	2	2	2	2	2	2	3	3	3	3
Stormwater	3	3	4	4	3	4	3	3	3	3
Transportation										
Streets	6	6	6	6	6	6	6	6	6	6
Total	233	240	247	255	249	247	247	241	236	214

Source: Information derived from the City of Stuart adopted budget for the relevant year.

Note: [1]At the end of FY2009 Parks and Recreation changed its name to Community Services

City of Stuart, Florida
Operating Indicators by Function/Program
Last Ten Fiscal Years

	Fiscal Year									
Function/Program	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Police										
Physical arrests	866	989	967	1,217	1,326	1,318	N/A	N/A	N/A	N/A
Parking violations	1,350	1,070	1,496	2,036	2,083	2,511	N/A	N/A	N/A	N/A
Traffic violations	3,701	4,767	4,444	7,013	8,496	8,370	N/A	N/A	N/A	N/A
Fire										
Emergency responses	3,491	3,286	3,671	3,858	4,421	4,867	N/A	N/A	N/A	N/A
Fires extinguished	45	66	68	85	94	137	N/A	N/A	N/A	N/A
Fire inspections	958	720	463	527	2,000	1,213	N/A	N/A	N/A	N/A
Refuse Collection										
Refuse collected (tons per day)	45	44	52	46	67	73	N/A	N/A	N/A	N/A
Customers	3,648	3,591	3,651	3,729	3,777	3,819	3,693	3,744	3,604	3,604
Other Public Works										
Street resurfacing (miles)	0	1.75	2	2	1	0	N/A	N/A	N/A	N/A
Potholes repaired	42	35	25	75	100	75	N/A	N/A	N/A	N/A
Development										
Building permits issued	1,177	921	1,159	1,239	1,799	2,838	1,244	1,558	1,209	1,157
Building inspection issued	3,692	2,475	3,088	2,831	4,748	6,862	5,910	3,939	3,257	N/A
Community Services[1]										
Athletic field permits issued	115	105	100	110	93	64	N/A	N/A	N/A	N/A
Park permits issued	235	224								
Facility/Vendor rental permits	67	85								
Special events public permits	91	47								
Special events private permits	34	23								
Special events banner permits	163	55								
Comm. center (CC) admissions			70,000	78,000	82,481	71,599	N/A	N/A	N/A	N/A
CC program admisions	34,087	29,941								
CC rental admissions	4,615	6,780								
City events participants	18,675	11,644								
Special events - public property	101,730	90,820								
Park participant usage	7,865	6,848								
Water										
New connections	20	16	11	54	92	68	N/A	N/A	N/A	N/A
Water mains breaks	15	13	14	8	23	25	N/A	N/A	N/A	N/A
Average daily consumption	185	166	197	166	219	219	187	187	187	187
Metered services	4,146	4,145	4,145	4,197	4,104	4,048	4,012	3,985	3,919	3,919
Wastewater										
Average daily sewage treatment (Gallons Per Day/Per Customer)	131	118	101	118	107	115	97	97	97	97
Customers	1,717	1,702	1,699	1,687	1,683	1,650	1,625	1,606	1,585	1,585
Transit										
Total route miles	10	10	10	10	0	0	0	0	0	0
Passengers	12,489	15,272	19,383	10,768	0	0	0	0	0	0

Sources: Various City departments.

Note: N/A - Data not available at this time
[1]At the end of FY2009 Parks and Recreation changed its name to Community Services

City of Stuart, Florida
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	Fiscal Year									
Function/Program	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units (avg. per shift)	5	5	5	5	5	5	5	5	5	5
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Refuse collection										
Collection trucks	11	10	8	14	8	8	N/A	N/A	N/A	N/A
Other public works										
Streets (miles)	100	100	100	95.8	40.8	40.8	N/A	N/A	N/A	N/A
Streetlights	275	275	275	413	413	413	N/A	N/A	N/A	N/A
Traffic signals	44	36	35	33	33	33	N/A	N/A	N/A	N/A
Community Services[1]										
Acreage	170	170	170	170	170	170	70	70	70	70
Community parks	8	11	11	11	11	11	8	8	8	8
Community mini/urban parks	22	43	43	43	43	43	16	16	16	16
Baseball/softball diamonds	5	5	5	5	5	5	5	5	5	5
Tennis courts	6	6	6	6	6	6	6	6	6	6
Shuffleboard courts	15	15	15	15	15	15	2	2	2	2
Community centers	1	2	2	2	2	2	2	2	2	2
Water										
Fire hydrants[2]	482	978	860	855	84	82	N/A	N/A	N/A	N/A
Storage capacity (million gal)	3	3.25	3.25	3	725	725	N/A	N/A	N/A	N/A
Wastewater										
Wastewater sewers (miles)	54	54	54	54	53	52	52	52	52	52
Treatment capacity (million gal)	4	4	4	4	9.2	9.2	9.2	9.2	9.2	N/A
Stormwater										
Stormwater sewers (miles)	21	21	21	21	21	21	21	21	21	21
Transit-minibuses[3]										
Sailfish Shuttle	1	1	1	1	0	0	0	0	0	0

Sources: Various City departments.

Note: N/A - Data not available at this time
[1]At the end of FY2009 Parks and Recreation changed its name to Community Services
[2]City, County and privately owned within City limits
[3]Established February 28, 2007

CITY OF STUART, FLORIDA

COMPLIANCE SECTION

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

- **Independent Auditors' Management Letter**

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

Honorable Mayor, City Commission, and City Manager
City of Stuart, Florida:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Stuart, Florida (the "City") as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Cherry, Bekaert & Holland, L.L.P.

Orlando, Florida
March 21, 2011

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

Honorable Mayor, City Commission, and City Manager
City of Stuart, Florida:

Compliance

We have audited the compliance of the City of Stuart, Florida (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2010. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2010.

Internal Control over Compliance

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

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

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

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

Cherry, Bekaert & Holland, L.L.P.

Orlando, Florida
March 21, 2011

CITY OF STUART, FLORIDA
Schedule of Findings and Questioned Costs –
Federal Awards Programs
Year Ended September 30, 2010

Part I - Summary of Auditors' Results

Financial Statement Section

Type of auditors' report issued:	Unqualified			
Internal control over financial reporting:				
Material weakness(es) identified?	_____	yes	x	no
Significant deficiency(ies) identified?	_____	yes	x	none reported
Noncompliance material to financial statements noted?	_____	yes	x	no

Federal Awards Section

Internal control over major programs:				
Material weakness(es) identified?	_____	yes	x	no
Significant deficiency(ies) identified?	_____	yes	x	none reported
Type of auditors' report on compliance for major federal programs:	Unqualified			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133?	_____	yes	x	no

CITY OF STUART, FLORIDA
Schedule of Findings and Questioned Costs –
Federal Awards Programs
Year Ended September 30, 2010

Part I - Summary of Auditors' Results (continued)

Federal Awards Section (continued)

Identification of major federal programs:

Federal Programs:

Name of Program or Cluster	CFDA Numbers
Environmental Protection Agency - Capitalization Grants for Clean Water State Revolving Funds	66.458

Dollar threshold used to determine Type A programs:

Federal	$ 300,000

Auditee qualified as low-risk auditee for federal purposes? x yes ____ no

Part II - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* .

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards* .

Part III - Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major federal programs, as required to be reported by Section 510(a) of OMB Circular A-133.

There were no findings required to be reported by Section 510(a) of OMB Circular A-133.

CITY OF STUART, FLORIDA
Summary Schedule of Prior Audit Findings and Corrective Action Plan
Federal Awards Programs
Year Ended September 30, 2010

Prior Year Audit Findings:

There were no prior year audit findings.

Corrective Action Plan:

There were no audit findings in the current year independent auditors' reports that required corrective action.

CITY OF STUART, FLORIDA
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2010

Federal Grantor Pass-through Grantor's Program Title	CFDA Number	Grant Number/ Pass-through Grantor's Number	Expenditures
U.S. Department of Housing and Urban Development			
Passed through the Florida Department of Community Affairs:			
CDBG - State-Administered Small Cities Program Cluster - Tropical Storm Faye	14.228	10DB-K4-10-53-02-K22	$ 2,346
ARRA - Community Development Block Grant - Woodlawn/Delaware Infrastructure	14.255	10DB-C4-10-53-02-R10	65,251
Total U.S. Department of Housing and Urban Development/ CDBG - State-Administered Small Cities Program Cluster			67,597
U.S. Department of Justice			
Bulletproof Vest Partnership	16.607	N/A	8,310
Justice Assistance Grant - Crime Mapping GIS	16.738	2009-DJ-BX-0615	10,411
ARRA - JAG Program - Speed Trailer/In-Car Cameras	16.804	2009-SB-B9-0455	40,996
Total U.S. Department of Justice			59,717
U.S. Department of Transportation National Highway Traffic Safety Administration			
Passed through the Florida Department of Health:			
EMSTARS Funding Assistance	20.610	AP079	20,574
Total U.S. Department of Transportation National Highway Traffic Safety Administration			20,574
U.S. Environmental Protection Agency			
Passed through the Florida Department of Environmental Protection:			
ARRA - Capitalization Grants for Clean Water State Revolving Funds - Reclaimed Water	66.458	WW430400	1,501,137
Total U.S. Environmental Protection Agency			1,501,137
U.S. Department of Homeland Security			
Assistance to Firefighters Grant ("AFG")	97.044	EMW-2009-FO-08169	39,900
Passed through the Florida Division of Emergency Management:			
Hazard Mitigation Grant - Memorial Park	97.039	10HM-12-10-53-02-004	59,044
Total U.S. Department of Homeland Security			98,944
Total Expenditures of Federal Awards			$ 1,747,969

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Note 1 – Reporting Entity

For reporting entity purposes, the Schedule of Expenditures of Federal Awards includes only the activities of the primary government of the City of Stuart (the "City").

Note 2 – Summary of Significant Accounting Policies

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual method in accordance with accounting principles generally accepted in the United States of America as applicable to governmental organizations.

Note 3 – Contingencies

Grant monies received by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the City does not believe such disallowances, if any, would have a material effect on the financial position of the City. As of September 30, 2010, there were no material questioned or disallowed costs as a result of grant audits in process or completed of which management was aware. Any adjustments to grant findings are recorded in the year the adjustment occurs.

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' MANAGEMENT LETTER

Honorable Mayor, City Commission and City Management
City of Stuart, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Stuart, Florida (the "City"), as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated March 21, 2011.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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*, Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in this report, which is dated March 21, 2011, should be considered in conjunction with this management letter.

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

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 audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit of the financial statements of the City, nothing came to our attention that would cause us to believe that the City was in noncompliance with Section 218.415 regarding the investment of public funds.

Section 10.554(1)(i)3., Rules of the Auditor General, require disclosure in the management letter of any recommendations to improve the City's financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on determination of financial statements amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (a) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (b) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. Such disclosure is included in the notes to the financial statements.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit of the financial statements of the City, the results of our tests did not indicate the City met any of the specified conditions of a financial emergency contained in Section 218.503(1). However, our audit does not provide a legal determination on the City's compliance with this requirement.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2010, 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, 2010. Our comparison of the financial report filed with the Florida Department of Financial Services to the City's 2010 audited financial statements resulted in no material differences.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Cherry, Bekaert & Holland, L.L.P.

Orlando, Florida
March 21, 2011