



City of Stuart, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Celebrating Stuart's 9th Year as a Tree City USA



Fiscal Year Ended September 30, 2011

CITY OF STUART, FLORIDA

Comprehensive Annual Financial Report

Fiscal Year Ended
September 30, 2011

Prepared by:
Department of Finance

CITY OF STUART, FLORIDA
Comprehensive Annual Financial Report
Year Ended September 30, 2011

Contents

	<u>Page</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i
Organizational Chart	v
List of Elected and Appointed Officials	vi
Certificate of Achievement for Excellence in Financial Reporting	vii
 FINANCIAL SECTION:	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Balance Sheet – Proprietary Funds	21
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	23
Statement of Cash Flows – Proprietary Funds	24

Notes to the Financial Statements.....	25
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budgetary Basis) – General Fund.....	60
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Community Redevelopment Agency.....	61
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Property Management.....	62
Notes to Required Supplementary Information.....	63
Schedule of Funding Progress – Other Postemployment Benefits.....	64
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Special Revenue Funds.....	65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds.....	66
STATISTICAL SECTION:	
Net Assets by Component, Last Nine Fiscal Years.....	67
Changes in Net Assets, Last Nine Fiscal Years.....	69
Fund Balances – Governmental Funds, Last Ten Fiscal Years.....	73
Changes in Fund Balances – Governmental Funds, Last Ten Fiscal Years.....	75
Assessed Value and Adjustable Value of Taxable Property, Last Ten Fiscal Years.....	77
Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years.....	78
Principal Taxpayers, Current and Nine Years Ago.....	79
Property Tax Levies and Collections, Last Ten Fiscal Years.....	80

Ratios of Outstanding Debt by Type, Last Ten Fiscal Years.....	81
Direct and Overlapping Governmental Activities Debt.....	83
Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years.....	84
Legal Debt Margin Information, Last Ten Fiscal Years.....	85
Pledged-Revenue Coverage, Last Ten Fiscal Years.....	86
Demographic and Economic Statistics, Last Ten Calendar Years.....	87
Principal Employers, Current and Nine Years Ago.....	88
Full-time Equivalent City Government Employees By Function/Program, Last Ten Fiscal Years.....	89
Operating Indicators by Function/Program, Last Ten Fiscal Years.....	90
Capital Asset Statistics by Function/Program, Last Ten Fiscal Years.....	91

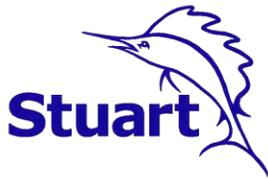
COMPLIANCE SECTION:

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 <i>Government Auditing Standards</i>	92
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.....	94
Schedule of Findings and Questioned Costs – Federal Awards Programs.....	96
Summary Schedule of Prior Audit Findings and Corrective Action Plan.....	98
Schedule of Expenditures of Federal Awards.....	99
Notes to Schedule of Expenditures of Federal Awards.....	100
Independent Auditors' Management Letter.....	101

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, 2012

To the Honorable Mayor James A. Christie, Jr.,
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, 2011.

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, 2011, 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, 2011 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 2010 population of the City was 17,004, and the 2010 Census reports the population was just over 15,000. 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 11.13% and property tax revenues shrunk by 10%.

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 2011, 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 moved forward with work on an approximately \$6,000,000 project to renovate and revitalize the Memorial Park in downtown Stuart, spending over \$1,000,000 in 2011
- In 2011, the City began the process to design an entry “gateway” to the downtown, and redesign Colorado Avenue to incorporate traffic calming
- The City continues to pursue a government center in downtown Stuart to locate all the County and City offices, pushing forward with plans for a transit depot station
- After purchasing the “Heart of Haney” parcel at just over \$2 million, with referendum approval, the City initiated leasing a section of the parcel for future commercial ventures
- The “Crary House”, which was saved from demolition in 2010, was relocated to a historical site in downtown Stuart and rented in 2011

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, 2010. 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, 2011 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.

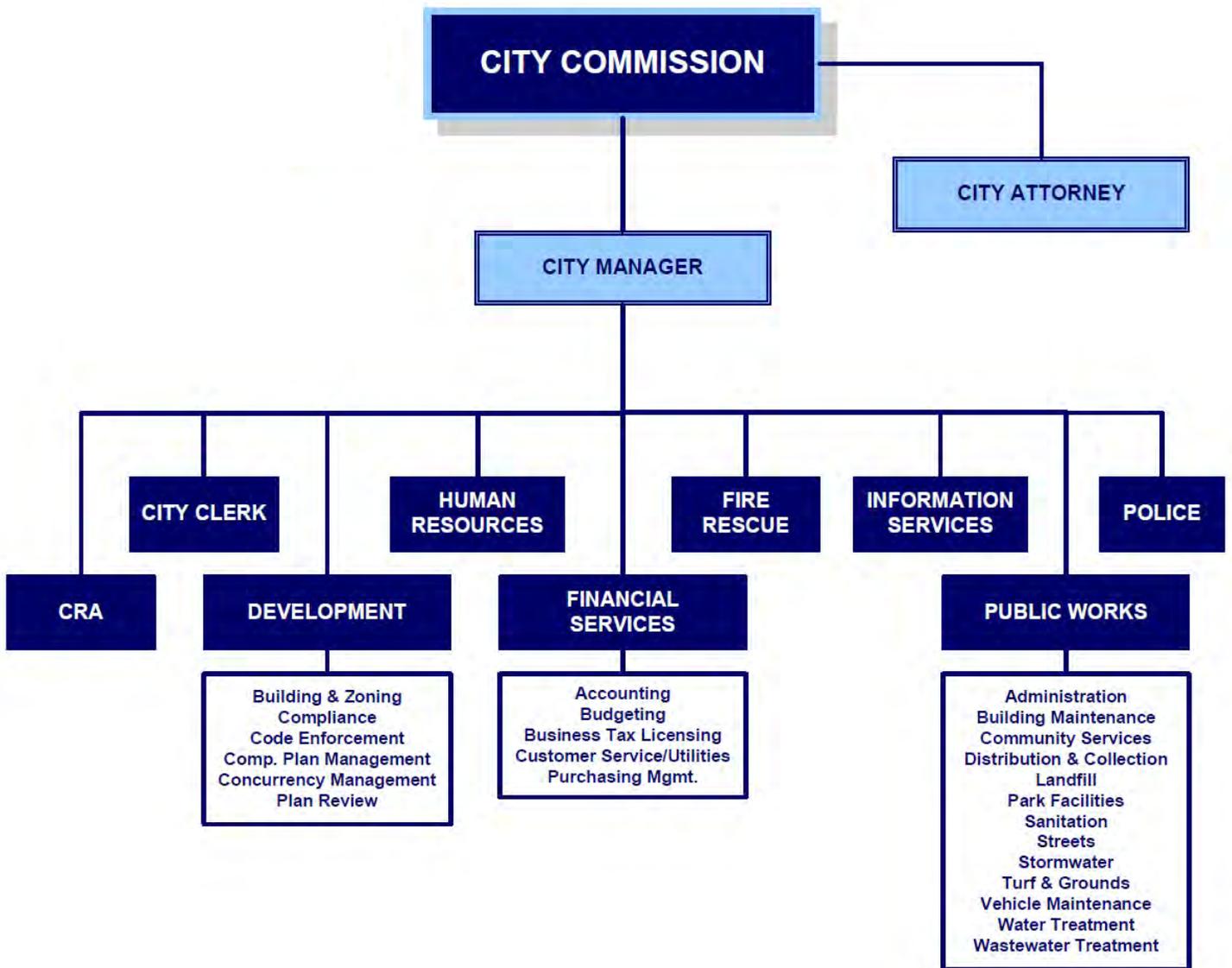
Respectfully submitted,



Paul J. Nicoletti, City Manager



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



CITY OF STUART, FLORIDA

LIST OF ELECTED AND APPOINTED OFFICIALS

SEPTEMBER 30, 2011

City Commission – 2010-11

Jeffrey A. Krauskopf	Mayor
James A. Christie, Jr.	Vice-Mayor
Eula R. Clarke	Commissioner
Troy A. McDonald	Commissioner
Michael J. Mortell	Commissioner

Appointed Officials

Paul J. Nicoletti, Esquire	City Manager
Michael D. Durham	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. Toppi	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, 2010

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.



Linda C. Dandison

President

Jeffrey R. Emer

Executive Director

CITY OF STUART, FLORIDA

FINANCIAL SECTION

- ❖ **Independent Auditor's Report**
- ❖ **Management's Discussion and Analysis**
- ❖ **Basic Financial Statements**
- ❖ **Required Supplementary Information**
- ❖ **Combining and Individual Fund Statements and Schedules**



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, 2011, 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, 2011, 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.

As discussed in Note 1, the City adopted Statement of Governmental Accounting Standards No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended September 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2012 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 nonmajor 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 accompanying 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 also 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 do not express an opinion or provide any assurance on them.

Cheryl Behrnt & Holland, L.L.P.

Orlando, Florida
March 21, 2012

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, 2011, 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 \$136,335,809 (*net assets*). Of this amount, \$8,132,859 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$1,020,806. This translates into a 1 percent increase. This is primarily due to an increase in capital assets while decreasing current liabilities realized by changes in workforce and leave policies.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,685,251, a decrease of \$3,691,084 in comparison with the prior year. Approximately 1 percent of this total amount, \$54,294, is *available for spending* at the government's discretion (*unassigned*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund is shown as \$1,378,267, which includes \$1,025,514 in encumbrances which are committed to vendors, leaving \$1,390,768. When this amount is combined with the \$2,589,475 representing an inter-fund loan to the Property Management Fund for a building owned by the City, it brings total unassigned fund balance to \$3,980,243, or 21 percent of total General Fund expenditures (operating only).
- The City of Stuart's governmental fund debt decreased \$435,206 (4 percent) as of September 30, 2011. 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, and 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 \$136,335,809 at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (\$120,507,427 or 88 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	
	2011	2010	2011	2010	2011	2010
Assets						
Cash and cash equivalents	\$ 3,911,132	\$ 1,753,048	\$ 5,798,442	\$ 4,308,930	\$ 9,709,574	\$ 6,061,978
Other current assets	6,280,952	11,664,224	2,012,874	8,234,581	8,293,826	19,898,805
Restricted cash and cash equivalents	1,407,128	1,368,366	5,950,845	3,727,795	7,357,973	5,096,161
Capital assets net of accumulated depreciation	89,603,819	87,038,453	65,125,556	61,481,490	154,729,375	148,519,943
Total assets	101,203,031	101,824,091	78,887,717	77,752,796	180,090,748	179,576,887
Liabilities						
Current liabilities	4,307,156	4,853,092	2,514,387	2,902,014	6,821,543	7,755,106
Noncurrent liabilities	13,093,373	13,264,752	23,840,021	23,242,026	36,933,394	36,506,778
Total liabilities	17,400,529	18,117,844	26,354,408	26,144,040	43,754,937	44,261,884
Net assets						
Invested in capital assets, net of related debt	79,492,106	76,789,485	41,015,323	38,098,498	120,507,429	114,887,983
Restricted	3,745,205	4,634,567	3,950,318	1,819,892	7,695,523	6,454,459
Unrestricted	565,191	2,282,195	7,567,668	11,690,366	8,132,859	13,972,561
Total net assets	\$ 83,802,502	\$ 83,706,247	\$ 52,533,309	\$ 51,608,756	\$ 136,335,811	\$ 135,315,003

An additional portion of the City's net assets, \$7,695,523, represents resources that are restricted for specific uses. The balance of net assets, \$8,132,859 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 an increase in the restricted net assets of the City's business-type activities of \$2,130,426. This increase is attributable to participation in the State of Florida Revolving Fund, and the funds used to add improvements to the collection and wastewater reclamation facilities.

The City of Stuart's net assets increased by \$1,020,808, which is made up of an increase in total assets of \$513,861, and a decrease in total liabilities of \$506,949. This change is a result of additional capital acquisitions while eliminating several short-term liabilities.

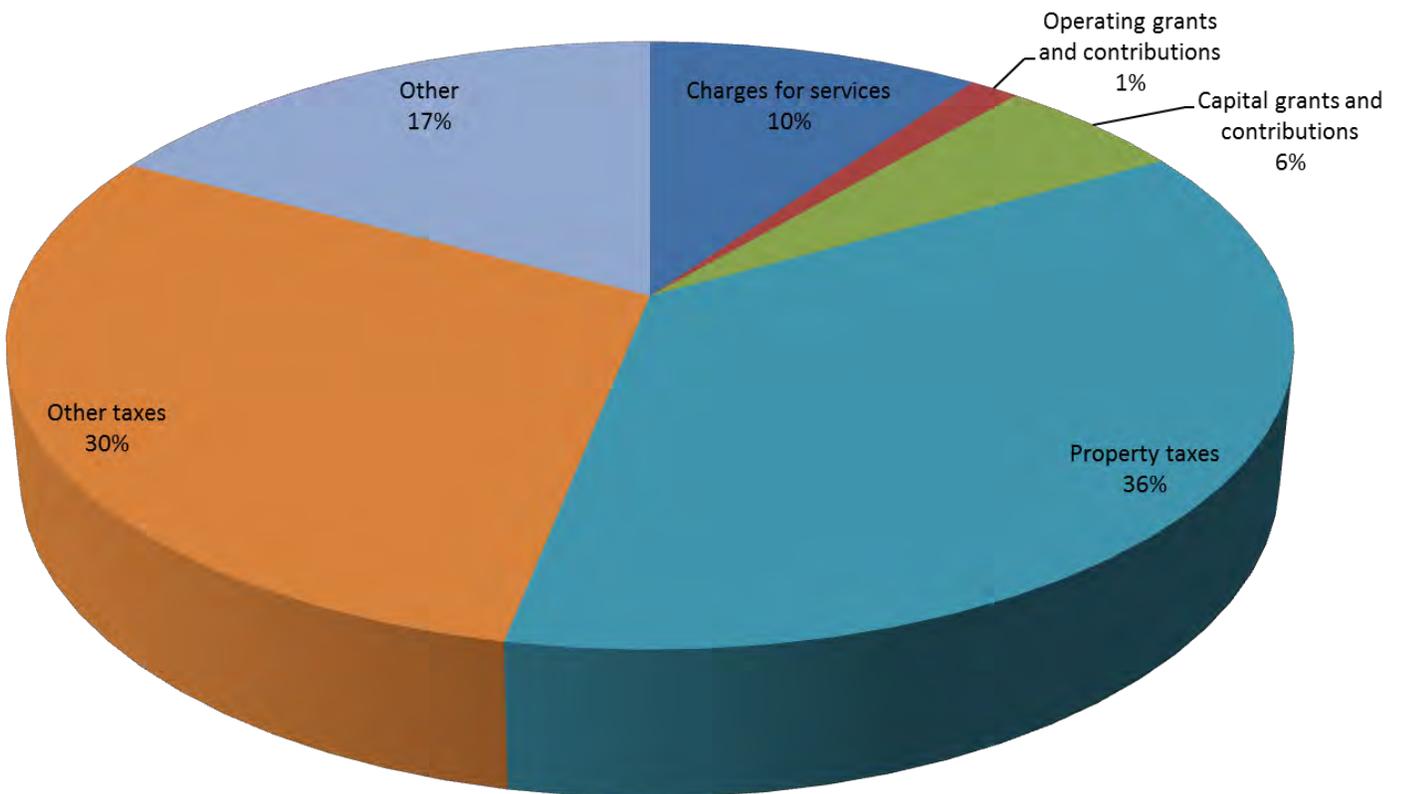
Governmental Activities. Governmental activities increased the City's net assets by \$22,203 before transfers, and \$96,255, including transfers, thereby accounting for 9 percent of the total increase in net assets. Key elements of this increase are included in the display below:

CITY OF STUART, FLORIDA - CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues						
Charges for services	\$ 2,207,329	\$ 1,707,985	\$ 12,764,242	\$ 12,374,915	\$ 14,971,571	\$ 14,082,900
Operating grants and contributions	331,516	277,838	-	-	331,516	277,838
Capital grants and contributions	1,263,048	409,805	617,995	57,200	1,881,043	467,005
General revenues:						
Property taxes	8,214,346	9,115,344	-	-	8,214,346	9,115,344
Other taxes	6,742,206	6,775,928	-	-	6,742,206	6,775,928
Other	3,874,930	4,430,666	136,801	194,452	4,011,731	4,625,118
Total revenues	22,633,375	22,717,566	13,519,038	12,626,567	36,152,413	35,344,133
Expenses:						
General government	5,116,404	5,189,601	-	-	5,116,404	5,189,601
Public safety	11,823,576	12,689,830	-	-	11,823,576	12,689,830
Culture/recreation	1,184,503	1,690,535	-	-	1,184,503	1,690,535
Physical environment	1,788,129	1,860,956	-	-	1,788,129	1,860,956
Transportation	1,149,954	1,141,768	-	-	1,149,954	1,141,768
Economic environment	1,044,906	901,883	-	-	1,044,906	901,883
Interest on long-term debt	503,700	521,202	-	-	503,700	521,202
Water and sewer	-	-	8,308,351	8,540,405	8,308,351	8,540,405
Stormwater	-	-	1,087,605	1,090,929	1,087,605	1,090,929
Sanitation	-	-	3,124,477	3,273,428	3,124,477	3,273,428
Total expenses	22,611,172	23,995,775	12,520,433	12,904,762	35,131,605	36,900,537
Increase in net assets before transfers	22,203	(1,278,209)	998,605	(278,195)	1,020,808	(1,556,404)
Transfers	74,052	(54,904)	(74,052)	54,904	-	-
Increase in net assets	96,255	(1,333,113)	924,553	(223,291)	1,020,808	(1,556,404)
Net assets - beginning	83,706,247	85,039,360	51,608,756	51,832,047	135,315,003	136,871,407
Net assets - ending	\$ 83,802,502	\$ 83,706,247	\$ 52,533,309	\$ 51,608,756	\$ 136,335,811	\$ 135,315,003

Property taxes decreased by \$900,998 (10 percent) from the previous year. This decrease is the result of Florida legislation over the last five 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 2011 fiscal year millage in effect was 4.3329. During fiscal year 2011, the City added .3107 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 increased in total from the prior year by \$1,406,265. This increase is due primarily to capital grants not present in 2010, and increased charges for service in the governmental funds.

Revenues by Source - Governmental Activities

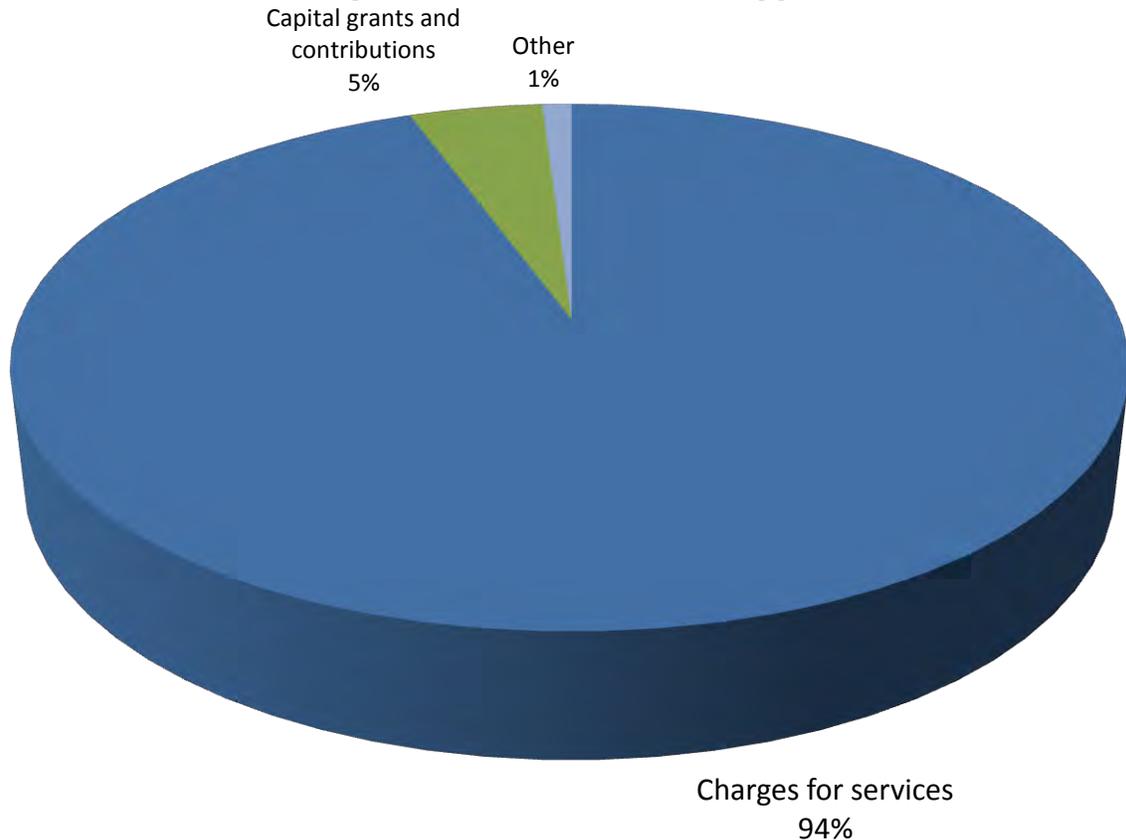


Business-type Activities. The City operates three enterprises that comprise its business-type activities; water and sewer utilities, sanitation and stormwater. All enterprise funds are classified as major funds.

Business-type activities increased the City's net assets by \$998,605 before transfers, and by \$924,553 including transfers resulting in a net increase to net assets of 2 percent. Charges for services increased by \$411,550, or 3 percent (from \$12,352,692 in 2010 to \$12,764,242 in 2011), in total, in combination with an increase in capital grants during the 2011 fiscal year. Decreases in other revenues were insignificant and absorbed by the increases in other categories.

Expenses for the Water and Sewer Fund activities decreased \$232,054, or 3 percent, from \$8,540,405 in 2010 to \$8,308,351 in 2011. There was a decrease in personal services of \$103,635 (4 percent) and a decrease in operating expenses of \$127,815 (5 percent). The overall operating expenses decreased \$199,095 (3 percent). The decrease in personal services can be attributed to the reduction in work force and lower paid beginner salaries for positions replaced after early retirement and separation programs.

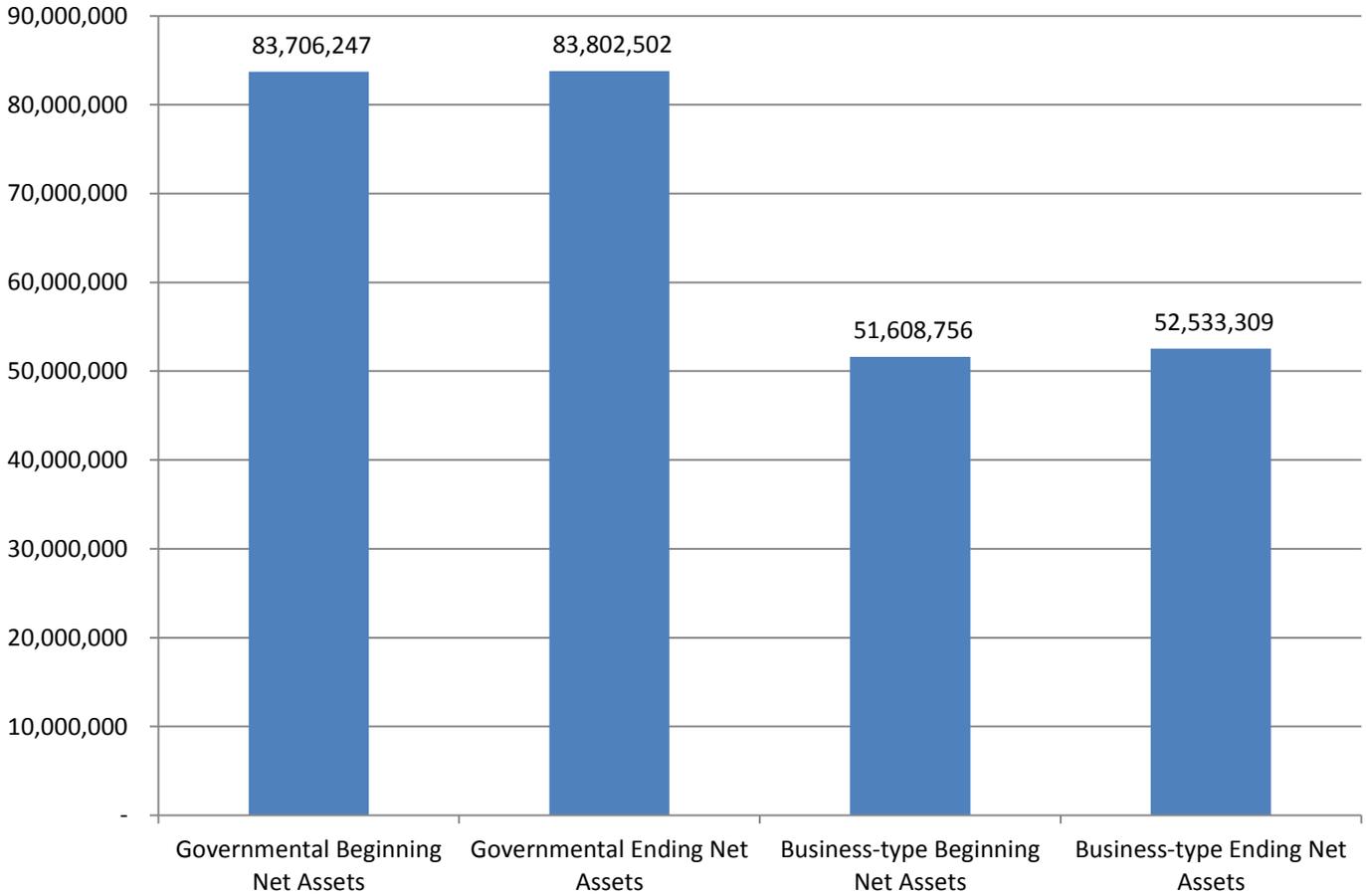
Revenues by Source - Business-type Activities



Expenses for the Sanitation Fund activities decreased by \$148,951, from \$3,273,428 in 2010 to \$3,124,477 in 2011. This decrease (5 percent) consists in part, of a \$45,589, or a 4 percent decrease in personal services which is part of an overall decrease in operating expenses of \$120,116, 4 percent from prior fiscal year operating expenses.

Expenses in the Stormwater Fund activities decreased by \$3,324 (less than 1 percent), from \$1,090,929 in 2010 to \$1,087,605 in 2011. This is primarily comprised of a decrease in operating expenses of \$60,278, or 25 percent, though netted against increases in personal services and depreciation. The personal services increase is primarily due to reallocation of personnel costs to the Stormwater Fund. Depreciation expense increased by 1 percent as additional stormwater maintenance projects in the Stormwater Fund were capitalized.

CITY OF STUART - CHANGES IN NET ASSETS



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 \$7,685,251, a total decrease of \$3,691,084 from the prior year; of which a decrease of \$1,409,771 is attributable to the General Fund; a decrease of \$694,852 attributable the Community Redevelopment Agency Fund (CRA); an increase of \$470,416 in the Property Management Fund; and a decrease of \$2,056,877 in other governmental funds. The General Fund decrease is was mostly affected by the purchase of additional properties for over 2 million dollars in fiscal year 2011. Approximately 1 percent of the total fund balance, or \$54,294, is presented as unassigned 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, unassigned fund balance of the General Fund is shown as \$2,416,282. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance, plus the inter-fund receivable from the Property Management Fund, represents 18 percent of total General Fund expenditures, while total fund balance represents 36 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 \$3,672,816, those for the Sanitation Fund were \$2,920,232, and those for Stormwater Fund were \$974,620. The total growth/(decrease) in unrestricted net assets for these funds were (\$4,923,254), \$768,692, and \$31,864, 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, and is reflected in the change in "Invested in capital assets" from \$17,467,412 in 2010 to \$21,180,315 in 2011. The Sanitation Fund performed audits of services to increase collections. The Stormwater Fund maintained operations as normal.

General Fund Budgetary Highlights

For the fiscal year 2011, the City adopted a balanced budget in the General Fund. The General Fund had original budgeted revenues of \$17,940,621, a decrease of \$2,428,579 from 2010, and original budgeted appropriations of \$18,649,365; the balance of the budget was made with \$708,744 of net transfers in and out of the General Fund. The final budget reflected amended revenues of \$17,975,908 and amended appropriations of \$21,888,425, and net transfers were amended to \$1,210,801. 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 \$3,239,060 (increase in appropriations). Of this amount, \$2,462,911 was due to appropriations approved in fiscal year 2010 that were automatically re-appropriated for fiscal year 2011. Of the normal amendments to the appropriation budget, the more significant were:

- \$322,811 was appropriated for design and construction of a crosswalk downtown.
- \$39,620 was appropriated for Dixie Highway sidewalk beautification.
- \$36,000 was appropriated for the purchase of 2 citizen patrol cars.
- \$50,000 was appropriated for construction of a downtown transit depot.

These increases were funded by a combination of unassigned fund balance, grants proceeds being recognized as revenues, contributions from developers, and additional revenues above original budget. Revenues exceeded the amended budget by \$1,197,730, while expenditures came in below budget, with a positive variance of \$281,094, as efforts were taken to curtail spending and several projects were deferred. The City eliminated General Fund positions and offered early retirement incentives.

Capital Assets and Debt Administration

Capital assets. The City's capital assets for its governmental and business-type activities as of September 30, 2011, amounts to \$154,729,375 (net of accumulated depreciation). This amount 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 increased by 4 percent, with a net increase for governmental funds of \$2,565,366 and business-type funds increase of \$3,644,066.

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

- \$2,027,556 was used to purchase the “Heart of Haney” parcel in north Stuart.
- Water and Sewer spent in excess of \$2.3 million on aesthetic improvements at the wastewater reclamation facility.
- Public restrooms were constructed at MLK Park for just over \$90,000.
- Over \$260,000 of crosswalk enhancements were installed in 2011.
- More than \$1,000,000 was spent on Memorial Park improvements.
- \$3.7 million was spent on the reclaimed water system from the Water and Sewer Fund.
- Further construction on the Woodlawn and El Dorado neighborhood improvements continued with over \$1,000,000 of additional expenditures.

CITY OF STUART, FLORIDA - CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 5,860,553	\$ 3,832,997	\$ 5,981,083	\$ 5,981,083	\$ 11,841,636	\$ 9,814,080
Buildings and improvements	14,288,066	14,740,853	506,077	522,358	14,794,143	15,263,211
Improvements other than buildings	14,304,372	11,857,797	49,846,149	48,807,122	64,150,521	60,664,919
Equipment	1,582,760	2,047,220	2,233,120	2,689,690	3,815,880	4,736,910
Infrastructure	52,633,536	53,840,963	297,450	307,875	52,930,986	54,148,838
Construction in progress	937,533	718,623	6,261,677	3,173,362	7,199,210	3,891,985
	<u>\$ 89,606,820</u>	<u>\$ 87,038,453</u>	<u>\$ 65,125,556</u>	<u>\$ 61,481,490</u>	<u>\$ 154,732,376</u>	<u>\$ 148,519,943</u>

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 \$34,221,946. 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 \$3,387,534 in compensated absences, \$45,000 for continued monitoring cost of the capped landfill, and \$1,200,199 for other post-employment benefits (OPEB).

CITY OF STUART, FLORIDA - BONDED DEBT OUTSTANDING

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation bonds	\$ 7,307,790	\$ 7,497,955	\$ -	\$ -	\$ 7,307,790	\$ 7,497,955
Tax Increment Financing bonds	1,814,971	2,032,843	-	-	1,814,971	2,032,843
Revenue bonds and notes	988,952	1,016,121	21,354,259	21,881,855	22,343,211	22,897,976
Promissory notes	-	-	2,755,974	1,501,137	2,755,974	1,501,137
	<u>\$ 10,111,713</u>	<u>\$ 10,546,919</u>	<u>\$ 24,110,233</u>	<u>\$ 23,382,992</u>	<u>\$ 34,221,946</u>	<u>\$ 33,929,911</u>

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 was a census year, and reported the Stuart's population at just over 15,000.
- Half-cent sales taxes and discretionary taxes stabilized somewhat, and show signs of rebounding.
- The City renegotiated all union contracts changing health insurance coverage, benefits, and wage increase policies in order to combat the decrease in resources.
- The Florida legislature proposed challenges to several local government revenue sources, but the actions were never passed; these developments are being watched for any future action.
- The Florida legislature mandated contributions to the State pension plan (FRS) from the employees, in turn, reducing the employer contributions, though possibly only temporarily.

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

The September 30, 2011, unassigned fund balance in the General Fund of \$1,378,267 is less than the \$4,449,938 of unreserved fund balance at September 30, 2010. This is directly affected by the implementation of GASB 54 reporting standards and that must be taken into consideration when comparing these balances. 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 2012, 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, 2011, 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, 2011

	Primary Government		
	Governmental Activities	Business- type Activities	Total Primary Government
Assets			
Cash and cash equivalents	\$ 3,911,132	\$ 5,798,442	\$ 9,709,574
Investments	4,318,359	-	4,318,359
Accounts receivable, net	960,528	1,425,825	2,386,353
Special assessments receivable	-	262,712	262,712
Due from other governments	921,107	182,900	1,104,007
Inventories	79,414	-	79,414
Prepaid items and other assets	1,544	141,437	142,981
Restricted cash and cash equivalents	1,407,128	3,939,083	5,346,211
Restricted investments	-	2,011,762	2,011,762
Capital assets net of accumulated depreciation:			
Nondepreciable	6,795,086	12,242,760	19,037,846
Depreciable	82,808,733	52,882,796	135,691,529
Total assets	<u>101,203,031</u>	<u>78,887,717</u>	<u>180,090,748</u>
Liabilities			
Accounts payable	593,661	235,953	829,614
Accrued liabilities	700,716	116,970	817,686
Due to other governments	2,213	-	2,213
Unearned revenue	1,742,464	19,868	1,762,332
Customer deposits	6,684	792,486	799,170
Accrued interest	110,990	495,489	606,479
Other liabilities	82,764	-	82,764
Long-term liabilities:			
Due within one year	1,067,664	853,621	1,921,285
Due in more than one year	13,093,373	23,840,021	36,933,394
Total liabilities	<u>17,400,529</u>	<u>26,354,408</u>	<u>43,754,937</u>
Net assets			
Invested in capital assets, net of related debt	79,492,106	41,015,323	120,507,429
Restricted for:			
Infrastructure improvement	1,817,732	-	1,817,732
Renewal and replacement	-	314,043	314,043
Impact fee requirements	1,205,182	3,454,437	4,659,619
Law enforcement	136,784	-	136,784
Grant programs	23,795	-	23,795
Construction	292	-	292
SRF reserve	-	181,838	181,838
Community development	561,420	-	561,420
Unrestricted	565,191	7,567,668	8,132,859
Total net assets	<u>\$ 83,802,502</u>	<u>\$ 52,533,309</u>	<u>\$ 136,335,811</u>

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

CITY OF STUART, FLORIDA
Statement of Activities
Year Ended September 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
General government:							
General government	\$ 5,116,404	\$ 709,976	\$ -	\$ -	\$ (4,406,428)	\$ -	\$ (4,406,428)
Public safety	11,823,576	1,381,830	78,162	-	(10,363,584)	-	(10,363,584)
Culture/recreation	1,184,503	70,060	253,354	133,828	(727,261)	-	(727,261)
Physical environment	1,788,129	-	-	-	(1,788,129)	-	(1,788,129)
Transportation	1,149,954	45,463	-	260,020	(844,471)	-	(844,471)
Economic environment	1,044,906	-	-	869,200	(175,706)	-	(175,706)
Interest on long-term debt	503,700	-	-	-	(503,700)	-	(503,700)
Total governmental activities	22,611,172	2,207,329	331,516	1,263,048	(18,809,279)	-	(18,809,279)
Business-type activities:							
Water and sewer	8,308,351	8,525,000	-	616,151	-	832,800	832,800
Stormwater	1,087,605	587,564	-	1,844	-	(498,197)	(498,197)
Sanitation	3,124,477	3,651,678	-	-	-	527,201	527,201
Total business-type activities	12,520,433	12,764,242	-	617,995	-	861,804	861,804
Total	\$ 35,131,605	\$ 14,971,571	\$ 331,516	\$ 1,881,043	(18,809,279)	861,804	(17,947,475)
General revenues:							
Property taxes					8,214,346	-	8,214,346
Franchise fees based on gross receipts					1,680,885	-	1,680,885
Sales taxes					2,569,226	-	2,569,226
Fuel taxes					736,978	-	736,978
Simplified communications service tax					1,185,685	-	1,185,685
Local business tax					569,432	-	569,432
Utility taxes					2,225,929	-	2,225,929
Unrestricted intergovernmental revenues					810,791	-	810,791
Miscellaneous and other taxes					704,445	86,884	791,329
Unrestricted investment earnings					143,274	49,917	193,191
Gain (loss) on sale of capital assets					(9,509)	-	(9,509)
Transfers					74,052	(74,052)	-
Total general revenues and transfers					18,905,534	62,749	18,968,283
Change in net assets					96,255	924,553	1,020,808
Net assets - beginning					83,706,247	51,608,756	135,315,003
Net assets - ending					\$ 83,802,502	\$ 52,533,309	\$ 136,335,811

CITY OF STUART, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2011

	General Fund	Community Redevelopment Agency	Property Management Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 2,321,453	\$ 311,243	\$ 334,149	\$ 944,287	\$ 3,911,132
Restricted cash and cash equivalents	1,407,128	-	-	-	1,407,128
Investments	3,312,478	-	-	1,005,881	4,318,359
Accounts receivable, net	943,879	-	15,981	668	960,528
Advance to other fund	2,589,475	-	-	-	2,589,475
Due from other governments	662,863	-	-	258,244	921,107
Inventories	79,414	-	-	-	79,414
Prepaid items	1,544	-	-	-	1,544
Total assets	\$ 11,318,234	\$ 311,243	\$ 350,130	\$ 2,209,080	\$ 14,188,687
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 459,552	\$ 8,992	\$ 1,961	\$ 123,156	\$ 593,661
Accrued liabilities	691,693	9,023	-	-	700,716
Advance from other fund	-	-	2,589,475	-	2,589,475
Due to other governments	-	-	2,213	-	2,213
Deferred revenue	2,292,786	-	118,469	116,668	2,527,923
Customer deposits	6,684	-	-	-	6,684
Other liabilities	41,126	-	-	-	41,126
Matured bonds payable	41,638	-	-	-	41,638
Total liabilities	3,533,479	18,015	2,712,118	239,824	6,503,436
Fund balances:					
Nonspendable:					
Prepaid items	1,544	-	-	-	1,544
Inventories	79,414	-	-	-	79,414
Advance to other fund	2,589,475	-	-	-	2,589,475
Restricted:					
Infrastructure improvement	-	-	-	1,817,732	1,817,732
Impact fee requirements	1,205,182	-	-	-	1,205,182
Law enforcement	136,784	-	-	-	136,784
Grant programs	23,795	-	-	-	23,795
Construction	292	-	-	-	292
Community development	-	293,228	-	151,524	444,752
Assigned:					
Hurricane reserve	308,379	-	-	-	308,379
Health insurance reserve	19,572	-	-	-	19,572
Accrued leave reserve	385,069	-	-	-	385,069
Capital replacement reserve	391,744	-	-	-	391,744
Capital outlay	557,293	-	-	-	557,293
General government	256,710	-	-	-	256,710
Public safety	1,575	-	-	-	1,575
Physical environment	16,445	-	-	-	16,445
Transportation	205,992	-	-	-	205,992
Landfill closure	23,613	-	-	-	23,613
Tree Replacement	203,610	-	-	-	203,610
Unassigned	1,378,267	-	(2,361,988)	-	(983,721)
Total fund balances (deficit)	7,784,755	293,228	(2,361,988)	1,969,256	7,685,251
Total liabilities and fund balances	\$ 11,318,234	\$ 311,243	\$ 350,130	\$ 2,209,080	\$ 14,188,687

CITY OF STUART, FLORIDA
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
September 30, 2011

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

Ending fund balance - governmental funds	\$ 7,685,251
--	--------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	\$ 5,860,553	
Construction in progress	934,533	
Buildings and improvements, net of \$2,709,492 accumulated depreciation	14,288,065	
Improvements other than buildings, net of \$4,268,232 accumulated depreciation	14,304,372	
Equipment, net of \$6,384,703 accumulated depreciation	1,582,760	
Infrastructure, net of \$25,712,832 accumulated depreciation	<u>52,633,536</u>	
 Total capital assets, net		 89,603,819

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.	785,459
---	---------

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	(10,111,713)	
Compensated absences	(2,804,125)	
Other postemployment benefits payable	(1,200,199)	
Accrued clean-up and long-term care costs	(45,000)	
Accrued interest on long-term debt	<u>(110,990)</u>	
 Total liabilities		 <u>(14,272,027)</u>

Net assets of governmental activities	<u><u>\$ 83,802,502</u></u>
---------------------------------------	-----------------------------

CITY OF STUART, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2011

	General Fund	Community Redevelopment Agency	Property Management Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Ad valorem taxes	\$ 7,583,316	\$ 631,030	\$ -	\$ -	\$ 8,214,346
Intergovernmental	3,612,736	-	-	1,964,209	5,576,945
Utility taxes	2,225,929	-	-	-	2,225,929
Simplified communication service tax	1,185,685	-	-	-	1,185,685
Franchise fees	1,680,885	-	-	-	1,680,885
Charges for services	1,268,180	-	-	-	1,268,180
Local business tax	569,432	-	-	-	569,432
Licenses and permits	565,509	25	-	-	565,534
Fines and forfeitures	188,164	-	-	-	188,164
Interest	114,525	6,469	773	21,507	143,274
Impact fees	74,611	-	-	-	74,611
Rental Income	-	-	676,374	-	676,374
Miscellaneous	138,069	6,862	398	-	145,329
Total revenues	19,207,041	644,386	677,545	1,985,716	22,514,688
Expenditures					
Current:					
General government	3,475,326	-	93,546	-	3,568,872
Public safety	11,704,731	-	-	-	11,704,731
Culture/recreation	885,150	-	-	-	885,150
Physical environment	1,743,441	-	-	-	1,743,441
Transportation	937,012	-	-	-	937,012
Economic environment	-	807,700	-	-	807,700
Capital outlay	2,285,129	137,006	2,195,872	1,073,027	5,691,034
Debt service:					
Principal	222,169	217,871	-	-	440,040
Interest	384,634	88,700	26,785	-	500,119
Other debt service costs	1,725	-	-	-	1,725
Total expenditures	21,639,317	1,251,277	2,316,203	1,073,027	26,279,824
Excess (deficiency) of revenues over (under) expenditures	(2,432,276)	(606,891)	(1,638,658)	912,689	(3,765,136)
Other financing sources (uses)					
Transfers in	1,291,575	494,876	2,359,074	304,052	4,449,577
Transfers out	(494,876)	(582,837)	(250,000)	(3,047,812)	(4,375,525)
Total other financing sources (uses)	796,699	(87,961)	2,109,074	(2,743,760)	74,052
Net change in fund balances	(1,635,577)	(694,852)	470,416	(1,831,071)	(3,691,084)
Fund balance (deficit) - beginning - restated	9,420,332	988,080	(2,832,404)	3,800,327	11,376,335
Fund balance (deficit) - ending	\$ 7,784,755	\$ 293,228	\$ (2,361,988)	\$ 1,969,256	\$ 7,685,251

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, 2011

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

Net change in fund balances - total governmental funds \$ (3,691,084)

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	\$ 5,700,931	
Capital asset disposals	(9,509)	
Depreciation	<u>(3,126,056)</u>	2,565,366

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. 435,206

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	520,755	
Increase in other postemployment benefits payable	(317,207)	
Landfill closure costs previously recognized on the statement of activities but currently expended in the funds	45,000	
Decrease in deferred revenue	536,965	
Decrease in accrued interest on long-term debt	<u>1,254</u>	<u>786,767</u>

Change in net assets of governmental activities \$ 96,255

CITY OF STUART, FLORIDA
Balance Sheet
Proprietary Funds
September 30, 2011

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Stormwater	Sanitation	Total Enterprise
Assets				
Current assets				
Cash and cash equivalents	\$ 2,035,371	\$ 894,911	\$ 2,868,160	\$ 5,798,442
Accounts receivable, net	1,092,834	78,743	254,248	1,425,825
Special assessments receivable	262,712	-	-	262,712
Due from other governments	182,900	-	-	182,900
Restricted cash and cash equivalents	1,696,946	40,701	262,880	2,000,527
Total current assets	<u>5,270,763</u>	<u>1,014,355</u>	<u>3,385,288</u>	<u>9,670,406</u>
Noncurrent assets				
Restricted cash and cash equivalents	1,938,556	-	-	1,938,556
Restricted investments	2,011,762	-	-	2,011,762
Capital assets				
Land	72,260	5,834,183	74,640	5,981,083
Construction in progress	6,226,930	11,026	23,721	6,261,677
Buildings and improvements	508,137	-	245,299	753,436
Improvements other than buildings	65,156,646	18,294,107	102,387	83,553,140
Equipment	4,308,104	444,092	2,123,963	6,876,159
Less accumulated depreciation	(31,812,575)	(5,235,786)	(1,251,578)	(38,299,939)
Total capital assets	<u>44,459,502</u>	<u>19,347,622</u>	<u>1,318,432</u>	<u>65,125,556</u>
Other assets	129,300	12,137	-	141,437
Total noncurrent assets	<u>48,539,120</u>	<u>19,359,759</u>	<u>1,318,432</u>	<u>69,217,311</u>
Total assets	<u>\$ 53,809,883</u>	<u>\$ 20,374,114</u>	<u>\$ 4,703,720</u>	<u>\$ 78,887,717</u>

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

CITY OF STUART, FLORIDA
Balance Sheet
Proprietary Funds
September 30, 2011

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Stormwater	Sanitation	Total Enterprise
Liabilities and net assets				
Current liabilities payable from current assets				
Accounts payable	\$ 137,533	\$ 12,763	\$ 85,657	\$ 235,953
Accrued liabilities	86,756	7,746	22,468	116,970
Unearned revenue	19,868	-	-	19,868
Current portion of compensated absences	60,964	4,142	24,449	89,555
Payable from restricted assets:				
Current portion of bonds and loans payable	741,235	22,831	-	764,066
Accrued interest	477,619	17,870	-	495,489
Customer deposits	529,606	-	262,880	792,486
Total current liabilities	<u>2,053,581</u>	<u>65,352</u>	<u>395,454</u>	<u>2,514,387</u>
Noncurrent liabilities				
Loan payable	2,642,739	-	-	2,642,739
Revenue bonds payable	19,892,222	811,206	-	20,703,428
Compensated absences	417,890	6,362	69,602	493,854
Total noncurrent liabilities	<u>22,952,851</u>	<u>817,568</u>	<u>69,602</u>	<u>23,840,021</u>
Total liabilities	<u>25,006,432</u>	<u>882,920</u>	<u>465,056</u>	<u>26,354,408</u>
Net assets				
Invested in capital assets, net of related debt	21,180,317	18,516,574	1,318,432	41,015,323
Restricted for:				
Renewal and replacement	314,043	-	-	314,043
SRF reserve	181,838	-	-	181,838
Impact fee requirements	3,454,437	-	-	3,454,437
Unrestricted	3,672,816	974,620	2,920,232	7,567,668
Total net assets	<u>28,803,451</u>	<u>19,491,194</u>	<u>4,238,664</u>	<u>52,533,309</u>
Total liabilities and net assets	<u>\$ 53,809,883</u>	<u>\$ 20,374,114</u>	<u>\$ 4,703,720</u>	<u>\$ 78,887,717</u>

CITY OF STUART, FLORIDA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended September 30, 2011

	Business-type Activities - Enterprise Funds			Total Enterprise
	Water and Sewer	Stormwater	Sanitation	
Operating revenues				
Charges for services	\$ 8,525,000	\$ 587,564	\$ 3,651,678	\$ 12,764,242
Total operating revenues	<u>8,525,000</u>	<u>587,564</u>	<u>3,651,678</u>	<u>12,764,242</u>
Operating expenses				
Personal services	2,823,128	253,972	972,221	4,049,321
Operating	2,297,476	178,707	1,881,204	4,357,387
Depreciation	2,238,970	608,517	260,101	3,107,588
Total operating expenses	<u>7,359,574</u>	<u>1,041,196</u>	<u>3,113,526</u>	<u>11,514,296</u>
Operating income (loss)	<u>1,165,426</u>	<u>(453,632)</u>	<u>538,152</u>	<u>1,249,946</u>
Nonoperating revenues (expenses)				
Impact fees	433,251	-	-	433,251
Interest income	34,569	5,167	10,181	49,917
Interest expense	(933,923)	(43,270)	-	(977,193)
Other non-operating revenues (expenses)	71,906	(3,132)	(10,834)	57,940
Total nonoperating revenues (expenses)	<u>(394,197)</u>	<u>(41,235)</u>	<u>(653)</u>	<u>(436,085)</u>
Income (loss) before contributions and transfers	<u>771,229</u>	<u>(494,867)</u>	<u>537,499</u>	<u>813,861</u>
Capital contributions	182,900	1,844	-	184,744
Transfers out	(34,052)	(40,000)	-	(74,052)
Change in net assets	<u>920,077</u>	<u>(533,023)</u>	<u>537,499</u>	<u>924,553</u>
Total net assets - beginning	<u>27,883,374</u>	<u>20,024,217</u>	<u>3,701,165</u>	<u>51,608,756</u>
Total net assets - ending	<u>\$ 28,803,451</u>	<u>\$ 19,491,194</u>	<u>\$ 4,238,664</u>	<u>\$ 52,533,309</u>

CITY OF STUART, FLORIDA
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2011

	Business-type Activities - Enterprise Funds			Total Enterprise
	Water and Sewer	Stormwater	Sanitation	
Operating activities				
Cash received from customers	\$ 8,351,152	\$ 619,215	\$ 3,689,773	\$ 12,660,140
Cash payments to suppliers for goods and services	(2,731,233)	(179,070)	(1,876,003)	(4,786,306)
Cash payments to employees for services	(2,851,274)	(253,358)	(1,039,585)	(4,144,217)
Net cash provided by operating activities	2,768,645	186,787	774,185	3,729,617
Noncapital financing activities				
Payments on amounts due from other funds	1,514,794	-	-	1,514,794
Receipts on amounts due to other funds	-	(20,158)	-	(20,158)
Transfers out to other funds	(34,052)	(40,000)	-	(74,052)
Net cash provided by (used in) noncapital financing activities	1,480,742	(60,158)	-	1,420,584
Capital and related financing activities				
Acquisition and construction of capital assets	(6,701,947)	(20,799)	(28,908)	(6,751,654)
Proceeds from State Revolving Fund Loan	2,829,886	-	-	2,829,886
Principal paid on State Revolving Fund Loan	(75,805)	-	-	(75,805)
Capital contributions and grants	-	60,888	-	60,888
Proceeds from special assessment fees	86,266	-	-	86,266
Principal paid on revenue bonds and notes	(602,000)	(22,831)	-	(624,831)
Interest expense	(831,538)	(43,662)	-	(875,200)
Impact fees	433,251	-	-	433,251
Net cash (used in) capital and related financing activities	(4,861,887)	(26,404)	(28,908)	(4,917,199)
Investing activities				
Interest income	34,569	5,167	10,181	49,917
Sale of investments	2,858,435	789,127	1,590,211	5,237,773
Purchase of investments	(2,000,000)	-	-	(2,000,000)
Net cash provided by investing activities	893,004	794,294	1,600,392	3,287,690
Net Increase in cash and cash equivalents	280,504	894,519	2,345,669	3,520,692
Cash and cash equivalents				
Beginning of year	5,390,369	41,093	785,371	6,216,833
End of year	<u>\$ 5,670,873</u>	<u>\$ 935,612</u>	<u>\$ 3,131,040</u>	<u>\$ 9,737,525</u>
Cash and cash equivalents classified as:				
Current assets	\$ 2,035,371	\$ 894,911	\$ 2,868,160	\$ 5,798,442
Restricted assets	3,635,502	40,701	262,880	3,939,083
	<u>\$ 5,670,873</u>	<u>\$ 935,612</u>	<u>\$ 3,131,040</u>	<u>\$ 9,737,525</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 1,165,426	\$ (453,632)	\$ 538,152	\$ 1,249,946
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	2,238,970	608,517	260,101	3,107,588
Nonoperating revenues (expenses)	91,544	(2,688)	(10,834)	78,022
Change in assets and liabilities				
Accounts receivable	(236,618)	36,183	17,742	(182,693)
Accounts payable	(433,757)	(363)	5,201	(428,919)
Accrued liabilities	2,553	314	188	3,055
Unearned revenue	(40,633)	(1,844)	-	(42,477)
Customer deposits	11,859	-	31,187	43,046
Compensated absences	(30,699)	300	(67,552)	(97,951)
Total adjustments	<u>1,603,219</u>	<u>640,419</u>	<u>236,033</u>	<u>2,479,671</u>
Net cash provided by operating activities	<u>\$ 2,768,645</u>	<u>\$ 186,787</u>	<u>\$ 774,185</u>	<u>\$ 3,729,617</u>
Supplemental schedule of noncash financing activities:				
State Revolving Fund Loan - Capitalized Interest	<u>\$ 1,893</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,893</u>

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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 15,593 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.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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 reports the following nonmajor governmental funds:

Community Development Block Grant – This special revenue fund is used to account for activities related to the Community Development Block Grant, a federal grant used for community development.

Infrastructure Tax – This special revenue fund is used to account for all sources of infrastructure tax revenue.

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.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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, and PFM Funds. 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. 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.

The City's repurchase agreement and tax certificate investments are reported at cost, which approximates fair value. The City's investment in PFM Funds is reported at fair value.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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	\$	292
Public safety reserve		136,784
Impact fees		1,205,182
Performance bonds		41,075
Grants		23,795
Total restricted - Governmental		<u>1,407,128</u>
Debt service payments		1,188,173
Customer deposits and unapplied credits		812,354
Total current restricted - Business		<u>2,000,527</u>
SRF Reserve		181,838
Water availability fees		1,360,620
Sewer availability fees		2,093,817
Renewal and replacement		314,043
Total noncurrent restricted - Business		<u>3,950,318</u>
Total fair value	<u>\$</u>	<u>7,357,973</u>

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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, 2010, upon which the 2010-2011 levy was based, was approximately \$1.69 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 2011 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 2011, total interest incurred by these funds was \$949,908, of which interest capitalized was \$129,518.

12. Fund Equity

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance may be reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – This component includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and the long-term amount of advances to other fund.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

12. Fund Equity (continued)

Restricted – This component consists of amounts that are subject to externally enforceable legal restrictions, which are imposed either (a) by third parties, such as creditors (through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed Fund Balance – This component consists of amounts that can only be used for specific purposes imposed by formal action (ordinance or resolution) of the City Commission, the City's highest level of decision making authority. The committed amounts are not subject to legal enforceability by external parties, as in restricted fund balance; however, these amounts cannot be used for any other purpose unless the City Commission removes or changes the limitation by taking the same form of action (resolution) it employed to previously commit those amounts.

Assigned Fund Balance – This component consist of amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by (a) City Commission, or (b) the City Manager, Director of Finance, or other subordinate high-level body or official possessing the authority to assign amounts to be used for specific purposes. Included in this category is any fund balance carry-forward used to balance the subsequent year's budget.

Unassigned Fund Balance – This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the General Fund can only report a negative unassigned fund balance amount. In determining the classification of total spendable fund balance remaining at the end of the fiscal year, when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available, it is the City's policy that expenditures will be applied first to restricted fund balance and then to unrestricted fund balance (committed, assigned, and unassigned). When unrestricted fund balance (committed, assigned, and unassigned) is available for use, it is the City's policy to use committed resources first, then assigned, and then unassigned as needed.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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 fund budgets are prepared on a modified accrual basis consistent with accounting principles generally accepted in the United States of America (GAAP). However, certain governmental funds are combined with the General Fund for financial reporting purposes but are separately budgeted. 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 2011. There were several supplemental appropriations which included re-appropriation of prior year encumbrances during fiscal year ended September 30, 2011 of approximately \$3.2 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, Landfill Closure Cost Fund, Water and Sewer Fund, Stormwater Fund, and Sanitation Fund. Neither the Community Development Block Grant Fund nor the Infrastructure Tax Fund have legally adopted budgets.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments at September 30, 2011 are summarized in the following table.

Investment Type	Value
Certificates of Deposit	\$ 6,109,978
Bank Deposits	1,087,660
Total Deposits	7,197,638
Repurchase Agreement	2,290,886
PFM Funds - Prime Series - Institutional Class	11,727,900
Martin County Tax Collector - Tax Certificates	169,482
Total Investments	14,188,268
Total deposits and investments	\$ 21,385,906

Reconciliation of cash, cash equivalents, and investments

Statement of Net Assets:	
Cash and cash equivalents and investments-unrestricted	\$ 14,027,933
Restricted assets:	
Cash, cash equivalents and investments - Governmental	1,407,128
Cash, cash equivalents and investments - Business	5,950,845
Total, primary government	\$ 21,385,906

Deposits

Deposits at September 30, 2011 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.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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. 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 and Tax Certificates 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.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

NOTE 3 – RECEIVABLES

Receivables as of September 30, 2011 for the City's major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Property Management Fund	Water and Sewer Fund	Sanitation Fund	Stormwater Fund	Nonmajor Funds	Total
Receivables:							
Customer receivables and unbilled revenue	\$ -	\$ -	\$ 1,136,113	\$ 321,415	\$ 88,957	\$ -	\$ 1,546,485
Franchise and utility	501,978	-	-	-	-	-	501,978
Special assessments	-	-	262,712	-	-	-	262,712
Disaster	91,287	-	-	-	-	-	91,287
Other	441,901	15,981	32,046	-	-	668	490,596
Total	1,035,166	15,981	1,430,871	321,415	88,957	668	2,893,058
Less allowance for uncollectibles	(91,287)	-	(75,325)	(67,167)	(10,214)	-	(243,993)
Total receivables, net	<u>\$ 943,879</u>	<u>\$ 15,981</u>	<u>\$ 1,355,546</u>	<u>\$ 254,248</u>	<u>\$ 78,743</u>	<u>\$ 668</u>	<u>\$ 2,649,065</u>

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	Nonmajor Funds	Total
Deferred revenue:				
Permit fee revenue in excess of permit issuance expense	\$ 709,380	\$ -	\$ -	\$ 709,380
Contractor escrows	384,980	-	-	384,980
Business tax	447,870	-	-	447,870
Comp cards	24,695	-	-	24,695
Deferred grants	299,864	-	116,668	416,532
Miscellaneous deferred revenue	417,088	-	-	417,088
Disaster relief	8,909	-	-	8,909
Unearned rent	-	118,469	-	118,469
Total deferred revenue	<u>\$ 2,292,786</u>	<u>\$ 118,469</u>	<u>\$ 116,668</u>	<u>\$ 2,527,923</u>
Less: Grant revenue recognized under accrual basis				(785,459)
Total deferred revenue - Governmental Activities				<u>\$ 1,742,464</u>

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

NOTE 4 – INTERFUND TRANSFERS

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, 2011, the government made the following one-time transfers:

	Transfers In				Totals
	General Fund	Community Redevelopment Agency	Property Management Fund	Nonmajor Funds	
Transfers out:					
General Fund	\$ -	\$ 494,876	\$ -	\$ -	\$ 494,876
CRA Fund	352,837	-	-	230,000	582,837
Property Management Fund	250,000	-	-	-	250,000
Nonmajor Funds	688,738	-	2,359,074	-	3,047,812
Water and Sewer Fund	-	-	-	34,052	34,052
Stormwater Fund	-	-	-	40,000	40,000
Total	<u>\$ 1,291,575</u>	<u>\$ 494,876</u>	<u>\$2,359,074</u>	<u>\$ 304,052</u>	<u>\$4,449,577</u>

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.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

NOTE 5 – CAPITAL ASSETS

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities :				
Capital assets not being depreciated:				
Land	\$ 3,832,997	\$ 2,027,556	\$ -	\$ 5,860,553
Construction in progress	718,623	3,486,073	(3,270,163)	934,533
Total capital assets not being depreciated	<u>4,551,620</u>	<u>5,513,629</u>	<u>(3,270,163)</u>	<u>6,795,086</u>
Capital assets being depreciated:				
Buildings and improvements	16,897,858	99,698	-	16,997,556
Improvements other than buildings	15,382,502	3,190,102	-	18,572,604
Equipment	7,939,379	167,665	(139,581)	7,967,463
Infrastructure	78,346,368	-	-	78,346,368
Totals capital assets being depreciated	<u>118,566,107</u>	<u>3,457,465</u>	<u>(139,581)</u>	<u>121,883,991</u>
Less accumulated depreciation for:				
Buildings and improvements	2,157,005	552,486	-	2,709,491
Improvements other than buildings	3,524,705	743,527	-	4,268,232
Equipment	5,892,159	622,616	(130,072)	6,384,703
Infrastructure	24,505,405	1,207,427	-	25,712,832
Total accumulated depreciation	<u>36,079,274</u>	<u>3,126,056</u>	<u>(130,072)</u>	<u>39,075,258</u>
Total capital assets being depreciated, net	<u>82,486,833</u>	<u>331,409</u>	<u>(9,509)</u>	<u>82,808,733</u>
Governmental activities capital assets, net	<u>\$ 87,038,453</u>	<u>\$ 5,845,038</u>	<u>\$ (3,279,672)</u>	<u>\$ 89,603,819</u>
Business-type activities :				
Capital assets not being depreciated:				
Land	\$ 5,981,083	\$ -	\$ -	\$ 5,981,083
Construction in progress	3,173,362	6,416,230	(3,327,915)	6,261,677
Total capital assets not being depreciated	<u>9,154,445</u>	<u>6,416,230</u>	<u>(3,327,915)</u>	<u>12,242,760</u>
Capital assets being depreciated:				
Buildings and improvements	748,161	5,275	-	753,436
Improvements other than buildings	79,604,852	3,635,548	-	83,240,400
Equipment	6,854,289	22,516	(646)	6,876,159
Infrastructure	312,740	-	-	312,740
Totals capital assets being depreciated	<u>87,520,042</u>	<u>3,663,339</u>	<u>(646)</u>	<u>91,182,735</u>
Less accumulated depreciation for:				
Building and improvements	225,803	21,556	-	247,359
Improvements other than buildings	30,797,730	2,596,521	-	33,394,251
Equipment	4,164,599	479,086	(646)	4,643,039
Infrastructure	4,865	10,425	-	15,290
Total accumulated depreciation	<u>35,192,997</u>	<u>3,107,588</u>	<u>(646)</u>	<u>38,299,939</u>
Total capital assets being depreciated, net	<u>52,327,045</u>	<u>555,751</u>	<u>-</u>	<u>52,882,796</u>
Business-type activities capital assets, net	<u>\$ 61,481,490</u>	<u>\$ 6,971,981</u>	<u>\$ (3,327,915)</u>	<u>\$ 65,125,556</u>

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

NOTE 5 – CAPITAL ASSETS (continued)

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

Governmental activities :		
General government		\$ 1,729,585
Public safety		494,639
Physical environment		124,537
Transporation		223,850
Economic environment		239,591
Culture/recreation		313,854
Total depreciation expense - governmental activities		<u>\$ 3,126,056</u>
Business-type activities :		
Water and sewer		\$ 2,238,970
Sanitation		260,101
Stormwater		608,517
Total depreciation expense - business-type activities		<u>\$ 3,107,588</u>

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, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities :					
General Obligation Bonds, Series 2004	\$ 7,497,955	\$ -	\$ (190,165)	\$ 7,307,790	\$ 200,000
Tax Increment Redevelopment Revenue					
Bonds Series 2003-A and 2003-B	2,032,843	-	(217,872)	1,814,971	227,322
FMLC Series 2002-A	1,016,121	-	(27,169)	988,952	27,169
Total bonds payable	<u>10,546,919</u>	<u>-</u>	<u>(435,206)</u>	<u>10,111,713</u>	<u>454,491</u>
Other liabilities:					
Compensated absences	3,324,880	335,528	(856,283)	2,804,125	568,173
Landfill closure costs (Note 11)	90,000	-	(45,000)	45,000	45,000
Other postemployment benefits (Note 12)	882,992	349,652	(32,445)	1,200,199	-
Total other liabilities	<u>4,297,872</u>	<u>685,180</u>	<u>(933,728)</u>	<u>4,049,324</u>	<u>613,173</u>
Governmental activities					
long-term liabilities	<u>\$ 14,844,791</u>	<u>\$ 685,180</u>	<u>\$ (1,368,934)</u>	<u>\$ 14,161,037</u>	<u>\$ 1,067,664</u>

For the governmental activities, compensated absences and other postemployment benefits are generally liquidated by the General Fund.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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, 2011, the City has a net outstanding balance of \$7,307,790.

Bonds payable	\$ 7,420,000
Less: unamortized issue costs	(112,210)
Net bonds payable	<u>\$ 7,307,790</u>

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:			
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	230,000	295,339	525,339
2017-2021	1,300,000	1,330,424	2,630,424
2022-2026	1,605,000	1,034,178	2,639,178
2027-2031	1,995,000	632,608	2,627,608
2032-2034	1,440,000	138,700	1,578,700
	\$ 7,420,000	4,690,628	\$ 12,110,628

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.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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%.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ended September 30:			
2012	\$ 227,322	\$ 79,249	\$ 306,571
2013	237,197	69,374	306,571
2014	247,517	59,054	306,571
2015	258,304	48,268	306,572
2016	269,579	36,993	306,572
2017-2018	575,052	38,090	613,142
	<u>\$ 1,814,971</u>	<u>\$ 331,028</u>	<u>\$ 2,145,999</u>

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 \$79,327 and \$11,590,318.

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%.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ended September 30:			
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	32,603	44,747	77,350
2017-2021	195,616	194,503	390,119
2022-2026	249,954	139,037	388,991
2027-2031	320,594	69,828	390,422
2032	73,358	3,760	77,118
	<u>\$ 988,952</u>	<u>\$ 647,314</u>	<u>\$ 1,636,266</u>

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities :					
State Revolving Fund Loan	\$ 1,501,137	\$ 1,330,642	\$ (75,805)	\$ 2,755,974	\$ 113,235
Water and Sewer Bonds	22,833,000	-	(602,000)	22,231,000	628,000
Stormwater Utilities Note	853,879	-	(22,831)	831,048	22,831
Unamortized bonds premiums and deferred amount on refunding	(1,805,024)	-	97,235	(1,707,789)	-
Total bonds payable	<u>23,382,992</u>	<u>1,330,642</u>	<u>(603,401)</u>	<u>24,110,233</u>	<u>764,066</u>
Other liabilities:					
Compensated absences	681,360	31,698	(129,649)	583,409	89,555
Total other liabilities	<u>681,360</u>	<u>31,698</u>	<u>(129,649)</u>	<u>583,409</u>	<u>89,555</u>
Business-type activities long-term liabilities	<u>\$ 24,064,352</u>	<u>\$ 1,362,340</u>	<u>\$ (733,050)</u>	<u>\$ 24,693,642</u>	<u>\$ 853,621</u>

Bonds and Loans Payable

Water and Sewer Revenue Bonds

The City issued Public Utilities Revenue Refunding Bonds and Notes in the amounts of \$19,310,000 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. In 2007 the City refunded \$14,430,000 of the 2003 issuance which can be seen in the Advance Refunding's Resulting In Defeasance of Debt note below.

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.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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 de minimus amount of original issue discount or premium.

Water and Sewer Revenue Refunding and Improvement Bonds consist of the following at September 30, 2011:

	<u>Rate</u>	<u>Outstanding</u>
Series 2003, 10/1/2017 (annual serial payments of \$205,000 to \$450,000)	2.00%-4.40%	\$ 2,790,000
Series 2006, 10/1/2033 (annual serial payments of \$16,000 to \$1,392,00)	3.96%	8,078,000
Series 2007, 10/1/2028 (annual serial payments of \$22,000 to \$1,101,000)	4.05%	7,073,000
Series 2007B, 10/1/2024 (annual serial payments of \$202,000 to \$398,000)	4.33%	4,290,000
Subtotal		<u>22,231,000</u>
Less current portion		(628,000)
Less unamortized bonds premium and deferred amount on refunding portion		(1,707,789)
		<u><u>\$ 19,895,211</u></u>

Debt Service Requirements to Maturity

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ended September 30:			
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	410,000	46,900	456,900
2017-2018	880,000	38,945	918,945
	<u>\$ 2,790,000</u>	<u>\$ 430,885</u>	<u>\$ 3,220,885</u>

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ended September 30:			
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	22,000	321,597	343,597
2017-2021	122,000	1,590,372	1,712,372
2022-2026	1,367,000	1,464,913	2,831,913
2027-2031	2,477,000	1,199,504	3,676,504
2032-2034	4,011,000	246,379	4,257,379
	<u>\$ 8,078,000</u>	<u>\$ 6,114,780</u>	<u>\$ 14,192,780</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ended September 30:			
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	29,000	286,310	315,310
2017-2021	1,628,000	1,320,704	2,948,704
2022-2026	2,139,000	881,358	3,020,358
2027-2029	3,172,000	199,127	3,371,127
	<u>\$ 7,073,000</u>	<u>\$ 3,841,641</u>	<u>\$ 10,914,641</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ended September 30:			
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	272,000	137,521	409,521
2017-2021	1,546,000	496,521	2,042,521
2022-2025	1,494,000	132,844	1,626,844
	<u>\$ 4,290,000</u>	<u>\$ 1,427,471</u>	<u>\$ 5,717,471</u>

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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%.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ended September 30:			
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	27,397	37,603	65,000
2017-2021	164,384	163,447	327,831
2022-2026	210,046	116,838	326,884
2027-2031	269,406	58,679	328,085
2032	61,642	3,159	64,801
	<u>\$ 831,048</u>	<u>\$ 543,962</u>	<u>\$ 1,375,010</u>

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, of which total draws amounted to \$2,831,779 at September 30, 2011. The loan specifies semiannual loan payments of \$89,027 including interest at 2.42%. 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.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

NOTE 6 – LONG-TERM LIABILITIES (continued)

Bonds and Loans Payable (continued)

State Revolving Fund Loan (continued)

The loan is payable beginning June 2011 through December 2030. Interest is payable semiannually on June 15 and December 15 at a rate of 2.42%.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ended September 30:			
2012	\$ 113,235	\$ 64,819	\$ 178,054
2013	114,790	63,264	178,054
2014	117,585	60,469	178,054
2015	120,448	57,606	178,054
2016	123,380	54,674	178,054
2017-2021	663,449	226,822	890,271
2022-2026	748,242	142,030	890,272
2027-2031	754,845	46,400	801,245
	<u>\$ 2,755,974</u>	<u>\$ 716,084</u>	<u>\$ 3,472,058</u>

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, 2011:

Public Utilities Revenue Refunding Bond	Series 1997	\$ 3,810,000
Public Utilities Refunding and Improvement Bond	Series 2003	7,680,000
Public Utilities Refunding and Improvement Bond	Series 2003	6,750,000
Total		<u>\$ 18,240,000</u>

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.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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, 2011 is \$746,674. 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:

2012	\$ 490,640
2013	504,713
2014	519,208
2015	534,138
2016	549,516
2017-2021	3,003,264
2022-2026	3,481,606
2027-2031	2,913,297
2032-2036	3,075,236
2037-2041	3,383,832
2042-2046	3,889,827
2047-2048	1,724,204
	<u>\$ 24,069,481</u>

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 \$2,361,988 fund balance deficit in the current year. The advance from the General Fund, amounting to \$2,589,475 at September 30, 2011, is to be repaid through proceeds from future lease revenues and the fund balance deficit is to be recovered through such lease revenues.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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, 2011 the FRS is funded by employer contributions at a rate of 4.91% of gross salary for general employees, 6.27% for senior management, and 14.10% 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 six 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.

The Florida Legislature amended the plan for new employees beginning on or after July 1, 2011. Per the amended plan the FRS provides for vesting of benefits after eight years of service (eight years for elected officials). Employees are eligible for normal retirement at age 65. Early retirement may be taken any time after eight years of service (eight 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 eight 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 2009, 2010 and 2011, employer contributions to the FRS, all made in accordance with actuarially determined requirements were \$2,138,834, \$2,349,151 and \$2,058,244, respectively, which was 14.65%, 14.81% and 14.30%, respectively, of annual covered payroll. The City's covered payroll for employees covered by FRS for the year ended September 30, 2011 is \$14,397,528.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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, 2011 the City paid premiums of approximately \$950,159 for general property, casualty and worker's compensation.

As of September 30, 2011, 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 \$300,000 and \$200,000, 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 \$200,000 or \$300,000 for all claims relating to the same incident.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

NOTE 10 – RISK MANAGEMENT (continued)

As of September 30, 2011, the City's risk retention for certain types of risk is as follows:

	<u>Retention/Deductible</u>	<u>Coverage after Retention/Deductible</u>
Self-insured:		
Workers' Compensation	None	100% - liabilities under F.S. 440
General Liability, Automobile Liability, Excess Workers Compensation	TRICO - \$1,000,000 per occurrence	Employers Liability: \$1,000,000 Each Accident or Occurrence \$2,000,000 Policy Aggregate Workers Compensation: Statutory
Commercial Insurance:		
Property:	TRICO	\$75,000,000 Limit
Real and Personal Property	\$100,000 Per Occurrence	
Named Hurricane/Windstorm	5% subject to \$100,000 minimum for any one occurrence	
All Other Windstorm	\$100,000	
Auto Physical Damage - Comprehensive & Collision	\$50,000 per occurrence, except \$100,000 for Wind/Hail/Hurricane and \$100,000 per occurrence Flood	\$10,000,000 per occurrence; \$750,000 Maximum any one vehicle, except as reported
Boiler and machinery	TRICO - \$10,000	\$50,000,000 Limit
Flood	Buildings: \$1,000 Contents: \$1,000	NFIP Flood: \$106,900 to \$500,000; Excess value cover under property program NFIP Flood: \$123,600 to \$500,000; Excess value cover under property program Varies according to facility
Other:		
Public Officials' Liability	TRICO - \$225,000 for Sexual Molestation	\$1,000,000 limit each claim per member; \$1,000,000 Aggregate per member; \$4,000,000 Aggregate for Pool
Storage tank pollution liability	\$5,000-\$25,000	\$1,000,000 each Incident; \$1,000,000 to \$2,000,000 Aggregate
Crime	TRICO - \$25,000	\$2,000,000 per Loss; \$5,000,000 for Computer Fraud; \$5,000,000 for Funds Transfer Fraud

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

NOTE 11 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The City entered into a consent order on January 22, 1980 with the Florida Department of Environmental Protection (FDEP) to close the City's old landfill in accordance with Florida Statutes and FDEP regulations. In connection with this closure, the City prepared a groundwater monitoring plan and remedial action plan and has been addressing the requirements with those plans. A long-term postclosure liability of \$45,000 is presented on the financial statements as the remaining costs contemplated in the initial plan approved by FDEP.

It is the City's intent to submit to the FDEP a request for a determination on clean up goals and subsequent final closure. This determination is contingent on, and at the discretion of, the FDEP. Should the initial submission be denied, the annual monitoring activities and associated costs would be ongoing until a final closure is granted. All annual monitoring costs are funded by current and future rental activities on the landfill site.

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 \$1,200,199 and an ARC of 2.6% of average projected payroll.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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

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	\$ 361,791
Interest on Net OPEB Obligation	39,735
Adjustment to Annual Required Contribution	<u>(51,874)</u>
Annual OPEB Cost (Expenses)	349,652
Net Contributions Made	<u>(32,445)</u>
Increase in Net OPEB Obligation	317,207
Net OPEB Obligation, Beginning of Year	<u>882,992</u>
Net OPEB Obligation, End of Year	<u><u>\$ 1,200,199</u></u>

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
9/30/2011	\$ 349,652	9.3%	\$ 1,200,199
9/30/2010	340,115	10.8%	882,992
9/30/2009	628,155	7.7%	579,548

As of October 1, 2010, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$3,054,991 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,054,991. The covered payroll (annual payroll of active participating employees) was \$14,075,537, and the ratio of the UAAL to the covered payroll was 21.7 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.

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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

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	10/01/2010
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	0.0% per year
Healthcare cost trend	9.0%, grading down to 5% in 2014

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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, 2011:

	Deposits	Withdrawals
Sources of deposits:		
Ad valorem taxes	\$ 494,876	\$ -
Ad valorem taxes received from Martin County	631,030	-
Interest	6,468	-
Special events charge	1,890	-
Miscellaneous revenue	5,000	-
Purpose of withdrawals:		
Debt payment - principal	-	217,871
Debt payment - interest	-	88,700
Personal services	-	292,618
Administrative expenses	-	132,495
Copier lease/Phone/Utilities	-	7,828
Insurance	-	18,354
Repair & maintenance - general	-	23,524
Printing/advertising/supplies/operating	-	13,646
Certifications, dues, memberships & training	-	11,371
FEC Railway Signal Maintenance	-	23,160
Sailfish Tram (repair, advertising, fuel)	-	2,078
Property improvement program	-	11,849
Special events grant to aid private organisations	-	7,400
Transfer to CDBG	-	230,000
Community Policing in CRA	-	290,337
East Stuart Mainstreet	-	4,841
Green Incentive	-	100,000
Women Supporting Art	-	2,333
Crosswalk Confusion Corner professional services	-	24,084
USO Event	-	6,105
Coffee with the City manager	-	1,100
Way Finding Signs	-	4,509
Colorado Avenue Redesign	-	112,922
Lyric Theatre / Recreation Center	-	200,000
Downtown summer theatre promotion	-	3,000
4th of July fireworks festival	-	3,000
	\$ 1,139,264	\$ 1,833,125

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

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 \$34,045,777. Principal and interest paid for the current year and total customer net revenues were \$1,530,028 and \$3,429,335, 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 \$2,145,999, payable through June 2018. For the current year, principal and interest paid and total net incremental ad valorem tax revenues were \$306,571 and \$1,125,906, respectively.

NOTE 15 – ENCUMBRANCES

Appropriations in governmental funds are encumbered upon issuance of purchase orders for goods and services. Even though appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next year's appropriations are likewise encumbered.

The following is a schedule of encumbrances at September 30, 2011:

Major Funds				
General Fund	Community Redevelopment Agency	Property Management Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,038,014	\$ 38,388	\$ 21,947	\$ 572,277	\$ 1,670,626

CITY OF STUART, FLORIDA
Notes to the Basic Financial Statements
Year Ended September 30, 2011

NOTE 16 – RESTATEMENT OF PRIOR YEAR BALANCES

As of October 1, 2010, beginning fund balances for the following governmental funds were restated due to the implementation of Governmental Accounting Standards Board Statement No.54 ("GASB 54"), *Fund Balance Reporting and Governmental Fund Type Definitions*, that requires a change in the reporting format of fund balances in the governmental fund statements.

	General Fund	Tree Replacement Fund	Landfill Closure Costs Fund
Fund balance - beginning of the year	\$ 9,194,526	\$ 202,776	\$ 23,030
GASB 54 implementation	225,806	(202,776)	(23,030)
Fund balance- beginning of the year, restated	\$ 9,420,332	\$ -	\$ -

NOTE 17 – SUBSEQUENT EVENTS

On December 1, 2011 the City took advantage of favorable interest rates in the bond market by issuing a Subordinate Lien Public Utilities Revenue Refunding Note, Series 2011, in the amount of \$4,178,000. These funds were used to refund the Subordinate Lien Public Utilities Revenue Refunding Note, Series 2007B, which generated an economic gain (difference between the present values of the debt service on the old and new debt) of \$390,739 and a cash flow savings of \$455,000, through reduction of debt service payments.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF STUART, FLORIDA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
- Budget and Actual - (Budgetary Basis)
General Fund
Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 6,994,962	\$ 6,994,962	\$ 7,583,316	\$ 588,354
Intergovernmental	2,941,513	2,950,412	3,612,736	662,324
Utility taxes	2,009,267	2,009,267	2,225,929	216,662
Simplified communications services tax	1,250,017	1,250,017	1,185,685	(64,332)
Franchise fees	2,037,761	2,037,761	1,680,885	(356,876)
Charges for services	1,192,950	1,192,950	1,268,180	75,230
Local business tax	637,054	637,054	569,432	(67,622)
Licenses and permits	518,285	518,285	565,509	47,224
Fines and forfeitures	131,050	131,050	188,164	57,114
Interest	135,000	135,000	113,689	(21,311)
Impact fees	-	-	74,611	74,611
Miscellaneous	92,762	119,150	105,502	(13,648)
Total revenues	<u>17,940,621</u>	<u>17,975,908</u>	<u>19,173,638</u>	<u>1,197,730</u>
Expenditures				
Current:				
General government	2,981,194	3,306,054	3,475,326	(169,272)
Public safety	11,181,470	11,240,176	11,704,731	(464,555)
Culture/Recreation	957,277	902,289	885,150	17,139
Physical environment	1,563,672	1,626,870	1,711,455	(84,585)
Transportation	1,194,012	1,239,272	937,012	302,260
Capital outlay	163,212	2,965,236	2,285,129	680,107
Debt service:				
Principal	222,169	222,169	222,169	-
Interest and fiscal charges	384,634	384,634	384,634	-
Other debt service costs	1,725	1,725	1,725	-
Total expenditures	<u>18,649,365</u>	<u>21,888,425</u>	<u>21,607,331</u>	<u>281,094</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(708,744)</u>	<u>(3,912,517)</u>	<u>(2,433,693)</u>	<u>1,478,824</u>
Other financing sources (uses)				
Transfers in	893,085	1,395,142	1,291,575	(103,567)
Transfers out	(184,341)	(184,341)	(494,876)	(310,535)
Total other financing sources (uses)	<u>708,744</u>	<u>1,210,801</u>	<u>796,699</u>	<u>(414,102)</u>
Net change in fund balances	-	(2,701,716)	(1,636,994)	1,064,722
Fund balance - beginning	-	9,194,526	9,194,526	-
Fund balance - ending	<u>\$ -</u>	<u>\$ 6,492,810</u>	<u>\$ 7,557,532</u>	<u>\$ 1,064,722</u>

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 1,101,967	\$ 1,101,967	\$ 631,030	\$ (470,937)
Licenses and permits	10,000	10,000	25	(9,975)
Interest	-	-	6,469	6,469
Miscellaneous	1,121,700	1,134,200	6,862	(1,127,338)
Total revenues	<u>2,233,667</u>	<u>2,246,167</u>	<u>644,386</u>	<u>(1,601,781)</u>
Expenditures				
Current:				
Economic environment	561,759	810,062	807,700	2,362
Capital outlay	1,000,000	917,586	137,006	780,580
Debt service:				
Principal	217,871	217,871	217,871	-
Interest and fiscal charges	88,700	88,700	88,700	-
Total expenditures	<u>1,868,330</u>	<u>2,034,219</u>	<u>1,251,277</u>	<u>782,942</u>
Excess (deficiency) of revenues over (under) expenditures	<u>365,337</u>	<u>211,948</u>	<u>(606,891)</u>	<u>(818,839)</u>
Other financing sources (uses)				
Transfers in	-	-	494,876	494,876
Transfers out	(365,337)	(377,837)	(582,837)	(205,000)
Total other financing sources (uses)	<u>(365,337)</u>	<u>(377,837)</u>	<u>(87,961)</u>	<u>289,876</u>
Net change in fund balances	-	(165,889)	(694,852)	(528,963)
Fund balance - beginning	-	988,080	988,080	-
Fund balance - ending	<u>\$ -</u>	<u>\$ 822,191</u>	<u>\$ 293,228</u>	<u>\$ (528,963)</u>

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 773	\$ 773
Rental Income	701,439	701,439	676,374	(25,065)
Miscellaneous	360	15,360	398	(14,962)
Total revenues	<u>701,799</u>	<u>716,799</u>	<u>677,545</u>	<u>(39,254)</u>
Expenditures				
Current:				
General government	119,372	146,145	93,546	52,599
Capital outlay	-	2,395,000	2,195,872	199,128
Debt service:				
Interest and fiscal charges	-	-	26,785	(26,785)
Total expenditures	<u>119,372</u>	<u>2,541,145</u>	<u>2,316,203</u>	<u>224,942</u>
Excess (deficiency) of revenues over (under) expenditures	<u>582,427</u>	<u>(1,824,346)</u>	<u>(1,638,658)</u>	<u>185,688</u>
Other financing sources (uses)				
Transfers in	-	2,200,000	2,359,074	159,074
Transfers out	(582,427)	(582,427)	(250,000)	332,427
Total other financing sources (uses)	<u>(582,427)</u>	<u>1,617,573</u>	<u>2,109,074</u>	<u>491,501</u>
Net change in fund balances	<u>-</u>	<u>(206,773)</u>	<u>470,416</u>	<u>677,189</u>
Fund deficit - beginning	<u>-</u>	<u>(2,832,404)</u>	<u>(2,832,404)</u>	<u>-</u>
Fund deficit - ending	<u>\$ -</u>	<u>\$ (3,039,177)</u>	<u>\$ (2,361,988)</u>	<u>\$ 677,189</u>

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

CITY OF STUART, FLORIDA
Notes to Required Supplementary Information
Year Ended September 30, 2011

Note 1 – BUDGETARY REPORTING

A. Reconciliation of Budgetary Basis Reporting Differences

The *Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budgetary Basis) – General Fund*, presents comparisons of the legally adopted budget with actual data on a budgetary basis. Governmental funds applied to develop data on a budgetary basis differ from those presented in the governmental fund financial statement due to the implementation of GASB 54 during the current fiscal year. The following describes the major differences between budgetary financial data and the governmental fund financials.

Perspective differences – Certain funds not included in the General Fund’s annual budget but which are presented in the General Fund for purposes of the governmental financial statements.

The following table presents a reconciliation of General Fund fund balance perspective differences on a budgetary basis to the fund balances shown on the governmental fund financial statements at September 30, 2011:

	General Fund
Fund balance - actual on a budgetary basis	\$ 7,557,532
Perspective Differences:	
Tree replacement	203,610
Landfill closure costs	23,613
Fund balance - actual on governmental fund financial statements	\$ 7,784,755

CITY OF STUART, FLORIDA
 Required Supplementary Information
 Schedule of Funding Progress - Other Postemployment Benefits
 Year Ended September 30, 2011

OTHER POSTEMPLOYMENT BENEFIT PLAN

Schedule of Funding Progress

Actuarial Valuation Date	<u>10/01/10</u>	<u>10/01/09</u>	<u>10/01/08</u>
Actuarial Value of Plan Assets	\$ -	\$ -	\$ -
Actuarial Accrued Liability (AAL)	<u>3,054,991</u>	<u>2,795,703</u>	<u>5,059,050</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>3,054,991</u></u>	<u><u>2,795,703</u></u>	<u><u>5,059,050</u></u>
Funded Ratio	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Covered Payroll	<u>\$ 14,075,537</u>	<u>\$ 14,075,537</u>	<u>\$ 14,601,714</u>
Ratio of UAAL to Covered Payroll	<u>21.7%</u>	<u>19.9%</u>	<u>34.6%</u>

**COMBINING FUND STATEMENTS
AND SCHEDULES**

CITY OF STUART, FLORIDA
Combining Balance Sheet
Nonmajor Special Revenue Funds
September 30, 2011

	Community Development Block Grant	Infrastructure Tax	Total Nonmajor Special Revenue Funds
Assets			
Cash and cash equivalents	\$ 231,417	\$ 712,870	\$ 944,287
Investments	-	1,005,881	1,005,881
Accounts receivable, net	-	668	668
Due from other governments	159,931	98,313	258,244
Total assets	\$ 391,348	\$ 1,817,732	\$ 2,209,080
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 123,156	\$ -	\$ 123,156
Deferred revenue	116,668	-	116,668
Total liabilities	239,824	-	239,824
Fund balances:			
Restricted:			
Community development	151,524	-	151,524
Infrastructure improvement	-	1,817,732	1,817,732
Total fund balances	151,524	1,817,732	1,969,256
Total liabilities and fund balances	\$ 391,348	\$ 1,817,732	\$ 2,209,080

CITY OF STUART, FLORIDA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended September 30, 2011

	Community Development Block Grant	Infrastructure Tax	Total Nonmajor Special Revenue Funds
Revenues			
Intergovernmental	\$ 752,530	\$ 1,211,679	\$ 1,964,209
Interest	-	21,507	21,507
Total revenues	<u>752,530</u>	<u>1,233,186</u>	<u>1,985,716</u>
Expenditures			
Capital outlay	1,073,027	-	1,073,027
Total expenditures	<u>1,073,027</u>	<u>-</u>	<u>1,073,027</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(320,497)</u>	<u>1,233,186</u>	<u>912,689</u>
Other financing sources (uses)			
Transfers in	304,052	-	304,052
Transfers out	-	(3,047,812)	(3,047,812)
Total other financing sources (uses)	<u>304,052</u>	<u>(3,047,812)</u>	<u>(2,743,760)</u>
Net change in fund balances	(16,445)	(1,814,626)	(1,831,071)
Fund balance - beginning	<u>167,969</u>	<u>3,632,358</u>	<u>3,800,327</u>
Fund balance - ending	<u>\$ 151,524</u>	<u>\$ 1,817,732</u>	<u>\$ 1,969,256</u>

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.

<u>Contents</u>	<u>Pages</u>
Financial trends	67-76
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	77-80
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	81-86
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	87-88
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	89-91
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 Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 79,492,106	\$ 76,789,485	\$ 77,948,666	\$ 75,681,851
Restricted	3,745,205	4,634,567	4,756,052	3,734,468
Unrestricted	565,191	2,282,195	2,334,642	7,918,971
Total governmental activities net assets	<u>\$ 83,802,502</u>	<u>\$ 83,706,247</u>	<u>\$ 85,039,360</u>	<u>\$ 87,335,290</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 41,015,323	\$ 38,098,498	\$ 39,092,176	\$ 38,907,050
Restricted	3,950,318	1,819,892	3,829,893	4,010,737
Unrestricted	7,567,668	11,690,366	8,909,978	9,710,781
Total business-type activities net assets	<u>\$ 52,533,309</u>	<u>\$ 51,608,756</u>	<u>\$ 51,832,047</u>	<u>\$ 52,628,568</u>
Primary government				
Invested in capital assets, net of related debt	\$ 120,507,429	\$ 114,887,983	\$ 117,040,842	\$ 114,588,901
Restricted	7,695,523	6,454,459	8,585,945	7,745,205
Unrestricted	8,132,859	13,972,561	11,244,620	17,629,752
Total primary government net assets	<u>\$ 136,335,811</u>	<u>\$ 135,315,003</u>	<u>\$ 136,871,407</u>	<u>\$ 139,963,858</u>

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 Nine Fiscal Years
(accrual basis of accounting)

Fiscal Year				
<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 74,136,868	\$ 72,293,645	\$ 63,200,001	\$ 72,286,543	\$ 70,313,873
2,504,907	586,457	8,373,800	782,140	5,709,435
10,425,879	10,355,167	9,947,107	4,841,875	5,358,231
<u>\$ 87,067,654</u>	<u>\$ 83,235,269</u>	<u>\$ 81,520,908</u>	<u>\$ 77,910,558</u>	<u>\$ 81,381,539</u>
\$ 37,603,192	\$ 38,063,772	\$ 29,049,977	\$ 36,167,287	\$ 34,552,884
3,696,290	4,435,904	4,230,690	1,432,670	15,881,869
10,326,825	6,864,279	13,749,001	5,725,282	(6,649,686)
<u>\$ 51,626,307</u>	<u>\$ 49,363,955</u>	<u>\$ 47,029,668</u>	<u>\$ 43,325,239</u>	<u>\$ 43,785,067</u>
\$ 111,740,060	\$ 110,357,417	\$ 92,249,978	\$ 108,453,830	\$ 104,866,757
6,201,197	5,022,361	12,604,490	2,214,810	21,591,304
20,752,704	17,219,446	23,696,108	10,567,157	(1,291,455)
<u>\$ 138,693,961</u>	<u>\$ 132,599,224</u>	<u>\$ 128,550,576</u>	<u>\$ 121,235,797</u>	<u>\$ 125,166,606</u>

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

	Fiscal Year			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expenses				
Governmental activities:				
General government	\$ 5,116,404	\$ 5,189,601	\$ 6,019,808	\$ 6,651,539
Public safety	11,823,576	12,689,830	13,225,140	11,153,934
Culture/recreation	1,184,503	1,690,535	1,685,758	1,833,572
Physical environment	1,788,129	1,860,956	2,060,206	1,599,597
Transportation	1,149,954	1,141,768	1,312,333	1,378,924
Economic environment	1,044,906	901,883	854,628	1,810,835
Interest on long-term debt	503,700	521,202	526,194	527,309
Total governmental activities expenses	<u>22,611,172</u>	<u>23,995,775</u>	<u>25,684,067</u>	<u>24,955,710</u>
Business-type activities:				
Water and sewer	8,308,351	8,540,405	8,651,144	8,689,830
Stormwater	1,087,605	1,090,929	916,931	1,014,773
Sanitation	3,124,477	3,273,428	3,932,023	3,477,826
Total business-type activities expenses	<u>12,520,433</u>	<u>12,904,762</u>	<u>13,500,098</u>	<u>13,182,429</u>
Total primary government expenses	<u>\$ 35,131,605</u>	<u>\$ 36,900,537</u>	<u>\$ 39,184,165</u>	<u>\$ 38,138,139</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 709,976	\$ 47,255	\$ 36,747	\$ 196,254
Public safety	1,381,830	1,178,401	802,432	809,925
Culture/recreation	70,060	142,226	145,758	262,028
Physical environment	-	-	176,907	37,567
Transportation	45,463	340,103	92,972	203,386
Operating grants and contributions	331,516	277,838	1,121,334	1,048,317
Capital grants and contributions	1,263,048	409,805	119,374	889,495
Total governmental activities program revenues	<u>3,801,893</u>	<u>2,395,628</u>	<u>2,495,524</u>	<u>3,446,972</u>
Business-type activities:				
Charges for services:				
Water and sewer	8,525,000	8,110,817	7,777,191	7,826,205
Stormwater	587,564	545,093	568,335	602,571
Sanitation	3,651,678	3,719,005	3,783,100	3,968,861
Operating grants and contributions	-	-	-	-
Capital grants and contributions	617,995	57,200	124,957	1,349,554
Total business-type activities program revenues	<u>13,382,237</u>	<u>12,432,115</u>	<u>12,253,583</u>	<u>13,747,191</u>
Total primary government program revenues	<u>\$ 17,184,130</u>	<u>\$ 14,827,743</u>	<u>\$ 14,749,107</u>	<u>\$ 17,194,163</u>
Net (Expense)/Revenue				
Governmental activities	(18,809,279)	(21,600,147)	(23,188,543)	(21,508,738)
Business-type activities	861,804	(472,647)	(1,246,515)	564,762
Total primary government net expense	<u>\$ (17,947,475)</u>	<u>\$ (22,072,794)</u>	<u>\$ (24,435,058)</u>	<u>\$ (20,943,976)</u>

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

		Fiscal Year							
		2007	2006	2005	2004	2003			
\$	13,197,242	\$	6,098,170	\$	4,623,561	\$	10,676,342	\$	5,737,535
	6,416,153		10,606,466		10,942,325		9,546,278		8,612,599
	2,012,481		1,783,382		2,003,096		1,595,518		1,161,880
	281,751		2,906,067		1,789,737		2,171,746		2,291,842
	1,230,810		1,564,169		1,071,678		2,410,232		777,338
	1,004,813		241,763		-		-		-
	772,867		134,576		507,546		249,942		194,645
	<u>24,916,117</u>		<u>23,334,593</u>		<u>20,937,943</u>		<u>26,650,058</u>		<u>18,775,839</u>
	8,249,848		8,072,052		7,499,626		8,029,637		7,099,510
	878,952		1,110,550		923,930		1,102,305		578,332
	3,555,340		3,377,774		3,333,147		2,721,903		2,245,850
	<u>12,684,140</u>		<u>12,560,376</u>		<u>11,756,703</u>		<u>11,853,845</u>		<u>9,923,692</u>
\$	<u>37,600,257</u>	\$	<u>35,894,969</u>	\$	<u>32,694,646</u>	\$	<u>38,503,903</u>	\$	<u>28,699,531</u>
\$	502,610	\$	453,787	\$	2,667,499	\$	2,415,549	\$	3,000,381
	820,971		784,852		1,482,632		782,502		995,940
	335,302		206,705		229,026		204,131		192,581
	39,894		44,751		-		-		-
	-		-		-		-		-
	5,310,007		3,901,335		4,099,421		193,349		95,513
	-		306,037		-		6,449,358		521,711
	<u>7,008,784</u>		<u>5,697,467</u>		<u>8,478,578</u>		<u>10,044,889</u>		<u>4,806,126</u>
	7,813,575		8,013,327		7,297,643		6,419,873		6,789,317
	566,283		368,460		348,272		350,654		337,044
	4,084,659		3,933,104		3,469,522		2,545,915		2,305,790
	520,188		650,137		549,094		59,122		-
	-		-		-		458,615		1,085,422
	<u>12,984,705</u>		<u>12,965,028</u>		<u>11,664,531</u>		<u>9,834,179</u>		<u>10,517,573</u>
\$	<u>19,993,489</u>	\$	<u>18,662,495</u>	\$	<u>20,143,109</u>	\$	<u>19,879,068</u>	\$	<u>15,323,699</u>
	(17,907,333)		(17,637,126)		(12,459,365)		(16,605,169)		(13,969,713)
	300,565		404,652		(92,172)		(2,019,666)		593,881
\$	<u>(17,606,768)</u>	\$	<u>(17,232,474)</u>	\$	<u>(12,551,537)</u>	\$	<u>(18,624,835)</u>	\$	<u>(13,375,832)</u>

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

	Fiscal Year			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental activities:				
Taxes				
Property taxes	\$ 8,214,346	\$ 9,115,344	\$ 10,211,152	\$ 11,109,069
Franchise taxes	1,680,885	1,653,379	1,925,407	1,806,597
Sales taxes	2,569,226	2,532,535	2,558,850	2,941,055
Fuel taxes	736,978	739,786	745,138	756,828
Simplified communication service tax	1,185,685	1,246,930	1,303,218	1,408,594
Lcal business tax	569,432	603,298	632,001	-
Utility taxes	2,225,929	2,134,596	1,985,616	1,910,616
Unrestricted intergovernment revenue	810,791	804,707	27,422	27,126
Rental Income	-	562,086	535,088	-
Impact fees	-	-	-	-
Miscellaneous and other taxes	704,445	679,036	895,573	2,137,819
Unrestricted Investment earnings	143,274	235,200	227,965	614,195
Gain (loss) on sales of capital assets	(9,509)	15,041	2,940	(40,218)
Transfers	74,052	(54,904)	(157,757)	(759)
Special Item - pension plan termination	-	-	-	(894,548)
Total governmental activities	<u>18,905,534</u>	<u>20,267,034</u>	<u>20,892,613</u>	<u>21,776,374</u>
Business-type activities:				
Unrestricted intergovernment revenue	-	-	-	-
Impact Fees	-	-	-	-
Miscellaneous and other taxes	86,884	68,468	53,237	48,976
Unrestricted Investment earnings	49,917	105,201	163,190	375,914
Gain on sale of capital assets	-	20,783	75,810	11,850
Transfers	(74,052)	54,904	157,757	759
Total business-type activities	<u>62,749</u>	<u>249,356</u>	<u>449,994</u>	<u>437,499</u>
Total primary government	<u>\$ 18,968,283</u>	<u>\$ 20,516,390</u>	<u>\$ 21,342,607</u>	<u>\$ 22,213,873</u>
Change in Net Assets				
Governmental activities	\$ 96,255	\$ (1,333,113)	\$ (2,295,930)	\$ 267,636
Business-type activities	924,553	(223,291)	(796,521)	1,002,261
Total primary government	<u>\$ 1,020,808</u>	<u>\$ (1,556,404)</u>	<u>\$ (3,092,451)</u>	<u>\$ 1,269,897</u>

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 Nine Fiscal Years
(accrual basis of accounting)

		Fiscal Year							
		<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>			
\$	11,723,241	\$	9,433,043	\$	5,639,613	\$	5,060,778	\$	4,591,368
	1,809,343		1,810,948		1,371,598		1,304,571		1,182,480
	-		-		-		-		-
	-		-		-		-		-
	1,344,225		1,367,305		1,370,993		1,338,871		1,417,318
	-		-		-		-		-
	1,815,026		1,693,111		1,516,128		1,408,444		1,411,636
	23,240		14,815		6,389,912		4,138,055		2,741,624
	-		-		-		-		-
	554,404		233,075		-		-		-
	3,245,705		2,671,173		509,496		826,432		357,910
	1,124,688		1,142,490		473,568		213,376		185,599
	96,256		49,955		(47,748)		-		-
	(472,149)		(730,893)		(1,153,845)		(1,156,339)		514,210
	475,739		1,666,465		-		-		-
	<u>21,739,718</u>		<u>19,351,487</u>		<u>16,069,715</u>		<u>13,134,188</u>		<u>12,402,145</u>
	-		-		73,559		-		127,316
	601,316		396,079		1,419,313		-		-
	68,381		53,638		57,472		121,126		49,893
	814,773		741,840		468,978		282,373		154,849
	5,168		7,185		10,433		-		-
	472,149		730,893		1,153,845		1,156,339		(514,210)
	<u>1,961,787</u>		<u>1,929,635</u>		<u>3,183,600</u>		<u>1,559,838</u>		<u>(182,152)</u>
\$	<u>23,701,505</u>	\$	<u>21,281,122</u>	\$	<u>19,253,315</u>	\$	<u>14,694,026</u>	\$	<u>12,219,993</u>
\$	3,832,385	\$	1,714,361	\$	3,610,350	\$	(3,470,981)	\$	(1,567,568)
	2,262,352		2,334,287		3,091,428		(459,828)		411,729
\$	<u>6,094,737</u>	\$	<u>4,048,648</u>	\$	<u>6,701,778</u>	\$	<u>(3,930,809)</u>	\$	<u>(1,155,839)</u>

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

	Fiscal Year			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General fund				
Reserved	\$ -	\$ 2,863,171	\$ 3,094,429	\$ 986,984
Unreserved	-	6,331,355	5,922,737	9,388,033
Nonspendable	2,670,433	-	-	-
Restricted	1,366,053	-	-	-
Assigned	2,370,002	-	-	-
Unassigned	1,378,267	-	-	-
Total general fund	<u>\$ 7,784,755</u>	<u>\$ 9,194,526</u>	<u>\$ 9,017,166</u>	<u>\$ 10,375,017</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	-	2,181,809	2,857,212	6,294,259
Capital projects funds	-	-	-	-
Restricted	2,262,484	-	-	-
Unassigned	(2,361,988)	-	-	-
Total all other governmental funds	<u>\$ (99,504)</u>	<u>\$ 2,181,809</u>	<u>\$ 2,857,212</u>	<u>\$ 6,294,259</u>

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

		Fiscal Year					
		<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$	2,633,798	\$ 1,681,754	\$ 10,696,263	\$ 2,040,556	\$ 2,962,317	\$ 2,400,298	
	6,836,797	4,944,276	3,947,506	2,343,681	3,696,018	4,371,127	
	-	-	-	-	-	-	
	-	-	-	-	-	-	
	-	-	-	-	-	-	
	-	-	-	-	-	-	
	<u>\$ 9,470,595</u>	<u>\$ 6,626,030</u>	<u>\$ 14,643,769</u>	<u>\$ 4,384,237</u>	<u>\$ 6,658,335</u>	<u>\$ 6,771,425</u>	
\$	2,395,101	\$ 5,128,060	\$ 417,193	\$ 526,519	\$ 2,366,171	\$ -	
	2,593,887	2,819,702	2,916,772	3,444,494	3,453,944	3,525,550	
	386,741	1,432,002	-	-	-	-	
	-	-	-	-	-	-	
	-	-	-	-	-	-	
	<u>\$ 5,375,729</u>	<u>\$ 9,379,764</u>	<u>\$ 3,333,965</u>	<u>\$ 3,971,013</u>	<u>\$ 5,820,115</u>	<u>\$ 3,525,550</u>	

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

	Fiscal Year			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues				
Property and other local taxes	\$ 11,625,960	\$ 12,496,870	\$ 13,499,988	\$ 14,428,279
Local business tax	569,432	603,298	632,001	-
Franchise fees	1,680,885	1,653,379	1,925,407	1,806,597
Intergovernmental	5,576,945	4,573,738	4,472,718	5,893,568
Licenses and permits	565,534	511,896	639,686	1,480,344
Charges for services	1,268,180	990,965	801,055	940,496
Impact fees	74,611	485,996	302,679	392,644
Fines and forfeitures	188,164	231,024	171,967	166,501
Interest	143,274	235,200	227,965	614,195
Rental Income	676,374	562,086	535,088	-
Miscellaneous	145,329	177,308	266,674	714,802
Hurricane reimbursement	-	-	-	-
Total revenues	<u>22,514,688</u>	<u>22,521,760</u>	<u>23,475,228</u>	<u>26,437,426</u>
Expenditures				
Current:				
General government	3,568,872	3,104,793	4,457,951	3,878,977
Public safety	11,704,731	12,352,569	12,108,590	11,039,821
Culture/recreation	885,150	1,344,012	1,355,410	1,410,596
Physical environment	1,743,441	1,975,522	2,086,136	2,018,396
Transportation	937,012	1,037,157	1,093,094	1,156,531
Economic environment	807,700	624,572	610,763	790,548
Capital outlay	5,691,034	1,614,872	5,497,740	1,600,108
Debt service:				
Principal	440,040	418,280	404,624	2,051,647
Interest	500,119	518,393	505,764	539,277
Other debt service charges	1,725	1,714	1,768	9,755
Total expenditures	<u>26,279,824</u>	<u>22,991,884</u>	<u>28,121,840</u>	<u>24,495,656</u>
Excess of revenues over (under) expenditures	<u>(3,765,136)</u>	<u>(470,124)</u>	<u>(4,646,612)</u>	<u>1,941,770</u>
Other financing sources (uses)				
Insurance proceeds	-	-	-	-
Debt issuance	-	-	-	-
Proceeds from sale of capital assets	-	26,985	9,471	16,605
Transfers in	4,449,577	2,852,086	1,769,483	820,351
Transfers out	(4,375,525)	(2,906,990)	(1,927,240)	(821,110)
Total other financing sources (uses)	<u>74,052</u>	<u>(27,919)</u>	<u>(148,286)</u>	<u>15,846</u>
Special item - pension plan termination	-	-	-	(134,664)
Net change in fund balance	<u>\$ (3,691,084)</u>	<u>\$ (498,043)</u>	<u>\$ (4,794,898)</u>	<u>\$ 1,822,952</u>
Debt service as a percentage of noncapital expenditures*	4.6%	4.4%	4.0%	11.3%

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

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

		Fiscal Year					
		2007	2006	2005	2004	2003	2002
\$	14,882,492	\$ 12,493,459	\$ 8,526,734	\$ 7,808,093	\$ 7,420,322	\$ 9,811,481	
	-	-	-	-	-	-	
	1,809,343	1,810,948	1,371,598	1,304,571	1,182,480	-	
	6,835,088	5,227,897	5,593,684	4,138,055	3,038,587	2,519,252	
	1,192,482	1,577,709	2,667,499	2,685,334	2,151,355	790,594	
	1,374,487	2,573,480	229,026	196,831	320,260	1,927,958	
	654,404	233,075	-	-	-	-	
	211,327	227,413	1,482,632	1,059,057	1,158,555	208,737	
	1,124,686	1,142,490	473,568	208,206	185,599	25,915	
	-	-	-	-	-	-	
	332,523	316,302	577,353	826,432	1,236,902	1,090,832	
	-	-	2,900,000	6,103,666	-	-	
	<u>28,416,832</u>	<u>25,602,773</u>	<u>23,822,094</u>	<u>24,330,245</u>	<u>16,694,060</u>	<u>16,374,769</u>	
	4,063,277	4,468,238	2,203,922	7,908,196	3,556,229	3,125,020	
	10,784,610	10,171,380	10,478,888	9,226,952	8,048,188	8,003,720	
	1,613,771	1,472,185	1,899,426	1,507,469	1,096,395	894,794	
	2,177,725	2,990,109	1,706,153	2,135,297	2,180,266	1,195,634	
	1,356,759	1,394,985	900,594	2,349,325	645,860	589,510	
	559,639	241,763	-	-	-	103,830	
	8,970,920	6,967,148	4,357,972	4,412,595	3,003,826	2,054,012	
	1,334,554	820,044	566,859	332,331	224,231	93,000	
	634,517	619,941	503,827	249,942	194,645	84,570	
	1,832	10,380	148,767	-	42,126	11,012	
	<u>31,497,604</u>	<u>29,156,173</u>	<u>22,766,408</u>	<u>28,122,107</u>	<u>18,991,766</u>	<u>16,155,102</u>	
	<u>(3,080,772)</u>	<u>(3,553,400)</u>	<u>1,055,686</u>	<u>(3,791,862)</u>	<u>(2,297,706)</u>	<u>219,667</u>	
	211,815	1,076,912	-	-	-	-	
	-	1,162,000	9,190,000	825,000	3,055,255	1,644,210	
	118,355	73,441	33,520	-	-	-	
	1,971,953	1,992,703	1,115,403	516,759	557,525	484,785	
	(597,954)	(2,723,596)	(1,772,125)	(1,673,097)	(43,315)	(911,952)	
	<u>1,704,169</u>	<u>1,581,460</u>	<u>8,566,798</u>	<u>(331,338)</u>	<u>3,569,465</u>	<u>1,217,043</u>	
	217,133	-	-	-	-	-	
\$	<u>(1,159,470)</u>	<u>(1,971,940)</u>	<u>9,622,484</u>	<u>(4,123,200)</u>	<u>1,271,759</u>	<u>1,436,710</u>	
	8.7%	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
2001	2002	852,429,549	144,926,867	1,058,706	24,596,014	973,819,108	4.0134
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	4.1539
2006	2007	1,963,453,357	194,196,093	1,644,564	55,634,800	2,103,659,214	5.4615
2007	2008	2,136,074,184	207,702,751	1,608,031	61,495,640	2,283,889,326	5.3442
2008	2009	1,949,318,001	184,728,352	1,848,895	84,045,530	2,051,849,718	4.5573
2009	2010	1,699,546,617	201,858,084	2,505,183	21,825,620	1,882,084,264	4.5788
2010	2011	1,512,379,463	172,351,617	1,593,137	18,069,483	1,668,254,734	4.6436

Source: Martin County Property Appraiser's Office

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

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

Fiscal Year	City of Stuart			Overlapping					Total Direct and Overlapping Rates
	Operating Millage	General Obligation 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	
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
2011	4.3329	0.3107	4.6436	5.6076	6.9560	0.6240	0.0345	0.3523	18.2180

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**

Taxpayer	2011		
	Taxable Assessed Value	Rank	Percentage of Total Adjustable Taxable Value
Pineapple Commons Retail, LP	\$ 24,347,770	1	1.46%
RLV Martin Square, LP	18,660,420	2	1.12%
Wal-Mart Stores East, LP	15,970,810	3	0.96%
Southern Associates, LP	14,196,000	4	0.85%
Stuart Centre Investors, LLC	14,048,000	5	0.84%
SPC Regency, LLC	13,683,100	6	0.82%
Lowe's Home Centers, Inc.	13,220,100	7	0.79%
Sunset Bay Marina & Anchorage, LLC	12,650,836	8	0.76%
Noble Management Company	12,287,670	9	0.74%
National Health Investors, Inc.	11,957,860	10	0.72%
Total	\$ 1,668,254,734		9.05%

Taxpayer	2002		
	Taxable Assessed Value	Rank	Percentage of Total Adjustable Taxable Value
Stuart Retail Partners	\$ 16,341,667	1	1.68%
Lauderdale-Regency Square, LLC	11,873,442	2	1.22%
Southern Associates, LP	11,376,046	3	1.17%
Indian Run Ltd Partnership	11,301,100	4	1.16%
Ted Glasrud Association	9,724,666	5	1.00%
Eden Park Management, Inc.	9,314,690	6	0.96%
William Wallace Enterprises	8,898,819	7	0.91%
Stuart Centre Investors, Ltd	8,749,877	8	0.90%
CA New Plan Asset Partnership	8,640,241	9	0.89%
Noble Management Company	8,474,939	10	0.87%
Total	\$ 973,819,108		10.75%

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
2002	\$ 4,206,223	\$ 3,947,406	93.85%	3,186	\$ 3,950,592	93.92%
2003	4,432,673	4,252,642	95.94%	11,154	4,263,796	96.19%
2004	4,936,216	4,717,487	95.57%	11,383	4,728,870	95.80%
2005	5,989,063	5,613,428	93.73%	2,991	5,616,419	93.78%
2006	9,279,156	8,340,723	89.89%	12,615	8,353,338	90.02%
2007	11,128,785	10,421,122	93.64%	23,243	10,444,365	93.85%
2008	10,162,318	9,719,303	95.64%	44,176	9,763,479	96.08%
2009	9,254,621	8,864,574	95.79%	31,554	8,896,128	96.13%
2010	8,249,451	7,839,599	95.03%	13,949	7,853,548	95.20%
2011	7,306,674	7,067,470	96.73%	-	7,067,470	96.73%

Source: Martin County Tax Collector's Office

Notes: ^a Amounts collected within the fiscal year of the levy are inclusive of legally available early payment discount (ranging from 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

Fiscal Year	Governmental Activities					
	General Obligation Bonds	Community Redevelopment Bonds	Revenue Bond Loan	Revenue Bonds	Revenue Improvement Bonds	Promissory Notes
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	-	-	-
2011	7,420,000	1,814,971	988,952	-	-	-

Source: City of Stuart Finance Department

Notes: ^a Public Utilities 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					Total Primary Government	Percentage of Personal Income ^b	Debt Per Capita ^b
Utility Revenue Refunding Bonds	Revenue Bond Loan	Promissory Notes	Utility Revenue Improvement Bonds ^a	State Revolving Fund Loan			
\$ 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	3.86%	2,359
23,964,000	894,975	-	-	-	36,345,843	3.52%	2,193
23,409,000	874,427	-	-	-	35,365,671	3.65%	2,146
22,833,000	853,879	-	-	2,869,538	37,220,381	NA	2,254
22,231,000	831,048	-	-	2,755,974	36,041,945	NA	2,311

City of Stuart, Florida
Direct and Overlapping Governmental Activities Debt
September 30, 2011

Jurisdiction	Total Bonded Debt Outstanding	Percentage Applicable ^a	Estimated Amount Applicable
Overlapping:			
Martin County			
General Obligation Bonds	\$ 2,755,000	100%	\$ 2,755,000
Revenue Bonds & Notes	61,007,243	100%	61,007,243
Capital Leases	16,412,430	100%	16,412,430
Sate Loans	6,548,268	100%	6,548,268
Town of Jupiter Island			
General Obligation Bonds	10,084,045	100%	10,084,045
Capital Leases	82,900	100%	82,900
Martin County School Board			
State School Boards	13,895,000	100%	13,895,000
Certificates of Participation	36,660,000	100%	36,660,000
Capital Leases	822,282	100%	822,282
South Florida Water Management District			
Land Acquisition Bonds	30,745,000	2.56%	787,072
Bank Loans	1,142,857	2.56%	29,257
Certificates of Participation	510,355,000	2.56%	13,065,088
Subtotal, Overlapping Debt			162,148,585
City of Stuart Direct Debt			10,223,923
Total Direct and Overlapping Debt			<u>\$ 172,372,508</u>

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			Percentage of Total Adjustable Taxable Value	Debt Per Capita ^a
	General Obligation Bonds	Community Redevelopment Bonds	Total		
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
2011	7,420,000	1,814,971	9,234,971	0.55%	592

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	Less:	Ad Valorem Revenue	Debt Service		Total	Coverage ⁽²⁾
	Gross Revenues	Non-Ad Valorem		Principal	Interest ⁽¹⁾		
2003	\$ 358,735	172,611	\$ 186,124	\$ -	\$ 77,545	\$ 77,545	2.4
2004	387,890	201,766	186,124	99,297	132,735	232,032	0.8
2005	1,458,921	927,180	531,741	103,541	128,491	232,032	2.3
2006	1,461,414	877,840	583,574	107,973	124,059	232,032	2.5
2007	1,947,972	1,113,089	834,883	112,601	119,431	232,032	3.6
2008	1,759,065	894,037	865,028	190,000	114,598	304,598	2.8
2009	1,533,339	737,385	795,954	200,172	106,399	306,571	2.6
2010	1,369,366	629,072	740,294	208,828	97,743	306,571	2.4
2011	1,139,265	508,235	631,030	217,871	88,700	306,571	2.1

Revenue Bonds, Series 2002A

Fiscal Year	General Fund	Less:	Non-Ad Valorem Revenue	Debt Service		Total	Coverage ⁽³⁾
	Gross Revenues	Ad Valorem		Principal	Interest ⁽¹⁾		
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	5,639,613	16,198,617	35,000	106,738	141,738	122.3
2006	23,702,375	8,849,469	14,852,906	40,000	104,988	144,988	107.1
2007	22,570,132	10,888,358	11,681,774	40,000	102,988	142,988	92.8
2008	21,515,520	10,244,041	11,271,479	45,000	101,388	146,388	78.4
2009	19,935,927	9,415,200	10,520,727	45,000	99,588	144,588	75.4
2010	19,216,740	8,375,050	10,841,690	45,000	97,788	142,788	74.8
2011	19,207,041	7,583,316	11,623,725	50,000	95,988	145,988	76.9

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

Fiscal Year	Water and Sewer	Less:	Net Available Revenue	Debt Service		Total	Coverage ⁽⁵⁾
	Gross Revenues	Operating Expenses ⁽⁴⁾		Principal	Interest ⁽¹⁾		
2002	\$ 6,496,909	\$ 4,372,712	\$ 2,124,197	\$ 335,000	\$ 787,144	\$ 1,122,144	1.9
2003	6,279,396	4,731,817	1,547,579	350,000	666,111	1,016,111	1.5
2004	6,382,217	4,895,735	1,486,482	145,000	1,231,484	1,376,484	1.1
2005	7,498,845	4,887,713	2,611,132	360,000	1,248,223	1,608,223	1.6
2006	8,300,989	5,475,505	2,825,484	455,000	1,229,941	1,684,941	1.7
2007	8,167,950	5,463,917	2,704,033	470,000	838,719	1,308,719	2.1
2008	7,715,552	5,765,643	1,949,909	310,000	986,746	1,296,746	1.5
2009	7,806,881	5,527,004	2,279,877	555,000	962,156	1,517,156	1.5
2010	8,125,197	5,352,054	2,773,143	576,000	940,018	1,516,018	1.8
2011	8,549,956	5,120,604	3,429,352	602,000	949,908	1,551,908	2.2

- 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
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	1,012,143,220	61,105	4.1%
2008	16,577	1,032,266,367	62,271	6.3%
2009	16,483	967,749,896	58,712	11.1%
2010	16,514	N/A	N/A	11.8%
2011	15,593	N/A	N/A	10.8% ^a

Source: Florida Legislature Office of Economic and Demographic Research

Note: N/A - Data not available at this time

^a This is a preliminary figure for 2011 and is subject to revision

**City of Stuart, Florida
Principal Employers
Current Year and Nine Years Ago¹**

Employer	2011		
	Employees	Rank	Percentage of Total County Employment
Martin Memorial Health Systems	2,825	1	4.45%
Martin County School District	2,566	2	4.04%
Martin County	1,566	3	2.47%
Publix Supermarkets	1,276	4	2.01%
State of Florida	637	5	1.00%
IVox Solutions fka Old Cell Phone	532	6	0.84%
TurboCombustor Technologies Inc.	420	7	0.66%
Winn-Dixie	329	8	0.52%
Liberator Medical Holdings, Inc.	319	9	0.50%
Florida Power & Light	303	10	0.48%
Total County Employees	63,454		16.98%

Employer	2002		
	Employees	Rank	Percentage of Total County Employment
Martin County School District	2,500	1	4.56%
Martin Memorial Health Systems	2,481	2	4.52%
Martin County	1,646	3	3.00%
Publix Supermarkets	1,196	4	2.18%
Armellini Express Lines	755	5	1.38%
State of Florida	743	6	1.35%
Vought Aircraft	475	7	0.87%
Winn-Dixie	450	8	0.82%
The Home Depot	363	9	0.66%
Hutchinson Island Marriot Beach Resort	300	10	0.55%
Total County Employees	54,858		19.89%

Sources: The 2002 and 2011 labor force figures are from the University of Florida Bureau of Economic and Business Research and the Florida Agency for Workforce Innovation, respectively. The Treasure Coast Magazine provided the 2002 employer data. The 2011 employer data is from the Business Development Board of Martin County, Lowes, Martin County School Board, State of Florida and Winn-Dixie. Please note this schedule includes both full time and part time employees.

Note: The data presented in this list includes part time and full time employees. The labor force numbers were used to calculate the percentage of total county employment. The 2011 figure is a preliminary average and is subject to change.

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General government										
City Commission	5	5	5	5	5	5	5	5	5	5
City Manager	3	3	3	4	6	6	3	3	4	3
Human Resources	2	2	2	2	3	3	3	2	-	-
City Clerk	1	1	1	2	2	1	1	1	2	2
Financial Services	13	12	12	13	13	12	13	14	17	16
Information Services	4	4	4	4	4	4	4	3	-	-
City Attorney	2	2	2	2	2	2	2	2	2	2
Development	10	13	14	14	13	12	13	14	11	12
Public Safety										
Police	60	63	64	63	63	63	63	63	60	59
Fire / Rescue	43	42	41	41	43	37	38	39	38	36
Physical Environment										
Administration	1	1	2	2	3	5	4	4	4	3
Vehicle Maintenance	3	4	4	4	5	5	5	4	6	6
Building Maintenance	5	5	4	4	5	3	3	5	5	5
Turf & Grounds	12	12	13	18	18	16	18	18	17	17
Water Treatment	9	10	10	10	10	10	10	10	11	11
Waste Water Treatment	8	9	9	9	9	9	9	9	11	11
Distribution & Collection	8	9	9	9	9	9	8	8	9	9
Water & Sewer General	8	8	8	8	8	10	10	6	3	3
Residential Collection	2	2	2	2	2	2	2	3	3	4
Commercial Sanitation	8	7	8	8	8	8	8	11	12	11
Trash Collection	2	2	2	2	2	2	2	3	3	3
Stormwater	3	3	3	4	4	3	4	3	3	3
Transportation										
Streets	6	6	6	6	6	6	6	6	6	6
Economic Environment										
Community Redevelopment	3	-	-	-	-	-	-	-	-	-
Culture / Recreation										
Anchorage	-	-	-	-	1	1	1	1	1	1
Recreation	6	11	12	11	11	15	12	10	8	8
Parks	2	-	-	-	-	-	-	-	-	-
Total	229	236	240	247	255	249	247	247	241	236

Source: Information for 2011 was based on full time employees employed @ 9/30/11. All information prior to 2011 was derived from the City of Stuart adopted budget for the relevant year.

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Police										
Physical arrests	903	866	989	967	1,217	1,326	1,318	-	-	-
Parking violations	1,290	1,350	1,070	1,496	2,036	2,083	2,511	-	-	-
Traffic violations	3,941	3,701	4,767	4,444	7,013	8,496	8,370	-	-	-
Fire										
Emergency responses	3,704	3,491	3,286	3,671	3,858	4,421	4,867	-	-	-
Fires extinguished	54	45	66	68	85	94	137	-	-	-
Fire inspections	1,211	958	720	463	527	2,000	1,213	-	-	-
Refuse Collection										
Refuse collected (tons per day)	46	45	44	52	46	67	73	-	-	-
Customers	3,672	3,648	3,591	3,651	3,729	3,777	3,819	3,693	3,744	3,604
Other Public Works										
Street resurfacing (miles)	-	-	1.75	2	2	1	-	-	-	-
Potholes repaired	60	42	35	25	75	100	75	-	-	-
Development										
Building permits issued	1,149	1,177	921	1,159	1,239	1,799	2,838	1,244	1,558	1,209
Building inspection issued	3,515	3,692	2,475	3,088	2,831	4,748	6,862	5,910	3,939	3,257
Community Services¹										
Athletic field permits issued	24	115	105	100	110	93	64	-	-	-
Park permits issued	247	235	224	-	-	-	-	-	-	-
Facility/Vendor rental permits	25	67	85	-	-	-	-	-	-	-
Special events public permits	181	91	47	-	-	-	-	-	-	-
Special events private permits	51	34	23	-	-	-	-	-	-	-
Special events banner permits	171	163	55	-	-	-	-	-	-	-
Comm. center (CC) admissions	-	-	-	70,000	78,000	82,481	71,599	-	-	-
CC program admissions	8,560	34,087	29,941	-	-	-	-	-	-	-
CC rental admissions	2,175	4,615	6,780	-	-	-	-	-	-	-
City events participants	14,562	18,675	11,644	-	-	-	-	-	-	-
Special events - public property	126,376	101,730	90,820	-	-	-	-	-	-	-
Park participant usage	9,853	7,865	6,848	-	-	-	-	-	-	-
Water										
New connections	10	20	16	11	54	92	68	-	-	-
Water mains breaks	11	15	13	14	8	23	25	-	-	-
Average daily consumption	186	185	166	197	166	219	219	187	187	187
Metered services	4,193	4,146	4,145	4,145	4,197	4,104	4,048	4,012	3,985	3,919
Wastewater										
Average daily sewage treatment (Gallons Per Day/Per Customer)	132	131	118	101	118	107	115	97	97	97
Customers	1,728	1,717	1,702	1,699	1,687	1,683	1,650	1,625	1,606	1,585
Transit										
Total route miles	10	10	10	10	10	-	-	-	-	-
Passengers	13,181	12,489	15,272	19,383	10,768	-	-	-	-	-

Sources: Various City departments.

Note: ¹At 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**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
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	11	10	8	14	8	8	-	-	-
Other public works										
Streets (miles)	100	100	100	100	95.8	40.8	40.8	-	-	-
Streetlights	300	275	275	275	413	413	413	-	-	-
Traffic signals	44	44	36	35	33	33	33	-	-	-
Community Services ¹										
Acreage	232	170	170	170	170	170	170	70	70	70
Environmental parks	3	-	-	-	-	-	-	-	-	-
Active parks	9	-	-	-	-	-	-	-	-	-
Passive parks	25	-	-	-	-	-	-	-	-	-
Community parks	-	8	11	11	11	11	11	8	8	8
Community mini/urban parks	-	22	43	43	43	43	43	16	16	16
Baseball/softball diamonds	1	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	15	2	2	2
Community centers	1	1	2	2	2	2	2	2	2	2
Water										
Fire hydrants ²	483	482	978	860	855	84	82	-	-	-
Storage capacity (million gal)	3	3	3.25	3.25	3	725	725	-	-	-
Wastewater										
Wastewater sewers (miles)	58	54	54	54	54	53	52	52	52	52
Treatment capacity (million gal)	4	4	4	4	4	9.2	9.2	9.2	9.2	9.2
Stormwater										
Stormwater sewers (miles)	21	21	21	21	21	21	21	21	21	21
Transit-minibuses ³										
Sailfish Shuttle	1	1	1	1	1	-	-	-	-	-

Sources: Various City departments.

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

²City, County and privately owned within City limits

³Established 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' 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**
- ❖ **Schedule of Findings and Questioned Costs – Federal Awards Programs**
- ❖ **Summary Schedule of Prior Audit Findings and Correction Action Plan**
- ❖ **Schedule of Expenditures of Federal Awards**
- ❖ **Notes to Schedule of Expenditures of Federal Awards**
- ❖ **Independent Auditors' Management Letter**

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

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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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.

Cheng, Bohart & Holland, L.L.P.

Orlando, Florida
March 21, 2012



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, 2011. 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, 2011.

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.

Cheng, Bohart & Holland, L.L.P.

Orlando, Florida
March 21, 2012

CITY OF STUART, FLORIDA
Schedule of Findings and Questioned Costs –
Federal Awards Programs
Year Ended September 30, 2011

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, 2011

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
Housing and Urban Development Cluster:	
Housing and Urban Development - CDBG - State - Administrated Small Cities Program Cluster - Tropical Storm Faye	14.228
Housing and Urban Development - CDBG - State - Administrated Small Cities Program Cluster - Woodland/Delaware Infrastructure	14.255
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? 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, 2011

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, 2011

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	\$ 204,470
ARRA - Community Development Block Grant - Woodlawn/Delaware Infrastructure	14.255	10DB-C4-10-53-02-R10	662,384
Total U.S. Department of Housing and Urban Development/ CDBG - State-Administered Small Cities Program Cluster			<u>866,854</u>
U.S. Department of Justice			
Bulletproof Vest Partnership	16.607	N/A	3,977
Justice Assistance Grant	16.738	2011-JAGD-1026	7,870
Total U.S. Department of Justice			<u>11,847</u>
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	1,334,230
Total U.S. Environmental Protection Agency			<u>1,334,230</u>
U.S. Department of Homeland Security			
Assistance to Firefighters Grant ("AFG")	97.044	EMW-2009-FO-08169	55,765
Total U.S. Department of Homeland Security			<u>55,765</u>
Total Expenditures of Federal Awards			<u>\$ 2,268,696</u>

CITY OF STUART, FLORIDA
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2011

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, 2011, 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.



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, 2011, and have issued our report thereon dated March 21, 2012.

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, 2012, 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, requires 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, 2011, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. Our comparison of the financial report filed with the Florida Department of Financial Services to the City's 2011 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.

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.

Chauy, Bohart & Holland, L.L.P.

Orlando, Florida
March 21, 2012