City of Stuart, Florida

Comprehensive Annual Financial Report



Fiscal Year Ended September 30, 2018

Louis J. Boglioli III, CGFO
Financial Services Director

David Dyess
City Manager

City of Stuart, Florida
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2018

Prepared by the Financial Services Department

City of Stuart, Florida
Comprehensive Annual Financial Report
September 30, 2018

TABLE OF CONTENTS

INTRODUCTORY SECTION

Transmittal Letter ii
Organizational Chart vi
List of Principal Officials vii
Department Directors vii
Certificate of Achievement for Excellence in Financial Reporting viii

FINANCIAL SECTION

Report of Independent Auditor 1
Management's Discussion and Analysis 4
Government Wide Financial Statements 14
- Statement of Net Position 14
- Statement of Activities 15

Fund Financial Statements 16
- Balance Sheet – Governmental Funds 16
- Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position 17
- Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 18
- Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 19
- Balance Sheet – Proprietary Funds 20
- Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds 22
- Statement of Cash Flows – Proprietary Funds 23
- Notes to the Basic Financial Statements 24

REQUIRED SUPPLEMENTARY INFORMATION

- Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – 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 – Leased Property 62
- Schedule of Changes in Net OPEB Liability and Related Ratios 63
- Schedule of Proportionate Share of Net Pension Liability – Florida Retirement System 64
- Schedule Contributions - Florida Retirement System 65
- Schedule Proportionate Share of Net Pension Liability - Health Insurance Subsidy Program 66
- Schedule of Contributions – Health Insurance Subsidy Program 67

STATISTICAL SECTION

- Net Position by Component, Last Ten Fiscal Years 69
- Changes in Net Position, Last Ten Fiscal Years 71
- Fund Balances – Governmental Funds, Last Ten Fiscal Years 75
- Changes in Fund Balances – Governmental Funds, Last Ten Fiscal Years 77
- Assessed Value and Adjustable Value of Taxable Property, Last Ten Fiscal Years 79
- Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years 80
- Principal Taxpayers, Current and Nine Years Ago 81
- Property Tax Levies and Collections, Last Ten Fiscal Years 82
- Ratios of Outstanding Debt by Type, Last Ten Fiscal Years 83
- Direct and Overlapping Governmental Activities Debt 85

Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years....86
Legal Debt Margin Information, Last Ten Fiscal Years....87
Pledged-Revenue Coverage, Last Ten Fiscal Years....88
Demographic and Economic Statistics, Last Ten Calendar Years....89
Principal Employers, Current and Nine Years Ago....90
Full-time Equivalent City Government Employees By Function/Program, Last Ten Fiscal Years....91
Operating Indicators by Function/Program, Last Ten Fiscal Years....92
Capital Asset Statistics by Function/Program, Last Ten Fiscal Years....93

COMPLIANCE SECTION

Report of Independent Auditor 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*....94
Independent Accountant's Report....96
Independent Auditor's Management Letter....97

INTRODUCTORY SECTION

City of Stuart

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

March 15, 2019

To the Honorable Mayor Rebecca Bruner,
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, 2018.

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 Moore Stevens Lovelace, P.A., 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, 2018, 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 auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Stuart's financial statements for the fiscal year ended September 30, 2018 are fairly presented in conformity with GAAP. The independent auditor's 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 the MD&A and should be read in conjunction with it. The City of Stuart's MD&A can be found immediately following the independent auditor's 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 2018 population of the City was 16,425. The geographical jurisdiction of the City encompasses approximately 7.0 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 appropriate by the City Commission.

City of Stuart

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The City of Stuart has operated under the Commission-manager form of government since 1926. Policy making and legislative authority are vested in a governing commission consisting of the five 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 hiring 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 rescue protection, public works, recreation and park facilities, building, planning and zoning services, economic and community development, and emergency management. In addition, the City operates a Water and Sewer Utility, Solid Waste Service and Stormwater Utility as enterprise activities and the Stuart Community Redevelopment Agency as a Special District 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 its component units. A component unit is a legally separate entity for which the City of Stuart is financially accountable or the nature and significance of the relationship between the City and the entity is 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.

Local Economy

The economy of the City and Martin County is a blend of tourism, service industries, light manufacturing, and construction. With slow growth continuing, the City saw growth in property values. The City continues to proactively pursue redevelopment in commercial properties and expanding residential housing developments. The economic condition of the area has improved during the past year, and the City was able to maintain its level of service with a slight decrease in the millage rate. Several major developments have been approved by the City which will expand the tax base in the future.

Future Outlook

According to the Florida Office of Economic and Demographic Research, the Florida economy has returned to the prior peaks. In this regard, all of the personal income metrics, over one-half of the employment measures, and the total tourism and domestic visitor counts have exceeded the peak levels seen during the housing boom. Still other measures are posting solid year-over-year improvements, even if they are not yet back to peak performance levels. In August 2010, Florida experienced its first over-the-year increase in jobs since June 2007. Eight years later (July 2018), Florida's annual job growth rate has been positive for most of the past 96 months—the only exception being September 2017 when Florida lost jobs due to Hurricane Irma. The state passed its prior employment peak in May 2015.

Since Florida's economic outlook relies heavily on strong tourism growth, tourism-related revenue losses pose the greatest potential risk to the economic outlook. Threats to tourism can come from many different sources. The most likely sources are natural or manmade disasters, disease outbreaks, federal policy or administrative changes that make it harder or less attractive to travel, and heightened terrorist activity. Throughout the summer months, toxic algae blooms have posed a threat to the state's public health, safety and welfare, the environment, and, by direct extension, tourism, prompting the Governor to call a state of emergency in Martin County in 2018.

Relevant Financial Policies

The City reviews and adopts a Fiscal Policy with each annual 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 identifies 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 also 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, 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.

Major Initiatives

During fiscal year 2018, 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:

- Completed the Shepard Park improvements which included seawall, sidewalk, and drainage improvements.
- Purchased a new Fire Rescue ambulance.
- Completed Kiwanis Park restrooms improvements.
- Completed improvements to Kindred Johnson streetscaping.
- Dedicated a statute for K-9 officers outside the Public Safety Complex.

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- Added a shade structure to the playground at the 10th Street Recreation Complex.
- Approved Sovana at Stuart, a residential development of 182 dwelling units.
- Approved Riverside Assisted Living Facility, a 152 bed assisted living facility with memory care.
- Renegotiated a twenty year lease with Mulligan's.
- Tesla donated 3 electric vehicle charging stations at Kiwanis Park.
- FPL installed a solar roof at Kiwanis parking lot.
- Engineering was completed for the pavement maintenance program.
- Converted to ADA Compliant Closed Captioning Service for public commission meetings.

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, 2017. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. This was the seventeenth 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, 2018 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 accountant, Moore Stevens Lovelace, P.A., for their cooperation and assistance. Their professional approach and high standards in the conduct of the independent audit of the City's financial records and transactions is greatly appreciated.

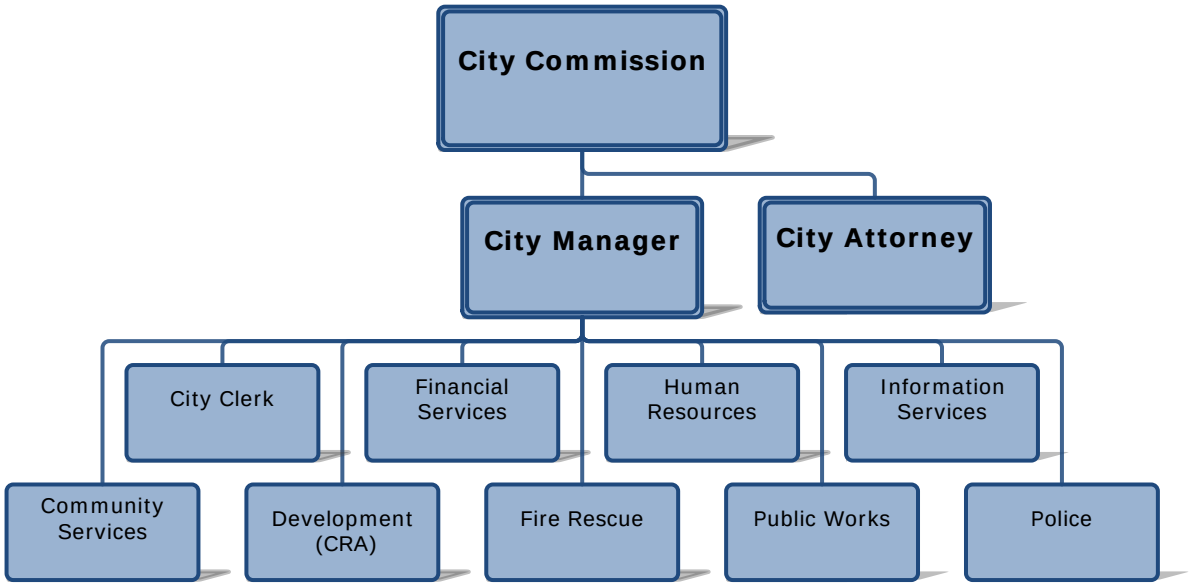
Sincere appreciation is also expressed to the City Commission for their leadership, and support in conducting the financial operations of the City in a responsible and progressive manner. With this support, the City is able to maintain a high degree of fiscal health and financial stability.

Respectfully submitted,

David E. Dyess
City Manager

Louis J. Boglioli, III CGFO
Financial Services Director

City of Stuart, Florida
Organizational Chart



List of Principal Officials

City Commission

Mayor – Commissioner	Rebecca S. Bruner
Vice-Mayor – Commissioner	Eula R. Clarke
Commissioner	Kelli Glass Leighton
Commissioner	Merritt Matheson
Commissioner	Mike Meier

Appointed Officials

David E. Dyess – City Manager

Michael J. Mortell – City Attorney

Department Directors

Louis J. Boglioli, III	Financial Services Director
James E. Chrulski	Community Services Director
Kevin B. Edwards	Information Services Director
Vince Felicione	Fire Chief
Kevin Freeman	Development Director
Mary Kindel	City Clerk
Rosamond Johnson	Human Resources Director
David Peters	Public Works Director
Joseph Tumminelli	Police Chief

Government Finance Officers Association

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, 2017

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL SECTION

MSL
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Commission
City of Stuart, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Stuart, Florida (the City) as of and for the fiscal year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinions

In our opinion, based on our audit, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter - Change in Accounting Principle

As discussed in Note 15 to the financial statements, in the fiscal year ended September 30, 2018, the City adopted the provisions of Government Accounting Standards Board Statement (GASBS) Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* As a result of the implementation of GASBS 75, the City reported a restatement for the change in accounting principle as of October 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters

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

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Honorable Mayor and
Members of the City Commission
City of Stuart, Florida

INDEPENDENT AUDITOR'S REPORT
(Concluded)

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
March 15, 2019

The purpose of financial reporting, in general, is to provide the readers of the financial statements with information that will help them make decisions or draw conclusions about an entity. As management of the City of Stuart, Florida (City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018.

We encourage readers of these financial statements to consider the information included in the transmittal letter and in the other sections of the Comprehensive Annual Financial Report (CAFR) in conjunction with this discussion and analysis.

Financial Highlights

- The assets and deferred outflows of resources of the City of Stuart exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $126,655,241 (*total net position)*. Of this amount $117,418,124 or 93% of the amount is invested in capital assets.
- The City's operations increased net position by $243,983 with a decrease of $298,052 from governmental activities and an increase of $542,035 from business type activities.
- At the close of the current fiscal year, the City of Stuart's governmental funds reported a combined ending fund balance of $13,752,909, a decrease of $272,266 in comparison with the prior year. The governmental funds reflect $82,166 in non-spendable, $4,660,992 in restricted, $403,951 in committed, and $4,049,750 in assigned fund balances, leaving an unassigned fund balance of $4,556,050.
- At the close of the current fiscal year, the City of Stuart's business-type activities reported a combined unrestricted net position of $10,236,827. Total net position increased $542,035 for all business-type activities.
- The City of Stuart's total outstanding long-term debt decreased by $2,636,021 during the fiscal year. The City reduced existing debt by $2,697,744, acquired additional debt through the State of Florida for water system expansion for $61,723, and acquired additional debt of $173,038 for SCBA fire equipment.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Stuart'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 required and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

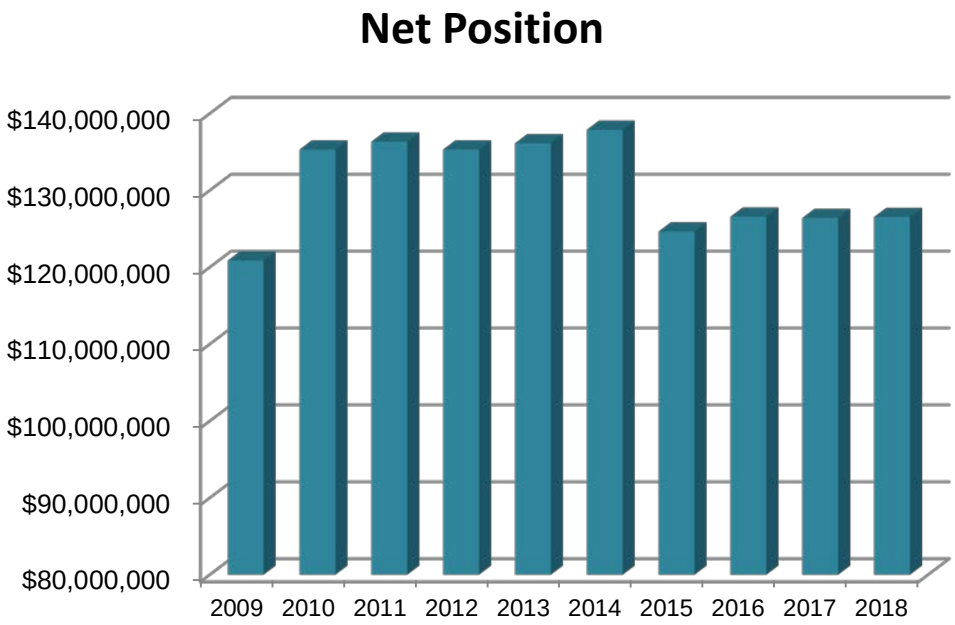
The focus of the *government-wide financial statements* is on the overall financial position and activities of the City of Stuart. Reporting is similar to that of a private-sector business. The City's government-wide financial statements include the statement of net position and statement of activities.

The *Statement of Net Position* presents financial and capital resources of the City. Assets and deferred outflows of resources, and liabilities and deferred inflows of resources are presented, with the net of these reported as net position. For example, the City reports buildings and infrastructure as assets, even though they are not available to pay the obligations incurred by the City. On the other hand, the City reports liabilities even though these liabilities might not be paid until several years into the future.

CITY OF STUART, FLORIDA
Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	$17,441,167	$17,366,915	$21,458,227	$18,779,991	$ 38,899,394	$ 36,146,906
Capital assets	83,795,662	83,979,485	64,401,360	67,067,935	148,197,022	151,047,420
Total assets	101,236,829	101,346,400	85,859,587	85,847,926	187,096,416	187,194,326
Deferred outflows of resources	8,925,697	9,531,540	2,460,641	2,750,100	11,386,338	12,281,640
Liabilities						
Current liabilities	5,784,640	3,520,835	2,817,331	2,736,597	8,601,971	6,257,432
Noncurrent liabilities	30,379,016	35,452,278	29,645,250	30,386,227	60,024,266	65,838,505
Total liabilities	36,163,656	38,973,113	32,462,581	33,122,824	68,626,237	72,095,937
Deferred inflows of resources	2,607,169	1,425,737	594,107	271,869	3,201,276	1,697,606
Net position						
Net investment in capital assets	76,940,970	75,751,252	40,477,154	42,175,303	117,418,124	117,926,555
Restricted	4,660,992	5,039,323	4,549,559	3,545,510	9,210,551	8,584,833
Unrestricted	(10,210,261)	(9,100,822)	10,236,827	9,000,692	26,566	(100,130)
Total net position	$71,391,701	$71,689,753	$55,263,540	$54,721,505	$126,655,241	$126,411,258

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Although the purpose of the City is not to accumulate net position, in general, as this amount increases it indicates that the financial position of the City is improving over time.



The *Statement of Activities* presents the revenue and expenses of the City. The items presented on the statement of activities are measured in a manner similar to the approach used in the private-sector in that revenues are recognized when earned and expenses are reported when

incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

CITY OF STUART, FLORIDA
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues						
Charges for services	$ 4,742,479	$ 3,986,381	$ 17,395,381	$ 15,752,986	$ 22,137,860	$ 19,739,367
Operating grants and contributions	1,181,807	590,444	-	-	1,181,807	590,444
Capital grants and contributions	-	21,400	284,972	995,525	284,972	1,016,925
General revenues:						
Property taxes	8,448,358	8,069,423	-	-	8,448,358	8,069,423
Other taxes	5,248,106	4,887,351	-	-	5,248,106	4,887,351
Other	7,043,924	6,735,026	27,925	171,585	7,071,849	6,906,611
Total revenues	26,664,674	24,290,025	17,708,278	16,920,096	44,372,952	41,210,121
Expenses:						
General government	$7,955,772	$7,521,385	-	-	7,955,772	7,521,385
Public safety	13,028,489	12,718,833	-	-	13,028,489	12,718,833
Parks and recreation	1,806,339	1,720,374	-	-	1,806,339	1,720,374
Physical environment	2,187,022	2,050,629	-	-	2,187,022	2,050,629
Transportation	1,944,583	1,827,289	-	-	1,944,583	1,827,289
Community redevelopment	740,161	547,599	-	-	740,161	547,599
Interest on long-term debt	275,761	302,284	-	-	275,761	302,284
Water and sewer	-	-	10,656,386	10,196,007	10,656,386	10,196,007
Sanitation	-	-	4,223,204	3,909,114	4,223,204	3,909,114
Stormwater	-	-	1,311,252	1,236,235	1,311,252	1,236,235
Total expenses	27,938,127	26,688,393	16,190,842	15,341,356	44,128,969	42,029,749
Increase/(decrease) in net position before transfers	(1,273,453)	(2,398,368)	1,517,436	1,578,740	243,983	(819,628)
Transfers	975,401	814,285	(975,401)	(814,285)	-	-
Increase/(decrease) in net position	(298,052)	(1,584,083)	542,035	764,455	243,983	(819,628)
Net position - beginning, restated (Note 15)	71,689,753	73,273,836	54,721,505	53,957,050	126,411,258	127,230,886
Net position - ending	$ 71,391,701	$ 71,689,753	$ 55,263,540	$ 54,721,505	$ 126,655,241	$ 126,411,258

Both of the government-wide financial statements distinguish functions of the City 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 include general government, law enforcement, fire rescue, physical environment, transportation, community redevelopment, and parks and recreation. The business-type activities include water and sewer utility, sanitation services, and stormwater services.

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

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the City rather than the City as a whole. Except for the General Fund, separate funds are established to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate 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 fund financial statements consist of a balance sheet and statement of revenues, expenditures, and change in fund balances. These statements are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a short period of time, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid within a short period of time after the end of the fiscal year. Additionally included on the balance sheet are the City's deferred inflows and deferred outflows of resources. The difference between a fund's total assets and deferred outflows and the fund's total liabilities and deferred inflows is labeled as the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. The operating statement for governmental funds reports only those revenues and expenditures that were collected or paid during the current period, or very shortly after the end of the year.

For the most part, the balances and activities accounted for in governmental funds are also reported in the governmental activities columns of the government-wide financial statements. However, because a different accounting basis is used to prepare the fund financial statements and the government-wide financial statements, there are often significant differences between the totals presented. For this reason, there is an analysis after the balance sheet that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis after the statement of revenues, expenditures, and changes in fund balances that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund and three special revenue funds. Only the General Fund, the Leased Property Fund, and the CRA (Community Redevelopment Agency) Fund are to be considered major funds.

The City adopts an annual appropriated budget for its General Fund, Leased Property Fund and CRA Fund. A budgetary comparison statement has been provided for the General Fund, Leased Property Fund and CRA Fund to demonstrate compliance with this budget.

*Proprietary funds***.** Proprietary fund financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position and a statement of cash flows. These statements are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements. The City uses Enterprise Funds to account for business-type activities that charge fees to customers for the use of specific goods or services. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City uses enterprise funds to account for its water and

sewer, sanitation, and stormwater enterprises. 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 and accompanying notes, this report also presents certain required supplementary information concerning the City's proportionate share of its liability of the Florida Retirement System Pension Plans and progress in funding its obligation to provide other postemployment benefits for employees of the City.

Government-wide Financial Analysis

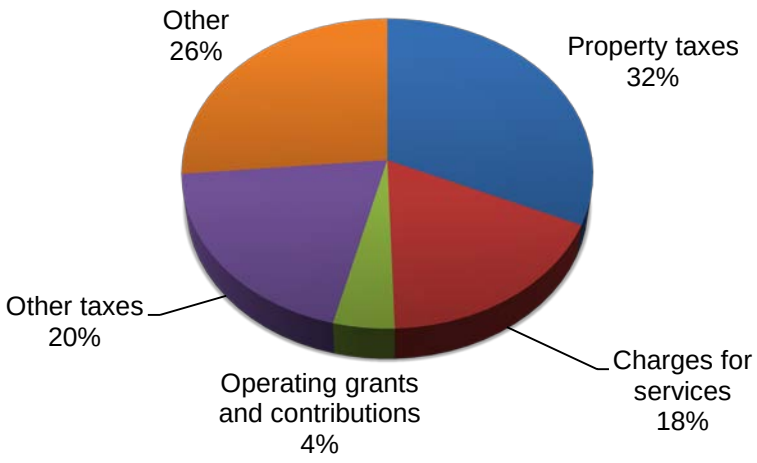
The City's total net position balance of $126,655,241, as restated, at September 30, 2018 is $243,983 or 0.2 percent increase compared to the 2017 balance of $126,411,258. The increase in net position is a result of a $542,035 increase from business-type operations and a $298,052 decrease from governmental operations. Changes in net position over time can be a useful indicator of financial position.

By far, the largest portion of the City's net position, $117,418,124 or 93 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 are 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.

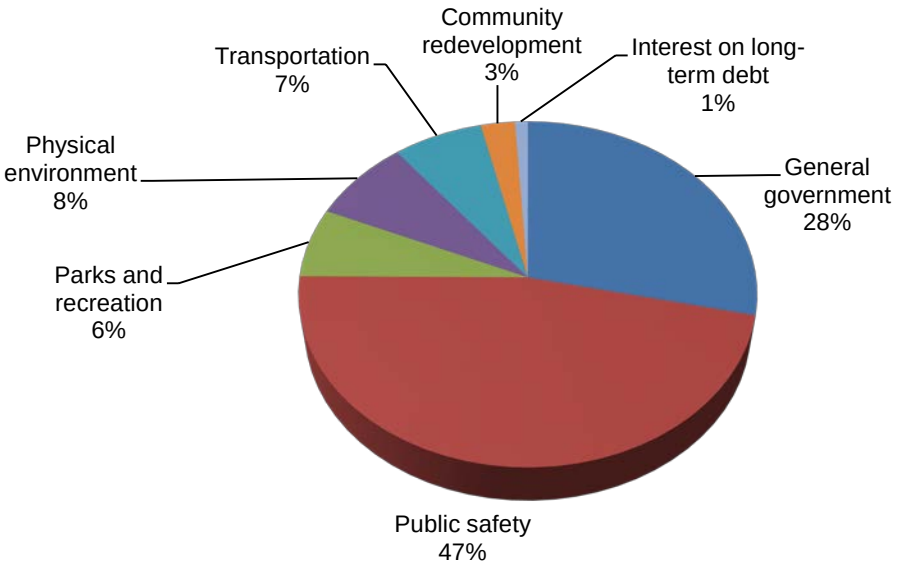
An additional portion of the City's net position, $9,210,551, or 7.3 percent, represents resources that are restricted for specific uses. There was an increase in the restricted net position of $625,718. This increase is attributable to the collection of fees related to the sewer expansion projects and a decrease in the Community Redevelopment restricted net position. Community Redevelopment accelerated payment of outstanding debt.

Governmental Activities
Governmental activities reduced the City's net position by $298,052. Total revenues increased by $2,374,649. Property tax revenue increased by $378,935 (4.7 percent) from the previous year. This increase is a result of increases in property values. Other tax revenue increased by $360,755 (7.4 percent) as a result of an increase in Gas Tax revenue. Expenses increased by $1,249,734 (4.5 percent) mainly in General Government ($434,387) and Public Safety ($309,656). Both increases were a result of long term employees participating in the voluntary early separation program and increased health insurance claims.

Revenues by source - Governmental Activites



Expenses by source - Governmental Activites

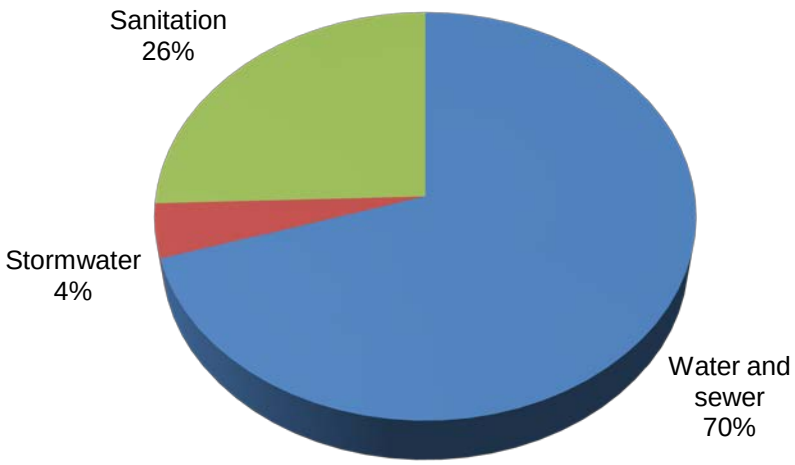


Business-type Activities

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.

The City's net position for business-type activities at September 30, 2018 was $55,263,540 or 1 percent, or $542,035, more than fiscal year 2017. Overall, the business-type activities generated an operating income of $2,393,064. Water and Sewer were increased in 2018 in anticipation of a major expansion of the City's water plant.

Revenues by source - Business-type Activities



Activity expenses for the Water and Sewer Fund increased from $10,196,007 in 2017 to $10,656,386 in 2018. The additional expenses were related to other postemployment benefits and an increase in debt service interest. Water and sewer increased its net position by $1,099,066.

Activity expenses for the Sanitation Fund increased by $314,090, from $3,909,114 in 2017 to $4,223,204 in 2018. This increase was a result of increased personnel costs and other postemployment benefits. Sanitation increased its net position by $37,408.

Activity expenses in the Stormwater Fund increased from $1,236,235 in 2017 to 1,311,252 in 2018. Stormwater decreased its net position by $594,439. Depreciation on infrastructure is the main cause for the decrease in net position.

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 $13,752,909, a total decrease of $272,266 from the prior year; of which an increase of $633,436 is attributable to the General Fund and an increase of $252,285 is attributable to the Leased Property Fund. The City accelerated a future debt payment in the Community Redevelopment Agency Fund which caused a decrease of $613,407 from the Community Redevelopment Agency. In addition, there was a decrease of $544,580 in non-major funds.

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 $4,556,050. 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, represents 19 percent of fiscal year 2019 General Fund operating expenditures.

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 position of the Water and Sewer Fund at the end of the year amounted to $7,075,140, $2,725,924 for the Sanitation Fund, and $435,763 for the Stormwater Fund. The total increase/(decrease) in net position for these funds was $1,099,066, $37,408, and ($594,439), respectively.

The Water and Sewer Fund continues to make major improvements to the water and sewer delivery system. The Water and Sewer Fund established a discounted fee for upfront payment by customers for the Sewer Expansion program.

General Fund Budgetary Highlights

The difference between the original and final amended expenditure budget for 2018 was an increase of $1,056,137. The difference between the original and final amended revenue budget for 2018 was an increase of $1,612,544. The City generated a variance of $470,713 between the amended and actual results of operations. The main source of the variance is impact fees which are not budgeted.

Budget amendments – Differences between the original budget and the final amended budget were $759,745. The significant budget amendments approved during the fiscal year are:

- $56,000 was appropriated to construct a K9 memorial.
- $173,038 was borrowed for the purchase of SCBA equipment.
- Additional funding for the voluntary early separation program and additional funding for health insurance claims.

Capital Assets and Debt Administration

Capital assets. The City's capital assets for its governmental and business-type activities as of September 30, 2018, amounts to $148,197,021 (net of accumulated depreciation). This amount in capital assets includes land, improvements other than buildings, buildings, machinery and equipment, furniture and fixtures, infrastructure, system improvements, and construction in progress. The City of Stuart's capital assets for the current fiscal year decreased slightly with a net decrease for governmental funds of $184,123 and business-type funds decreased $2,666,575.

City of Stuart - Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 9,364,439	$ 9,360,704	$ 6,333,178	$ 6,333,178	$ 15,697,617	$ 15,693,882
Buildings and improvements	10,098,907	10,313,901	409,396	437,250	10,508,303	10,751,151
Improvements other than buildings	12,161,254	11,804,004	55,333,657	57,387,977	67,494,911	69,191,981
Equipment	2,670,164	2,259,427	2,096,938	2,073,057	4,767,102	4,332,484
Infrastructure	48,187,109	48,452,763	-	-	48,187,109	48,452,763
Construction in progress	1,313,789	1,788,985	228,191	836,473	1,541,980	2,625,458
	$83,795,662	$83,979,784	$64,401,360	$67,067,935	$148,197,022	$151,047,719

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

- Shepard Park seawall improvements with a total cost of $1.8 million.
- Kindred Johnson streetscape improvements with a total cost of $1.1 million.
- St. Lucie basin sewer expansion for $806,312.
- Downtown streetscape project for $611,055.
- Rescue ambulance for 256,315.

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

Long-term Liabilities. At the end of the current fiscal year, the City of Stuart had debt outstanding of $31,808,951. This amount represents revenue bond debt and loans, and is secured solely by specified revenue sources. Other long-term liabilities at the end of the current fiscal year included $2,641,344 in compensated absences, $2,293,012 for other post-employment benefits (OPEB), and net pension liability of $25,193,765.

City of Stuart - Bonded Debt Outstanding

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation bonds	$5,845,000	$6,120,000	$ -	$ -	$ 5,845,000	$ 6,120,000
Tax Increment Financing bonds	-	293,688	-	-	-	293,688
Revenue bonds and notes	677,753	1,580,002	17,770,247	18,648,041	18,448,000	20,228,043
Loans Payable	331,939	234,843	7,184,012	7,395,360	7,515,951	7,630,203
	$6,854,692	$8,228,533	$24,954,259	$26,043,401	$ 31,808,951	$ 34,271,934

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

- Ad Valorem property taxes increased slightly for the 2019 fiscal year and are conservatively projected to grow approximately 3% into the future.
- The Florida legislature is again considering various proposals relating to the elimination of local government revenues, Florida State Retirement pension reform and limits to business taxes. Potential legislation could have a significant impact on a local government's ability to maintain or improve services to residents. The City is carefully monitoring these initiatives and their future impact on the City's ability to function at the same level of service.
- Health insurance coverage cost increased 10% for the basic plan and 20% for the buy-up plan. 2018 health insurance costs far exceeded the actuarial projections. The City remains self-insured and continues to fund the Employee Family Wellness Clinic. The City increased the total funding for health insurance to maintain an actuarially sound plan.
- The Fleet Replacement Reserve will be phased out for most rolling stock. The City will be utilizing a purchase replacement strategy through an agreement with Enterprise Fleet services. Large vehicles such as garbage trucks and fire trucks will remain funded through the fleet replacement reserve.
- During 2018, the Community Redevelopment Fund made the final principal payment for the Triangle debt.
- The City levied a Fire Assessment fee for 2019. The Fire Assessment fee rates remained the same.

All of these factors were considered in preparing the City's budget for the 2019 fiscal year.

Requests for Information

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability. Additional information is also available on the City's website at www.cityofstuart.us. If you have any questions about this report or would like additional information, please contact:

Financial Services Director
City of Stuart
121 S.W. Flagler Avenue
Stuart, FL 34994

City of Stuart, Florida
Statement of Net Position
September 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total Primary Government
Assets			
Cash and cash equivalents	$ 1,817,420	$ 2,997,268	$ 4,814,688
Investments	13,349,235	14,172,189	27,521,424
Accounts receivable, net	903,567	1,265,836	2,169,403
Due from other government	1,288,779	144,874	1,433,653
Inventories	77,414	-	77,414
Other assets	4,752	1,911,349	1,916,101
Restricted cash and investments	-	966,711	966,711
Capital assets, net of accumulated depreciation			
Nondepreciable	10,678,228	6,561,369	17,239,597
Depreciable	73,117,434	57,839,991	130,957,425
Total assets	**101,236,829**	**85,859,587**	**187,096,416**
Deferred outflow of resources			
Loss on refundings	-	1,030,052	1,030,052
Related to pension	8,925,697	1,430,589	10,356,286
Total deferred outflows of resources	**8,925,697**	**2,460,641**	**11,386,338**
Liabilities			
Accounts payable	612,113	461,846	1,073,959
Accrued liabilities	719,984	151,040	871,024
Due to other governments	1,395,358	-	1,395,358
Unearned revenue	880,944	640,352	1,521,296
Customer deposits	38,220	1,123,125	1,161,345
Accrued interest	62,596	440,968	503,564
Other liabilities	41,639	-	41,639
Claims payable	120,972	-	120,972
Noncurrent liabilities			
Net pension liability	21,515,711	3,678,054	25,193,765
Other postemployment benefits	1,812,167	480,854	2,293,021
Due within one year	1,745,631	1,549,745	3,295,376
Due in more than one year	7,218,321	23,936,597	31,154,918
Total liabilities	**36,163,656**	**32,462,581**	**68,626,237**
Deferred inflows of resources			
Related to pensions	2,470,996	557,976	3,028,972
Related to other post employment benefits	136,173	36,131	172,304
Total deferred inflows of resources	2,607,169	594,107	3,201,276
Net Position			
Net Investment In capital assets	76,940,970	40,477,154	117,418,124
Restricted for:			
Renewal and replacement	-	900,000	900,000
Building permits	1,100,141	-	1,100,141
Infrastructure improvement	444,423	610,016	1,054,439
Impact fee requirements	1,855,282	2,709,326	4,564,608
Law enforcement	106,511	-	106,511
Health insurance	73,943	-	73,943
Grant programs	37,507	-	37,507
Community redevelopment	1,043,185	-	1,043,185
SRF reserve	-	330,217	330,217
Unrestricted	(10,210,261)	10,236,827	26,566
Total Net Position	$ 71,391,701	$ 55,263,540	$ 126,655,241

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

City of Stuart, Florida
Statement of Activities
Year ended September 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for services	Operating grants and contributions	Capital grants	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	$ 7,955,772	$ 1,405,398	$ -	$ -	$ (6,550,374)	$ -	$ (6,550,374)
Public safety	13,028,489	2,899,677	43,101	-	(10,085,711)	-	(10,085,711)
Parks and recreation	1,806,339	80,556	950,666	-	(775,117)	-	(775,117)
Physical environment	2,187,022	30,000	-	-	(2,157,022)	-	(2,157,022)
Transportation	1,944,583	326,848	150,803	-	(1,466,932)	-	(1,466,932)
Community redevelopment	740,161	-	37,237	-	(702,924)	-	(702,924)
Interest on long-term debt	275,761	-	-	-	(275,761)	-	(275,761)
Total governmental activities	27,938,127	4,742,479	1,181,807	-	(22,013,841)	-	(22,013,841)
Business-type activities:							
Water and sewer	10,656,386	12,130,958	-	284,972	-	1,759,544	1,759,544
Sanitation	4,223,204	4,505,663	-	-	-	282,459	282,459
Stormwater	1,311,252	758,760	-	-	-	(552,492)	(552,492)
Total business-type activities	16,190,842	17,395,381	-	284,972	-	1,489,511	1,489,511
Total	$ 44,128,969	$ 22,137,860	$ 1,181,807	$ 284,972	(22,013,841)	1,489,511	(20,524,330)
General revenues:							
Property taxes					8,448,358	-	8,448,358
Utility taxes					2,786,675	-	2,786,675
Franchise fees					1,656,124	-	1,656,124
Sales tax					1,835,616	-	1,835,616
Gas tax					625,815	-	625,815
Local business tax					640,363	-	640,363
Incremental property tax					998,203	-	998,203
State shared revenues, unrestricted					1,831,105	-	1,831,105
Miscellaneous					1,569,081	-	1,569,081
Unrestricted investment earnings					351,613	47,776	399,389
Loss on disposal of assets					(2,565)	(19,851)	(22,416)
Transfers					975,401	(975,401)	-
Total general revenue and transfers					21,715,789	(947,476)	20,768,313
Change in net position					(298,052)	542,035	243,983
Net position - beginning - restated (Note 15)					71,689,753	54,721,505	126,411,258
Net position - ending					$ 71,391,701	$ 55,263,540	$ 126,655,241

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

City of Stuart, Florida
Balance Sheet
Governmental Funds
September 30, 2018

	General Fund	Community Redevelopment Agency	Leased Property Fund	Non-Major Infrastructure Tax Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 1,133,952	$ 3,959	$ 679,509	$ -	$ 1,817,420
Investments	11,238,760	1,314,159	351,893	444,423	13,349,235
Accounts receivable, net	770,856	-	132,711	-	903,567
Due from other governments	1,288,779	-	-	-	1,288,779
Inventories	77,414	-	-	-	77,414
Prepaid items	4,752	-	-	-	4,752
Total assets	**$ 14,514,513**	**$ 1,318,118**	**$ 1,164,113**	**$ 444,423**	**$ 17,441,167**
Liabilities					
Accounts payable	$ 356,931	$ 254,933	$ 249	$ -	$ 612,113
Accrued liabilities	699,984	20,000	-	-	719,984
Due to other governments	1,390,798	-	4,560	-	1,395,358
Unearned revenue	734,927	-	146,017	-	880,944
Customer deposits	34,812	-	3,408	-	38,220
Matured bonds payable	41,639	-	-	-	41,639
Total liabilities	3,259,091	274,933	154,234	-	3,688,258
Fund balances					
Nonspendable:					
Inventories	77,414	-	-	-	77,414
Prepaids	4,752	-	-	-	4,752
Restricted:					
Building permits	1,100,141	-	-	-	1,100,141
Infrastructure improvement	-	-	-	444,423	444,423
Impact fee requirements	1,855,282	-	-	-	1,855,282
Law enforcement	106,511	-	-	-	106,511
Health insurance	73,943	-	-	-	73,943
Grant programs	37,507	-	-	-	37,507
Community redevelopment	-	1,043,185	-	-	1,043,185
Committed:					
Capital replacement	-	-	403,951	-	403,951
Assigned:					
Health insurance	926,057	-	-	-	926,057
Capital replacement	800,000	-	605,928	-	1,405,928
Contractual obligations	596,290	-	-	-	596,290
Pavement management	400,000	-	-	-	400,000
Landfill closure	63,344	-	-	-	63,344
Environmental	233,097	-	-	-	233,097
Tree replacement	425,034	-	-	-	425,034
Unassigned	4,556,050	-	-	-	4,556,050
Total fund balances	11,255,422	1,043,185	1,009,879	444,423	13,752,909
Total liabilities and fund balances	**$ 14,514,513**	**$ 1,318,118**	**$ 1,164,113**	**$ 444,423**	**$ 17,441,167**

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

City of Stuart, Florida

Reconciliation of the Balance Sheet to Statement of Net Position
September 30, 2018

Total net position reported for governmental activities in the statement of net position is different because:

Total fund balances - governmental Funds		$ 13,752,909
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:		
Land	$ 9,364,439	
Construction in Progress	1,313,789	
Buildings and improvements, net of $6,731,736 accumulated depreciation	10,098,907	
Equipment, net of $7,713,132 accumulated depreciation	2,670,164	
Improvements other than buildings, net of $9,905,351 accumulated depreciation	12,161,254	
Infrastructure, net of $34,658,485 accumulated depreciation	48,187,109	
Total capital assets, net		83,795,662
Certain liabilties are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	(6,854,692)	
Claims payable	(120,972)	
Compensated absences	(2,109,260)	
Accrued interest on long-term debt	(62,596)	
Total liabilities		(9,147,520)
Deferred inflows, deferred outflows and long term liabilities related to pensions.		
Deferred outflows related to pensions	8,925,697	
Deferred inflows related to pensions	(2,470,996)	
Net pension liability	(21,515,711)	
Total pension related		(15,061,010)
Deferred inflows and long term liabilities related to other postemployment benefits.		
Deferred inflows related to other postemployment benefits	(136,173)	
Other postemployment benefits payable	(1,812,167)	
Total postemployment benefit related		(1,948,340)
Net position of governmental activities		$ 71,391,701

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

City of Stuart, Florida
Statement of Revenues, Expenditures, and changes in Fund Balances
Governmental Funds
Year ended September 30, 2018

	General Fund	Community Redevelopment Agency	Leased Property Fund	Non-Major Infrastructure Tax Fund	Total Governmental Funds
Revenues					
Ad valorem taxes	$ 8,448,358	$ -	$ -	$ -	$ 8,448,358
Intergovernmental	5,474,343	998,203	-	-	6,472,546
Utility taxes	2,786,675	-	-	-	2,786,675
Franchise fees	1,656,124	-	-	-	1,656,124
Charges for services	1,534,192	-	-	-	1,534,192
Assessments	1,209,824	-	-	-	1,209,824
Licenses and permits	1,393,635	-	-	-	1,393,635
Local business tax	640,363	-	-	-	640,363
Impact fees	604,828	-	-	-	604,828
Fines and forfeitures	193,077	-	-	-	193,077
Interest	350,760	93	760	-	351,613
Rental Income	42,273	-	771,973	-	814,246
Miscellaneous	525,088	-	2,997	-	528,085
Total revenues	24,859,540	998,296	775,730	-	26,633,566
Expenditures					
Current:					
General government	4,829,243	-	123,445	-	4,952,688
Public safety	12,529,537	-	-	-	12,529,537
Parks and recreation	1,501,332	-	-	-	1,501,332
Physical environment	2,038,672	-	-	-	2,038,672
Transportation	1,636,326	-	-	-	1,636,326
Community redevelopment	-	419,988	-	-	419,988
Capital outlay	2,496,838	643,187	-	-	3,140,025
Debt service:					
Principal	459,211	1,100,731	-	-	1,559,942
Interest	228,165	47,596	-	-	275,761
Total expenditures	25,719,324	2,211,502	123,445	-	28,054,271
Revenues over (under) expenditures	**(859,784)**	**(1,213,206)**	**652,285**	**-**	**(1,420,705)**
Other financing sources (uses)					
Debt proceeds	173,038	-	-	-	173,038
Transfer in	2,027,981	707,799	-	-	2,735,780
Transfer out	(707,799)	(108,000)	(400,000)	(544,580)	(1,760,379)
Total other financing sources (uses)	1,493,220	599,799	(400,000)	(544,580)	1,148,439
Net change in fund balance (deficit)	633,436	(613,407)	252,285	(544,580)	(272,266)
Fund balance beginning	10,621,986	1,656,592	757,594	989,003	14,025,175
Fund balance ending	**$ 11,255,422**	**$ 1,043,185**	**$ 1,009,879**	**$ 444,423**	**$ 13,752,909**

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

City of Stuart, Florida
Statement of Revenues, Expenditures, and changes in Fund Balances
Governmental Funds
Year ended September 30, 2018

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

Net change in fund balances - total governmental funds		$ (272,266)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is depreciated over their esimated useful lives and reported as depreciation expense.		
Capital outlay	3,140,025	
Depreciation expense	(3,321,579)	
		(181,554)
The net effect of transactions involving capital assets is to decrease net position.		(2,565)
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 position.		1,546,879
The proceeds of the prinicipal of long-term debt accumulates in the current financial resources of governmental funds, but does not have any effect on net position.		(173,038)
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	160,182	
Decrease in other postemployment benefits payable	3,705	
Decrease in claims payable	24,609	
Increase in accrued interest on long-term debt	(28,782)	
Decrease in net pension liability	412,056	
Change in pension related deferred inflows and outflows	(1,651,105)	
Change in other postemployment benefit deferred inflow	(136,173)	
		(1,215,508)
Change in net position of governmental activities		$ (298,052)

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

City of Stuart, Florida
Balance Sheet
Proprietary Funds
September 30, 2018

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Sanitation	Stormwater	Total Enterprise
Assets				
Current assets				
Cash and cash equivalents	$ 2,227,534	$ 453,689	$ 316,045	$ 2,997,268
Investments	11,468,240	2,482,505	221,444	14,172,189
Accounts receivable, net	1,046,009	158,491	61,336	1,265,836
Due from other government	144,874	-	-	144,874
Restricted cash and cash equivalents	174,857	-	-	174,857
Total current assets	15,061,514	3,094,685	598,825	18,755,024
Non Current Assets				
Restricted cash and cash equivalents	181,838	-	-	181,838
Restricted investments	610,016			610,016
Sewer plan receivable	1,911,349	-	-	1,911,349
Advance to other fund	-	1,000,000	-	1,000,000
Capital assets:				
Land	72,260	74,640	6,186,278	6,333,178
Construction In progress	228,191	-	-	228,191
Buildings and improvements	592,670	266,466	-	859,136
Improvements other than buildings	89,165,930	124,517	19,712,042	109,002,489
Equipment	4,158,442	3,104,484	601,723	7,864,649
Infrastructure	143,176	-	242,511	385,687
Less accumulated depreciation	(48,503,356)	(2,107,819)	(9,660,795)	(60,271,970)
Total capital assets	45,857,313	1,462,288	17,081,759	64,401,360
Total noncurrent assets	48,560,516	2,462,288	17,081,759	68,104,563
Total assets	63,622,030	5,556,973	17,680,584	86,859,587
Deferred outflow of resources				
Deferred outflows of resources from losses on refundings	1,030,052	-	-	1,030,052
Related to pension	1,086,741	290,024	53,824	1,430,589
Total deferred outflows of resources	2,116,793	290,024	53,824	2,460,641
Total assets and deferred outflow of resources	**$ 65,738,823**	**$ 5,846,997**	**$ 17,734,408**	**$ 89,320,228**

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

City of Stuart, Florida
Balance Sheet
Proprietary Funds
September 30, 2018

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Sanitation	Stormwater	Total Enterprise
Liabilities and Net Position				
Current liabilities and current assets				
Accounts payable	$ 321,182	$ 123,377	$ 17,287	$ 461,846
Accrued liabilities	99,801	31,421	19,818	151,040
Unearned revenue	640,352	-	-	640,352
Compensated absences	231,891	42,897	3,062	277,850
Customer deposits	675,192	447,933	-	1,123,125
Current portion bonds and loans payable	1,219,384	-	52,511	1,271,895
Accrued interest payable	435,403	-	5,565	440,968
Total current liabilities	3,623,205	645,628	98,243	4,367,076
Non-current liabilities:				
Advance from other fund	1,000,000	-	-	1,000,000
Loans payable	6,811,629	-	-	6,811,629
Revenue bonds payable, net	16,389,000	-	481,734	16,870,734
Compensated absences	212,037	39,397	2,800	254,234
Other post employment benefits	365,965	101,817	13,072	480,854
Net pension liability	2,792,901	748,438	136,715	3,678,054
Total noncurrent liabilities	27,571,532	889,652	634,321	29,095,505
Total liabilities	31,194,737	1,535,280	732,564	33,462,581
Deferred inflows of resources				
Related to pensions	424,536	115,855	17,585	557,976
Related to other post employment benefits	27,499	7,650	982	36,131
	452,035	123,505	18,567	594,107
Total liabilities and deferred inflows	31,646,772	1,658,785	751,131	34,056,688
Net Position				
Net investment In capital assets	22,467,352	1,462,288	16,547,514	40,477,154
Restricted for:				
Renewal and replacement	900,000	-	-	900,000
Capital outlay	610,016			610,016
SRF	330,217	-	-	330,217
Impact fee requirements	2,709,326	-	-	2,709,326
Unrestricted	7,075,140	2,725,924	435,763	10,236,827
Total Net Position	34,092,051	4,188,212	16,983,277	55,263,540
Total liabilities, deferred inflows of resources and net position	**$ 65,738,823**	**$ 5,846,997**	**$ 17,734,408**	**$ 89,320,228**

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

City of Stuart, Florida
Statement of Revenues, Expenses, and changes in Net Position
Proprietary Funds
Year ended September 30, 2018

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Sanitation	Stormwater	Total Enterprise
Operating revenues				
Charges for services	$ 11,945,089	$ 4,505,663	$ 758,760	$ 17,209,512
Miscellaneous	185,869	-	-	185,869
Total operating revenues	12,130,958	4,505,663	758,760	17,395,381
Operating expenses				
Personnel expenses	3,424,421	1,120,295	259,465	4,804,181
Operating expenses	2,954,962	2,737,436	252,552	5,944,950
Depreciation	2,842,921	293,345	775,920	3,912,186
Pension liability	259,544	72,128	9,328	341,000
Total operating expenses	9,481,848	4,223,204	1,297,265	15,002,317
Operating income (loss)	2,649,110	282,459	(538,505)	2,393,064
Non-operating revenues (expenses)				
Interest income	44,073	2,949	754	47,776
Interest expense	(992,098)	-	(13,987)	(1,006,085)
Loss on sale of capital assets	(19,851)	-	-	(19,851)
Other non-operating revenues (expenses)	(182,440)	-	-	(182,440)
Total non-operating revenues (expenses)	(1,150,316)	2,949	(13,233)	(1,160,600)
Income (loss) before contributions and transfers	1,498,794	285,408	(551,738)	1,232,464
Capital contributions	284,972	-	-	284,972
Transfers in	-	-	2,299	2,299
Transfers out	(684,700)	(248,000)	(45,000)	(977,700)
Change in net position	1,099,066	37,408	(594,439)	542,035
Net position - beginning	33,359,698	4,252,822	17,590,813	55,203,333
Restatement (Note 15)	(366,713)	(102,018)	(13,097)	(481,828)
Net position - beginning as restated	32,992,985	4,150,804	17,577,716	54,721,505
Total Net position - ending	$ 34,092,051	$ 4,188,212	$ 16,983,277	$ 55,263,540

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

City of Stuart, Florida
Statement of Cash Flows
Proprietary Funds
Year ended September 30, 2018

	Water and Sewer	Sanitation	Stormwater	Total Enterprise
Operating activities				
Cash received from customers	$ 12,429,058	$ 4,495,218	$ 775,455	$ 17,699,731
Cash payments to suppliers for goods and services	(1,540,772)	(2,776,536)	(128,531)	(4,445,839)
Cash payments to employees for services	(3,315,397)	(1,102,381)	(252,252)	(4,670,030)
Net cash provided by operating activities	7,572,889	616,301	394,672	8,583,862
Noncapital financing activities				
Transfers out to other funds	(684,700)	(248,000)	(45,000)	(977,700)
Net cash used in noncapital financing activities	(684,700)	(248,000)	(45,000)	(977,700)
Capital and related financing activities				
Acquisition and construction of capital assets	(1,562,576)	(265,942)	(45,215)	(1,873,733)
Proceeds from State Revolving Fund Loan	61,723	-	-	61,723
Capital contributions and grants	284,972	-	-	284,972
Principal paid on State Revolving Fund Loan	(273,071)	-	-	(273,071)
Principal paid on revenue bonds and notes	(823,000)	-	(54,794)	(877,794)
Interest expense and fiscal agent fees	(992,098)	-	(13,987)	(1,006,085)
Net cash used in capital and related financing activities	(3,304,050)	(265,942)	(113,996)	(3,683,988)
Investing activities				
Interest income	44,073	2,949	754	47,776
Purchase of investments	(2,756,874)	(2,949)	(3,807)	(2,763,630)
Net cash provided by (used in) investing activities	(2,712,801)	-	(3,053)	(2,715,854)
Net change in cash and cash equivalents	871,338	102,359	232,623	1,206,320
Cash and cash equivalents				
Beginning of year	1,712,891	351,330	83,422	2,147,643
End of year	2,584,229	453,689	316,045	3,353,963
Cash and cash equivalents classified as:				
Unrestricted assets	2,227,534	453,689	316,045	2,997,268
Restricted assets	356,695	-	-	356,695
	$ 2,584,229	$ 453,689	$ 316,045	$ 3,353,963
Reconciliation of operating income (loss) to net cash from operating activities				
Operating income (loss)	2,649,110	282,459	(538,505)	2,393,064
(Increase) Decrease in assets and deferred outflows and Increase (Decrease) in liabilities and deferred inflows:				
Adjustments not affecting cash:				
Depreciation	2,842,921	293,345	775,920	3,912,186
Pension liability adjustment	(86,653)	(24,088)	(3,108)	(113,849)
Deferred outflows	249,151	35,694	(4,614)	280,231
Deferred inflows	245,262	68,172	8,804	322,238
Changes in assets and liabilities:				
Accounts receivable	29,802	(46,186)	(4,631)	(21,015)
Due from other governments	1,442,877	-	143,715	1,586,592
Accounts payable	(295,859)	(42,133)	(860)	(338,852)
Unearned revenue	177,119	-	-	177,119
Compensated absences	(4,994)	(3,755)	(10,090)	(18,839)
Other assets and liabilities	324,153	52,793	28,041	404,987
Total adjustments	4,923,779	333,842	933,177	6,190,798
Net cash provided by operating activities	$ 7,572,889	$ 616,301	$ 394,672	$ 8,583,862

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

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 7.0 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 16,425 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 and City Attorney.

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, due to the composition of its governing board and the financial burden associated with ad valorem tax allocations, 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.

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 three 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 position and the statement of activities) report information on all activities of the City and its component unit. 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; such expenses include indirect costs charged on a centralized basis to recover administrative costs. 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 non-major 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.

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 other postemployment benefits, self-insurance, and 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.

Leased Property 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. The revenues reflected in this fund have been committed by the City. Resources are consumed to fund upkeep and maintenance on the properties and all excess resources are maintained in the fund balance of the fund or transferred to the General Fund for other purposes.

The City's reports the following non-major governmental funds:

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.

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

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

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, sanitation, and stormwater operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

d. Assets, Liabilities and Net Position or Equity

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, Florida Cooperative Liquid Asset Securities System (FLCLASS), and Public Trust Advisors (PTA). 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.

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 investments in PTA Funds are reported at fair value or net asset value, which approximates fair value.

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.

Inventories and Prepaid Items

All inventories are valued at cost in both governmental and proprietary fund types. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. 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 as expenditures during the period benefited by the prepayment (consumption method).

Restricted Assets

In 2006, 2007 and 2011, 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 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.

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 balance of the restricted asset accounts are as follows:

Debt Service Payments	$	174,857
Total current restricted - business		174,857
Sewer expansion		610,016
SRF Reserve		181,838
Total noncurrent restricted - business		791,854
Total fair value	$	966,711

Capital Assets

Capital assets, which include property, utility plant and equipment, and certain infrastructure assets (e.g. 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 capital assets are valued at their estimated acquisition 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement section represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. For the current year the City reports deferred outflows of $1,030,052 for deferred losses on refinancing of debt and $10,356,286 related to pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement section represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has deferred inflows related to pensions of $3,028,972 and $172,304 related to other postemployment benefits.

Unearned Revenue

Governmental and enterprise funds 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 unearned revenue reported in the governmental funds and enterprise funds are as follows:

	General Fund	Leased Property Fund	Total Governmental Activities	Enterprise Funds
Unearned revenue:				
Contractor escrows	$ 10,000	$ -	$ 10,000	$ -
Business tax	449,263	-	449,263	-
Unearned grants	42,989	-	42,989	-
Miscellaneous unearned revenue	223,767	-	223,767	-
Disaster relief	8,908	-	8,908	-
Unearned rent	-	146,017	146,017	-
Unearned sewer expansion	-	-	-	610,016
Unapplied credit	-	-	-	30,336
Total unearned revenue	$ 734,927	$ 146,017	$ 880,944	$ 640,352

Compensated Absences

Police officers, Fire fighters, and General employees of the City are entitled to paid time off. Upon resignation, retirement, termination, or death employees hired after April 1, 2008 are paid in one lump sum for accrued paid time off as of the last day of employment. 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.

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 position. Bond premiums and discounts 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 an expense in the period incurred.

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.

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 funds.

Restricted – This component consist 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 asses, levy, charge or otherwise mandate payment of resources (form 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 – This classification includes amounts that can be spent only for specific purposes pursuant to constraints imposed by formal action of the highest level of decision making authority, the City Commission. Such formal action may be in the form of an ordinance or resolution dependent upon the nature of the matter, may be equally binding and may only be modified or rescinded by a subsequent formal action. The City Commission established a Capital Replacement policy for the Leased Property Fund which committed funds as of September 30, 2018.

Assigned – This component consists 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) pursuant to adopted policy approved by the City Commission, the City Manager 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 – 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, or unassigned) is available for use, it is the City's policy to use committed resources first, then assigned, and then unassigned as needed.

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, 2017, upon which the 2018 levy was based, was approximately $1.8 billion.

Under Florida law, the assessment of all properties, and the collection of all Martin County, municipal, school district and special district property taxes are consolidated in the offices of the Martin County Property Appraiser and Martin 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 2018 fiscal year was 4.50 mills ($4.50 per $1,000 of assessed valuation).

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.

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.

Budgets and Budgetary Accounting

All governmental funds budgets are prepared on a modified accrual basis consistent with accounting principles generally accepted in the United States of America (GAAP). 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:

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.

Two public hearings are conducted to obtain taxpayer comments as required by Truth in Millage (TRIM) legislation. Prior to October 1st, the budget is legally enacted through passage of a resolution.

Budgeted amounts are as originally adopted or as amended. No significant revisions to the budget were required in 2018. There were several supplemental appropriations which included re-appropriation of prior year encumbrances during fiscal year ended September 30, 2018, totaling approximately $943,783.

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.

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, Leased Property Fund, Water and Sewer Fund, Stormwater Fund, and Sanitation Fund. The Infrastructure Tax Fund does not legally adopt a budget.

New Accounting Standards

Effective October 1, 2017, the City implemented the following GASB Pronouncements:

GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

The balance of bank deposits was $360,585 as of September 30, 2018.

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.

Investments

The investments are detailed below with the credit ratings and maturity ranges:

Investment Type	Fair Value Method	Credit Rating (S&P)	Maturity Range	Fair Value
Investments Measured by Fair Value Level				
Federal Home Loan Bank	Level 2	AA+	08/2019	$ 246,745
Federal Home Loan Mortgage Corp	Level 2	AA+	11/2019-04/2021	1,569,270
Federal National Mortgage Association	Level 2	AA+	08/2019-11/2020	799,394
US Treasury Notes	Level 2	AA+	08/2019-08/2021	9,466,872
Corporate Notes	Level 2	AAA.. A+	09/2019-04/2021	2,133,555
Total Investments Measured at Fair Value				14,215,836
Investments Measured at Net Asset Value				
FL Class Investment Pool		AAAm		13,855,587
Total Investments Measured at Net Asset Value				13,855,587
Cash and Cash Equivalents and Investments Measured at Amortized Cost				
Repurchase Agreement				4,810,795
Money Market Funds				58,405
Martin County Tax Certificates				1,615
Bank Deposits				360,585
Total Measured at Amortized Cost				5,231,400
Total Cash and Cash Equivalents and Investments				$ 33,302,823
Statement of Net Position:				
Cash and cash equivalents and investments - unrestricted				$ 32,336,112
Restricted assets:				
Cash, cash equivalents and investments - Business				966,711
Total, primary government				$ 33,302,823

The City's investments in the Florida Cooperative Liquid Assets Securities System (FL Class), a public entity investment trust organized under the laws of the State of Florida, are presented at Net Asset Value (NAV), which reflects fair value. The objectives of FL Class are to generate investment income while maintaining safety and liquidity. There are no restrictions or terms and conditions on the City in redeeming the investment and the City has no unfunded commitments related to this investment.

The investments held by the City are measured and recorded using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1 – Investments reflect unadjusted quoted prices in active markets for identical assets.

Level 2 – Investments reflect prices that are based on inputs that are either directly or indirectly observable for an asset (including quoted prices for similar assets), which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable inputs.

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 provide safety of principal, liquidity of funds, and the optimal rate of return on investments at the time of investment. The policy provides that the maximum maturity shall never exceed five years from the date of purchase and includes the following investments:

1. Florida PRIME 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, mortgage-backed securities, debentures, or notes that may be subject to call, issued, or guaranteed as to principal and interest by United States Government Sponsored Enterprises (Federal Instrumentalities) that are non-full faith and credit agencies, limited to the following: Federal Farm Credit Bank (FFCB), Federal Home Loan Bank or its district banks (FHLB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (Freddie-Mac), including Federal Home Loan Mortgage Corporation participation certificates.

5. Investment in mortgage-backed securities (MBS) which are based on mortgages that are guaranteed by a government agency or Federal Instrumentality for payment of principal and a guarantee of timely payment.

6. Non-negotiable 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. Negotiable Certificates of Deposit.

8. State and/or local government taxable and/or tax-exempt debt, general obligation, and/or revenue bonds.

9. Shares of any open-end or no-load money market mutual funds 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 60 days or less and a weighted average life of 120 days or less.

10. Shares of open-end, no-load, institutional class mutual funds with fluctuating net asset values (NAV) provided that such funds are registered under the Investment Company Act of 1940. The prospectus must indicate that the funds average duration is maintained at 3 years

or less and the fund invests exclusively in investment instruments as authorized by this policy.

11. Repurchase agreements composed of only those investments based on the requirements set forth by the City's Master Repurchase Agreement.

12. Bankers' acceptances which are issued by a domestic bank.

13. Commercial paper of any United States company.

14. Corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States

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

16. 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 – The City will minimize the risk that the market value of securities in the Investment Portfolio will fall due to changes in general interest rates by 1) structuring the Investment Portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and 2) investing operating funds (non-short-term and long-term funds) primarily in shorter-term securities, local government investment pools, money market mutual funds or interest bearing time deposits, or savings accounts.

Credit Risk – The City will minimize credit risk of loss due to the failure of the security by 1) limiting investments to the authorized investments in the Policy; 2) pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business; and 3) diversifying the Investment Portfolio to protect against losses on individual securities.

NOTE 3 – RECEIVABLES

Receivables as of September 30, 2018 for the City's major and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Leased Property Fund	Water and Sewer Fund	Sanitation Fund	Stormwater Fund	Total
Receivables:						
Customer receivables and unbilled revenue	$ 191,967	$ -	$ 1,102,424	$ 225,324	$ 61,412	$ 1,581,127
Franchise and utility	491,403	-	-	-	-	491,403
Other	87,486	132,711	-	-	-	220,197
Total	770,856	132,711	1,102,424	225,324	61,412	2,292,727
Less allowance for uncollectibles	-	-	(56,415)	(66,833)	(76)	(123,324)
Total receivables, net	$ 770,856	$ 132,711	$ 1,046,009	$ 158,491	$ 61,336	$ 2,169,403

NOTE 4 – INTERFUND TRANSFERS

Interfund Receivables and Payables

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

Interfund advance balances at September 30, 2018 are shown below:

	Receivable	Payable
Advance to/from fund		
Sanitation Fund	$ 1,000,000	$ -
Water and Sewer Fund	-	1,000,000
Total	$ 1,000,000	$ 1,000,000

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, 2018, the government made the following one-time transfers:

Transfer to	Transfer from	Amount
General Fund	Water and Sewer Fund	$ 684,700
General Fund	Sanitation Fund	248,000
General Fund	Stormwater Fund	45,000
General Fund	Infrastructure Tax Fund	542,281
General Fund	Leased Property Fund	400,000
General Fund	CRA Fund	108,000
CRA Fund	General Fund	707,799
Stormwater Fund	Infrastructure Tax Fund	2,299
		$ 2,738,079

Transfers between the funds are used to fund various activities of the City, such as charges for service and development expenses from major and non-major funds to the General Fund.

NOTE 5 – CAPITAL ASSETS

Capital assets at September 30, 2018 are listed below:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 9,360,704	$ 6,300	$ (2,565)	$ 9,364,439
Construction in progress	1,788,985	1,665,861	(2,141,057)	1,313,789
Total capital assets, not being depreciated	11,149,689	1,672,161	(2,143,622)	10,678,228
Capital assets, being depreciated:				
Buildings and improvements	16,456,358	374,285	-	16,830,643
Improvements other than buildings	20,993,285	1,073,320	-	22,066,605
Equipment	9,415,209	1,094,389	(126,302)	10,383,296
Infrastructure	81,778,670	1,066,924	-	82,845,594
Total capital assets, being depreciated	128,643,522	3,608,918	(126,302)	132,126,138
Less accumulated depreciation for:				
Buildings and improvements	6,142,457	589,279	-	6,731,736
Improvements other than buildings	9,189,281	716,070	-	9,905,351
Equipment	7,155,782	683,652	(126,302)	7,713,132
Infrastructure	33,325,907	1,332,578	-	34,658,485
Total accumulated depreciation	55,813,427	3,321,579	(126,302)	59,008,704
Total capital assets, being depreciated, net	72,830,095	287,339	-	73,117,434
Governmental activities capital assets, net	$83,979,784	$ 1,959,500	$ (2,143,622)	$83,795,662
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 6,333,178	$ -	$ -	$ 6,333,178
Construction in progress	836,473	198,705	(806,987)	228,191
Total capital assets, not being depreciated	7,169,651	198,705	(806,987)	6,561,369
Capital assets, being depreciated:				
Buildings and improvements	859,136	-	-	859,136
Improvements other than buildings	108,000,843	1,387,333	-	109,388,176
Equipment	7,437,869	486,401	(59,621)	7,864,649
Total capital assets, being depreciated	116,297,848	1,873,734	(59,621)	118,111,961
Less accumulated depreciation for:				
Buildings and improvements	421,886	27,854	-	449,740
Improvements other than buildings	50,612,866	3,441,653	-	54,054,519
Equipment	5,364,812	442,679	(39,780)	5,767,711
Total accumulated depreciation	56,399,564	3,912,186	(39,780)	60,271,970
Total capital assets, being depreciated, net	59,898,284	(2,038,452)	(19,841)	57,839,991
Business-type activities capital assets, net	$67,067,935	$ (1,839,747)	$ (826,828)	$64,401,360

Depreciation expense was charged to functions/programs as follows:

Governmental activites :		
General government	$	1,740,840
Public safety		498,952
Physical environment		148,350
Transporation		308,257
Community redevelopment		320,173
Parks and recreation		305,007
Total depreciation expense - governmental activities	$	3,321,579
Business-type activities :		
Water and sewer	$	2,842,361
Sanitation		293,345
Stormwater		776,480
Total depreciation expense - business-type activities	$	3,912,186

NOTE 6 – LONG-TERM LIABILITIES

Governmental Activities

The following is a summary of changes in long-term liabilities of the City for governmental activities for the year ended September 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities :					
General Obligation Bonds, Series 2014	$ 6,120,000	$ -	$ (275,000)	$ 5,845,000	$ 285,000
Tax Increment Redevelopment Revenue Bonds Series 2003-A and 2003-B	293,688	-	(293,688)	-	-
Refunding Revenue Note, Series 2012	700,959	-	(65,206)	635,753	62,489
Taxable Non-Ad Val Rev Note, Series 2013	796,043	-	(796,043)	-	-
Fire Protection Assessment Revenue Note, Series 2014	83,000	-	(41,000)	42,000	42,000
Police Equipment Loan	90,295	-	(28,961)	61,334	30,084
Fire Equipment Loan	144,548	173,038	(46,981)	270,605	44,925
Total bonds payable	8,228,533	173,038	(1,546,879)	6,854,692	464,498
Other liabilities:					
Compensated absences	2,269,442	1,270,448	(1,430,630)	2,109,260	1,281,133
Other postemployment benefits (Note 15)	1,815,872	-	(3,705)	1,812,167	-
Net Pension Liability	21,927,767		(412,056)	21,515,711	-
Total other liabilities	26,013,081	1,270,448	(1,846,391)	25,437,138	1,281,133
Governmental activities long-term liabilities	$34,241,614	$ 1,443,486	$ (3,393,270)	$32,291,830	$ 1,745,631

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

General Obligation Bonds, Series 2014

On August 5, 2014 the City took advantage of favorable interest rates in the bond market and issued general obligation bonds, Series 2014, in the amount of $6,900,000, with $6,854,068 being used to refund the Series 2004 general obligation bonds. The total refunding generated an economic gain (difference between the present values of the debt service on the old and new debt) of $777,547 and a cash flow savings of $1,054,841, through reduction of debt service payments.

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, 2018, the City had a net outstanding balance of $5,845,000.

The Bonds are payable annually beginning July 1, 2015 through July 2034. The interest is payable semiannually on January 1 and July 1, at an interest rate of 3.26%.

	Principal	Interest	Total
Fiscal Year Ended September 30:			
2019	$ 285,000	$ 190,547	$ 475,547
2020	295,000	181,256	476,256
2021	300,000	171,639	471,639
2022	315,000	161,859	476,859
2023	320,000	151,590	471,590
2024-2028	1,790,000	592,831	2,382,831
2029-2033	2,085,000	282,805	2,367,805
2034	455,000	14,833	469,833
	$ 5,845,000	1,747,360	$ 7,592,360

Non-Ad Valorem Refunding Revenue Note Series 2012

On March 29, 2012 the City took advantage of favorable interest rates in the bond market and issued a Non-Ad Valorem Refunding Note, Series 2012, in the amount of $1,830,000, with $994,385 being were used to refund the Florida Municipal Loan Council Revenue Bonds, Series 2002A (“FMLC”) reported in the governmental activities. The total refunding generated an economic gain (difference between the present values of the debt service on the old and new debt) of $424,820 and a cash flow savings of $667,290, through reduction of debt service payments. The original FMLC issue was for improvements to the Fire Station, the Recreation Center, and sidewalks with the remainder to fund stormwater improvements.

The note is payable annually beginning May 2013 through May 2027. Interest is payable semiannually on May 1 and November 1 at a rate of 2.45%.

	Principal	Interest	Total
Fiscal Year Ended September 30:			
2019	$ 62,489	$ 15,582	$ 78,071
2020	65,206	14,051	79,257
2021	67,923	12,453	80,376
2022	70,639	10,788	81,427
2023	73,356	9,056	82,412
2024-2027	296,140	18,379	314,519
	$ 635,753	$ 80,309	$ 716,062

Fire Protection Assessment Revenue Note, Series 2014

On August 1, 2014 the City issued a Fire Protection Revenue Note, Series 2014, in the amount of $200,000. The Note was issued to finance the cost of a portion of the acquisition of certain fire protection equipment. The note is payable semi-annually, from January 2015 through July 2019. Interest is payable semi-annually on January 1 and July 1, at an annual rate of 1.6%.

	Principal	Interest	Total
Fiscal Year Ended September 30:			
2019	$ 42,000	$ 373	$ 42,373

Police Radio Equipment Loan 2016

On April 15, 2016 the City obtained a loan in the amount of $118,175. The loan was issued to finance the cost of police radio equipment. The loan is payable annually, from April 2017 through April 2020. Interest is payable annually on April 15, at an annual rate of 3.81%.

	Principal	Interest	Total
Fiscal Year Ended September 30:			
2019	$ 30,084	$ 2,378	$ 32,462
2020	31,250	1,212	32,462
	$ 61,334	$ 3,590	$ 64,924

Fire Rescue Radio Equipment Loan 2016

On April 15, 2016 the City obtained a loan in the amount of $165,426. The loan was issued to finance the cost of fire rescue radio equipment. The loan is payable annually, from April 2017 through April 2023. Interest is payable annually on April 15, at an annual rate of 4.03%.

	Principal	Interest	Total
Fiscal Year Ended September 30:			
2019	$ 22,627	$ 5,042	$ 27,669
2020	23,556	4,113	27,669
2021	24,523	3,146	27,669
2022	25,530	2,139	27,669
2023	26,577	1,091	27,668
	$ 122,813	$ 15,531	$ 138,344

Fire Rescue Equipment Loan 2017

On October 6, 2017, the City obtained a loan in the amount of $173,038. The loan was issued to finance the cost of fire rescue equipment. The loan is payable annually, from February 2018 through February 2024. Interest is payable annually on February 15, at an annual rate of 3.97%.

	Principal	Interest	Total
Fiscal Year Ended September 30:			
2019	$ 22,298	$ 5,868	$ 28,166
2020	23,183	4,983	28,166
2021	24,104	4,063	28,167
2022	25,061	3,105	28,166
2023	26,056	2,110	28,166
2024	27,090	1,076	28,166
	$ 147,792	$ 21,205	$ 168,997

Business-type activities

The following is a summary of changes in long-term liabilities of the City for business-type activities for the year ended September 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities :					
Clean Water SRF Loan - 2010	$ 2,040,151	$ -	$ (129,461)	$ 1,910,690	$ 132,613
Drinking Water SRF Loan - 2015	5,355,209	61,723	(143,610)	5,273,322	239,771
Water and Sewer Bonds	18,059,000	-	(823,000)	17,236,000	847,000
Stormwater Refunding Revenue Note	589,041	-	(54,794)	534,247	52,511
Total bonds payable	26,043,401	61,723	(1,150,865)	24,954,259	1,271,895
Other liabilities:					
Compensated absences	550,923	358,625	(377,464)	532,084	277,940
Other postemployment benefits (Note 15)	481,828	-	(983)	480,845	-
Net pension liability	3,791,903		(113,849)	3,678,054	-
Total other liabilities	4,824,654	358,625	(492,296)	4,690,983	277,940
Business-type activities long-term liabilities	$ 30,868,055	$ 420,348	$ (1,643,161)	$ 29,645,242	$ 1,549,835

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. The City refunded $14,430,000 of the 2003 issuance in 2007 and $4,061,000 of the 2007B issuance in 2011. These refundings can be seen in the Advance Refundings Resulting in Defeasance of Debt section of this note.

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.

The bond resolutions of the Series 2006, 2007, and 2011 debt issues require a debt service reserve requirement of an amount equal to the lesser of the (1) maximum amount of principal and interest on the respective bond series becoming due in the current of any succeeding fiscal year, or (2) 125% of the average annual amount of principal and interest on the bonds, or (3) 10% of the principal amount of the bonds or the issue price of the bonds, if the bonds have more than a deminimus amount of original issue discount or premium.

Water and Sewer Revenue Refunding and Improvement Bonds/Notes consist of the following at September 30, 2018:

	Rate	Outstanding
Series 2006, 10/1/2033 (annual serial payments of $16,000 to $1,392,00)	3.96%	$ 7,931,000
Series 2007, 10/1/2028 (annual serial payments of $22,000 to $1,101,000)	4.05%	6,877,000
Series 2011, 10/1/2024 (annual serial payments of $236,000 to $371,000)	2.30%	2,428,000
Subtotal		17,236,000
Less current portion		(847,000)
		$ 16,389,000

Debt Service Requirements to Maturity

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

	Principal	Interest	Total
Fiscal Year Ended September 30:			
2019	$ 25,000	$ 317,929	$ 342,929
2020	25,000	317,792	342,792
2021	26,000	315,902	341,902
2022	28,000	314,818	342,818
2023	29,000	313,673	342,673
2024	635,000	301,165	936,165
2025-2029	728,000	1,314,297	2,042,297
2030-2034	6,435,000	666,843	7,101,843
	$ 7,931,000	$ 3,862,419	$ 11,793,419

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

	Principal	Interest	Total
Fiscal Year Ended September 30:			
2019	$ 498,000	$ 272,190	$ 770,190
2020	524,000	251,867	775,867
2021	544,000	229,283	773,283
2022	565,000	206,515	771,515
2023	584,000	182,925	766,925
2024-2029	4,162,000	691,045	4,853,045
	$ 6,877,000	$ 1,833,825	$ 8,710,825

The Series 2011 bonds are payable each year through October 2024, as follows:

	Principal	Interest	Total
Fiscal Year Ended September 30:			
2019	$ 324,000	$ 52,186	$ 376,186
2020	331,000	44,644	375,644
2021	339,000	36,929	375,929
2022	346,000	29,041	375,041
2023	354,000	20,980	374,980
2024-2025	734,000	16,996	750,996
	$ 2,428,000	$ 200,776	$ 2,628,776

Stormwater Refunding Revenue Note

On March 29, 2012 the City took advantage of favorable interest rates in the bond market and issued a Non-Ad Valorem Refunding Note, Series 2012, in the amount of $1,830,000, with $835,615 being used to refund the Florida Municipal Loan Council Revenue Bonds, Series 2002A ("FMLC") reported in the Stormwater fund. The total refunding generated an economic gain (difference between the present values of the debt service on the old and new debt) of $424,820 and a cash flow savings of $667,290, through reduction of debt service payments.

The original FMLC issue was for stormwater improvements and the remainder for general government projects. 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 $67,184 and $14,617,291, respectively.

The bonds are payable annually beginning May 2013 through May 2027. Interest is payable semiannually on May 1 and November 1 at a rate of 2.45%.

	Principal	Interest	Total
Fiscal Year Ended September 30:			
2019	$ 52,511	$ 13,094	$ 65,605
2020	54,794	11,807	66,601
2021	57,078	10,464	67,542
2022	59,361	9,065	68,426
2023	61,644	7,610	69,254
2024-2027	248,859	15,445	264,304
	$ 534,247	$ 67,485	$ 601,732

State Revolving Fund Loan - 2010

In 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 loan total $2,831,779 as of September 30, 2013. 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.

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%.

	Principal	Interest	Total
Fiscal Year Ended September 30:			
2019	$ 132,613	$ 45,441	$ 178,054
2020	135,842	42,213	178,055
2021	139,149	38,905	178,054
2022	142,537	35,518	178,055
2023	146,007	32,047	178,054
2024-2028	785,119	105,152	890,272
2029-2031	429,423	15,713	445,136
	$ 1,910,690	$ 314,989	$ 2,225,679

State Revolving Fund Loan – 2014

On June 27, 2014, the City entered into a loan agreement with the State of Florida Department of Environmental Protection to construct a water distribution center. The total loan was $5,416,932. The loan specifies semiannual loan payments of $161,334 including interest at 1.59%. The revenue pledges 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.

The loan is payable beginning December 2017 through June 2037; interest is payable semiannually on June 15 and December 15 at a rate of 1.59%.

	Principal	Interest	Total
Fiscal Year Ended September 30:			
2019	$ 239,771	$ 82,897	$ 322,668
2020	243,598	79,069	322,667
2021	247,487	75,180	322,667
2022	251,438	71,230	322,668
2023	255,451	67,216	322,667
2024-2028	1,339,741	273,595	1,613,336
2029-2033	1,450,143	163,193	1,613,336
2034-2037	1,245,693	44,976	1,290,669
	$ 5,273,322	$ 857,356	$ 6,130,678

Advance Refunding 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, 2018:

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		$ 18,240,000

Compensated Absences

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

NOTE 7 – LEASE INCOME

The City is a lessor on various ground lease agreements. The City's total lease revenue for year ended September 30, 2018 is $814,246. The historical cost of the property leased total $4,740,624, with a net book value of $3,354,038. The future minimum lease payments for all non-cancelable leases are as follows:

Fiscal year ended September 30:	
2019	$ 670,885
2020	673,934
2021	691,535
2022	717,052
2023	739,373
Thereafter	44,868,456
	$ 48,361,235

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM

Florida Retirement System General Information

General Information

All of the employees of the primary government participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statues, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-8000, or from the Web site:

www.dms.myflorida.com/workforce_operations/retirement/publications.

a. Pension Plan

Plan Description

The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

Benefits Provided

Benefits under the Pension Plan are completed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculate cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The contribution rates were:

Contribution Rates July 1, 2017 to June 30, 2018			
Class	**Employee Contribution Rate**	**Employer Contribution Rate**	**Total Contribution Rate**
Regular	3.00%	6.26%	9.26%
Special Risk	3.00%	21.61%	24.61%
Elected Officers'	3.00%	43.84%	46.84%
Senior Management Service	3.00%	21.05%	24.05%
Deferred Retirement Option Program	N/A	11.60%	11.60%

Contribution Rates July 1, 2018 to June 30, 2019			
Class	**Employee Contribution Rate**	**Employer Contribution Rate**	**Total Contribution Rate**
Regular	3.00%	8.26%	11.26%
Special Risk	3.00%	24.50%	27.50%
Elected Officers'	3.00%	40.77%	43.77%
Senior Management Service	3.00%	24.06%	27.06%
Deferred Retirement Option Program	N/A	14.03%	14.03%

The City's contributions to the Pension Plan totaled $2,516,066 for the fiscal year ended September 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2018, the City reported a liability of $20,245,130 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation in each year as of July 1, 2018. The City's proportionate share of the net pension liability was based on the City's Fiscal 2018 contributions relative to the Fiscal 2017 contributions of all participating members. At June 30, 2018, the City's share was 0.0672%, which was a decrease of 0.0024% percent from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018, the City recognized pension expense of $3,382,393. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources 09/30/2018	Deferred Inflows of Resources 09/30/2018
Difference between expected and actual experience	$ 1,715,069	$ (62,249)
Changes in assumptions	6,615,124	-
Net Difference Between projected and actual earnings on Pension Investments	-	(1,564,183)
Changes in proportion and differences between City contirbutions and proportionate share of contibutions	624,090	(688,592)
City contributions subsequent to the measurement date	520,374	-
Total	$ 9,474,657	$ (2,315,024)

The deferred outflows of resources related to the Pension Plan resulting from City contributions subsequent to the measurement date, totaling $520,374, will be recognized as a reduction of the net pension liability in the subsequent plan year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense in subsequent fiscal years as follows:

Fiscal Year Ending September 30:	Amount
2019	$ 2,507,666
2020	1,682,910
2021	234,930
2022	1,257,161
2023	821,770
Thereafter	134,822
	$ 6,639,259

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25% average, including inflation
Investment rate of return	7.00% net pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results on an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates for each major asset class are summarized in the following table:

Asset Class	Target Allocation [1]	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.8%
Fixed income	18.0%	4.5%	4.4%	4.2%
Global equity	53.0%	7.8%	6.6%	17.0%
Real estate	10.0%	6.6%	5.9%	12.8%
Private equity	6.0%	11.5%	7.8%	30.0%
Strategic investments	12.0%	6.1%	5.6%	9.7%
Total	100.0%			
Assumed Inflation – Mean			2.6%	1.9%

[1] As outline in the Pension Plan's investment policy

Discount Rate

The discount rate used to measure the total pension liability was 7.00%, which is a decrease from 7.10% used to determine the total pension liability in the prior year. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation of the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
City's proportionate share of the net pension liability at September 30, 2018	$ 36,948,211	$ 20,245,131	$ 6,372,233

Pension Plan Fiduciary Net Position

Detailed information regarding the Pension Plan's fiduciary net position in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan

At September 30, 2018, the City reported de minimis amounts payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2018.

b. HIS Plan

The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided

For the fiscal year ended September 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature, Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2018, the HIS contribution for the period through September 30, 2018 was $1.66%. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled $250,173 for the fiscal year ended September 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2018, the City reported a liability of $4,948,635 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation in each year as of July 1, 2018. The City's proportionate share of the net pension liability was based on the City's Fiscal 2018 contributions relative to the Fiscal 2017 contributions of all participating members. At June 30, 2018, the City's proportionate share was 0.0468%, which was a decrease of 0.0012% from its proportionate share measured as of September 30, 2017.

For the fiscal year ended September 30, 2018, the City recognized pension expense of $366,955. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources 09/30/2018	Deferred Inflows of Resources 09/30/2018
Difference between expected and actual experience	$ 75,761	$ (8,408)
Changes in assumptions	550,349	(523,211)
Net Difference Between projected and actual earnings on HIS Investments	2,987	
Changes in proportion and differences between City contirbutions and proportionate share of contibutions	186,520	(182,329)
City contributions subsequent to the measurement date	66,012	-
Total	$ 881,629	$ (713,948)

The deferred outflows of resources related to the HIS Plan resulting from City contributions to the HIS Plan subsequent to the measurement date, totaling $66,012, will be recognized as a reduction of the net pension liability in the subsequent plan year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense in subsequent fiscal years as follows:

Fiscal Year Ending September 30:	Amount
2019	$ 66,821
2020	66,570
2021	46,259
2022	6,917
2023	(51,362)
Thereafter	(33,536)
	$ 101,669

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.60%
Salary increases	3.25% average, including inflation
Investment rate of return	3.87%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate

The discount rate used to measure the total pension liability was 3.87%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 3.87%, which is an increase from 3.58% used to determine the total pension liability in the prior year, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) that the current rate:

	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
City's proportionate share of the net pension liability at September 30, 2017	$ 5,636,205	$ 4,948,634	$ 4,375,505

Pension Plan Fiduciary Net Position

Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payable to the Pension Plan

At September 30, 2018, the City reported de minimis amounts payable for outstanding contributions to the HIS Plan.

c. Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Certain employees participating in DROP are not eligible to participate in the Investment Plan Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected City Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during Fiscal 2018, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows:

Class	Employee and Employer Contribution Rate to Member Account
Regular	6.30%
Special Risk	14.00%
Elected Officers'	11.34%
Senior Management Service	7.67%

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated balance. For the fiscal year ended September 30, 2018, the information for the amount of forfeitures was unavailable form the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The City's Investment Plan pension expense totaled $423,824 for the fiscal year ended September 30, 2018.

NOTE 9 – 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. These risks are managed as follows:

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, 2018 the City paid premiums of approximately $840,467 for general property, casualty and worker's compensation.

As of September 30, 2018, 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.

The City became self-insured for employee health insurance, effective October 1, 2011. As permitted by GASB Statement No. 10, A*ccounting and Financial Reporting for Risk Financing and related Insurance Issues,* the City accounts for its self-insurance assets, liabilities, fund balance and activities in the general fund.

The City's self-insurance plan covered claims up to $110,000 per individual. The City purchased excess stop loss coverage on an individual basis where individual claims exceeded the $110,000 limit.

The claims liabilities of $120,972 reported in the governmental activities is based on management's estimates. The estimated liability is based upon claims that have been submitted as well as management's estimate of claims incurred but not reported. Changes to the claims liability for the years ended September 30, 2018 and September 30, 2017 are as follows:

Fiscal Year Ending	Balance October 1	Additions	Claims Payments	Balance September 30
9/30/2018	$ 145,581	$ 3,215,203	$ 3,239,812	$ 120,972
9/30/2017	$ 215,597	$ 2,156,238	$ 2,226,254	$ 145,581

NOTE 10 – 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.

The City anticipates continued monitoring into the future. The FDEP has indicated annual monitoring will continue to be a requirement for the closed landfill. The annual monitoring activities and associated costs are ongoing. All annual monitoring costs are funded by current and future rental activities on the landfill site; a liability has not been recorded for contingent future obligations.

NOTE 11 – 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 and have no break between active employment and retirement. The retirees pay all premiums for the coverage elected.

Plan Description

The Other Postemployment Benefits Plan (Plan) is a single-employer defined benefit plan administered by the City. Pursuant to Section 112.0801, Florida Statutes, the City must offer similar health care benefits for retired employees as it does to active employees. The City subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at the blended group (implicitly subsidized) premium rates for both active and retired employees for health, dental, and life insurance benefits. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. All of the City's employees may become eligible for those benefits if they reach normal retirement age (as defined by the pension or investment option) and are activating their pension upon separation from service. The OPEB Plan does not issue a stand-alone report and is not included in the report of a public employee retirement system or another entity. For purposes of applying Paragraph 4 under Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the Plan does not meet the requirements for an OPEB plan administered through a trust.

Benefits Provided

A retired employee and their dependents are eligible to continue health insurance identical to active employees if they meet the eligibility for retirement under the applicable Plan. The retiree is responsible for paying the entire monthly premium for health coverage and that of any covered spouse or eligible dependents. The Plan provides an explicit subsidy as described above.

Employees Covered by Benefit Terms

At October 1, 2017, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	13
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	238
Total covered members	251

Total OPEB Liability

The City's total OPEB liability of $2,293,021 was measured as of September 30, 2018, and was determined by an actuarial valuation as of September 30, 2018. The beginning OPEB liability was decreased by $648,835 due to the adoption of GASB Statement No. 75.

Actuarial Assumptions

The Total OPEB Liability was determined by an actuarial valuation as of October 1, 2017 using the following actuarial assumptions:

Inflation Rate	2.60%
Salary Increase Rate(s)	3.25%
Discount Rate	4.18%
Initial Trend Rate	8.50%
Ultimate Trend Rate	4.00%
Years to Ultimate	55

Mortality rates for non-disabled participants were based on the RP-2000 mortality tables, projected generationally with Improvement Scale BB. Mortality Rates for disabled participants were based on the RP-2000 mortality tables with no projection.

Discount Rate

Given the City's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 4.18%. The high-quality municipal bond rate was based on the week closest to but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

Changes to the Total OPEB Liability

	Increase and (Decrease) in Total OPEB Liability
Total liability as restated, September 30, 2017	**$ 2,297,700**
Changes for the year	
Service Cost	174,060
Interest	88,518
Differences between expected and actual experience	-
Change of assumptions	(186,663)
Change of benefit terms	-
Benefit payments	(80,594)
Net change in total OPEB liability	(4,679)
Reporting period ending September 30, 2018	**$ 2,293,021**

Changes in assumptions reflect a change in the discount rate from 3.64% for the reporting period ending September 30, 2017, to 4.18% for the reporting period ending September 30, 2018.

Sensitivity of the Total OPEB Liability to changes in the Discount Rate

The following presents the Total OPEB Liability of the Sponsor, as well as what the Sponsor's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage- point lower or one percentage-point higher than the current discount rate:

	1% Decrease 3.18%	Current Discount Rate 4.18%	1% Increase 5.18%
Total OPEB Liability	$ 2,657,531	$ 2,293,021	$ 2,000,025

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates
The following presents the Total OPEB Liability of the Sponsor, as well as what the Sponsor's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease 3.00% - 7.50%	Healthcare Cost Trend Rates 4.00% - 8.50%	1% Increase 5.00% - 9.50%
Total OPEB Liability	$ 1,884,568	$ 2,293,021	$ 2,834,534

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of $258,719. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources 09/30/2018	Deferred Inflows of Resources 09/30/2018
Changes in assumptions	$ -	$ (172,304)
Total	$ -	$ (172,304)

The total amount reported as deferred outflows of resources related to OPEB, totaling $172,304 will be recognized in the OPEB expense as follows:

Fiscal Year Ending September 30:	Amount
2019	$ (14,359)
2020	(14,359)
2021	(14,359)
2022	(14,359)
2023	(14,359)
Thereafter	(100,509)
	$ (172,304)

NOTE 12 – 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, 2018:

General Fund	Community Redevelopement Agency	Total Governmental Totals
$ 596,290	$ 137,465	$ 733,755

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, 2018:

	Deposits	Withdrawals
Sources of deposits:		
Ad valorem taxes received from City of Stuart	$ 707,799	
Ad valorem taxes received from Martin County	998,203	
Interest	93	
Purpose of withdrawals:		
Debt payment - principal		$ 1,100,731
Debt payment - interest		47,596
Administrative expenses		40,375
Property lease		28,147
Memberships and training		2,222
Insurance		9,251
Repair & maintenance		81,929
Promotional items		10,278
Printing, office supplies and other operating		4,960
Parking study		53,748
Playground equipment		28,423
Downtown Streetscape		614,764
Micro transit operations		100,000
Kindred Johnson improvements		8,000
Lyric improvements		119,171
Property improvement grants		69,907
Downtown beautification		
	$ 1,706,095	$ 2,319,502

NOTE 14 – PLEDGED REVENUES

Utility Revenues Pledged

The City has pledged future water customer revenues, net of specified operating expenses, to repay $19.3 million in water system revenue bonds issued in December 2003, $8,129,000 in 2006, $7,142,000 and $4,923,000 in 2007. 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 2034. 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 $23,133,020. For the current year, principal and interest paid was $1,494,426.

Fire Protection Assessment Revenues Pledged

The City has pledged a portion of future fire protection assessments and non-ad valorem revenues to repay a $200,000 Note secured in 2014 to fund the purchase of fire protection equipment. The Note is payable from pledged revenues from fire protection assessments and budgeted and appropriated non-ad valorem revenues. Total principal and interest remaining on the Note is $42,373, payable through July 2019. For the current year, principal and interest paid was $42,178.

Non-Ad Valorem Refunding Revenue Pledged

The City has pledged future non-ad valorem revenues to repay a $1,830,000 Note secured in 2012 to fund fire rescue equipment upgrades. Total principal and interest remaining on the Note is $716,062 through May 2027. For the current year, principal and interest paid was $82,387.

NOTE 15 – RESTATEMENTS

The October 1, 2017 net position of the City's Governmental Activities and Business-type Activities have been restated for the beginning balance of other postemployment benefits and related deferred outflows and deferred inflows recorded in accordance with GASB Statements No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

	Governmental Activities	Business-Type Activities	Total Primary Government
Net Position 09/30/2017	$70,559,090	$55,203,333	$125,762,423
Adjustment	1,130,663	(481,828)	648,835
Restated 09/30/2017	$71,689,753	$54,721,505	$126,411,258

NOTE 16 – SUBSEQUENT EVENTS

The City entered into two loan agreement s with the Florida Department of Environmental Protection. The first loan agreement is for the design of a reverse osmosis treatment and Floridian well project. This project will expand the City's water utility capacity. The maximum amount of the loan is $779,275 with an estimated annual debt payment of $87,804 for 10 years beginning in November 2020. The second loan is for the construction of a water pretreatment system. The maximum amount of the loan is $2,035,244 with an estimated annual debt payment of $111,298 for 20 years beginning in March 2020.

REQUIRED SUPPLEMENTARY INFORMATION

City of Stuart, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
Year ended September 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Postive (Negative)
Revenues				
Ad valorem taxes	$ 8,381,154	$ 8,448,358	$ 8,448,358	-
Intergovernmental	4,677,186	5,369,886	5,474,343	104,457
Utility taxes	2,690,775	2,770,972	2,786,675	15,703
Franchise fees	1,804,245	1,792,642	1,656,124	(136,518)
Charges for services	1,772,465	1,378,290	1,534,192	155,902
Assessments	1,314,500	1,209,824	1,209,824	-
Licenses and permits	944,610	1,393,635	1,393,635	-
Local business tax	612,000	1,089,626	640,363	(449,263)
Impact fees	-	-	604,828	604,828
Fines and forfeitures	164,000	193,077	193,077	-
Interest	142,323	344,927	350,760	5,833
Rental income	43,400	37,170	42,273	5,103
Miscellaneous	243,891	374,686	525,088	150,402
Total revenues	22,790,549	24,403,093	24,859,540	456,447
Expenditures				
Current:				
General government	4,223,343	4,829,923	4,829,243	680
Public safety	12,314,948	12,538,706	12,529,537	9,169
Parks and recreation	1,572,543	1,501,899	1,501,332	567
Physical environment	2,125,456	2,041,163	2,038,672	2,491
Transportation	1,775,036	1,637,685	1,636,326	1,359
Capital outlay	1,976,254	2,496,838	2,496,838	-
Debt service:				-
Principal	460,068	459,211	459,211	-
Interest and fiscal charges	227,305	228,165	228,165	-
Other debt service costs	2,500	-	-	-
Total expenditures	24,677,453	25,733,590	25,719,324	14,266
Excess (deficiency) of revenues over (under) expenditures	(1,886,904)	(1,330,497)	(859,784)	470,713
Other financing sources (uses)				
Debt proceeds	-	173,038	173,038	-
Transfers in	3,643,065	2,625,003	2,027,981	(597,022)
Transfers out	(1,756,160)	(707,799)	(707,799)	-
Total other financing sources (uses)	1,886,904	2,090,242	1,493,220	(597,022)
Net change in fund balances	$ -	$ 759,745	633,436	$ (126,309)
Fund balance - beginning			10,621,986	
Fund balance - ending			$ 11,255,422	

This schedule is prepared on the basis of Generally Accepted Accounting Principles.

City of Stuart, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Community Redevelopment Agency
Year ended September 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Postive (Negative)
Revenues				
Intergovernmental	$ 1,003,945	$ 998,203	$ 998,203	-
Interest	4,040	93	93	-
Total revenues	1,007,985	998,296	998,296	-
Expenditures				
Current:				
Community redevelopment	289,912	419,989	419,988	1
Capital outlay	216,203	643,187	643,187	-
Debt service:				
Principal	425,688	1,100,731	1,100,731	-
Interest and fiscal charges	52,684	47,596	47,596	-
Total expenditures	984,487	2,211,503	2,211,502	1
Excess (deficiency) of revenues over (under) expenditures	23,498	(1,213,207)	(1,213,206)	1
Other financing sources (uses)				
Transfers in	707,799	707,799	707,799	-
Transfers out	(731,297)	(108,000)	(108,000)	-
Total other financing sources (uses)	(23,498)	599,799	599,799	-
Net change in fund balances	$ -	$ (613,408)	(613,407)	$ 1
Fund balance - beginning			1,656,592	
Fund balance - ending			$ 1,043,185	

This schedule is prepared on the basis of Generally Accepted Accounting Principles.

City of Stuart, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
Leased Property Fund
Year ended September 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Postive (Negative)
Revenues				
Rental income	$ 735,060	$ 771,973	$ 771,973	-
Interest	3,030	760	760	-
Miscellaneous	25,000	2,997	2,997	-
Total revenues	763,090	775,730	775,730	-
Expenditures				
Current:				
General government	143,660	123,447	123,445	2
Total expenditures	143,660	123,447	123,445	2
Excess (deficiency) of revenues over (under) expenditures	619,430	652,283	652,285	2
Other financing sources (uses)				
Transfers out	(619,430)	(400,000)	(400,000)	-
Total other financing sources (uses)	(619,430)	(400,000)	(400,000)	-
Net change in fund balances	$ -	$ 252,283	252,285	$ 2
Fund balance - beginning			757,594	
Fund balance - ending			$ 1,009,879	

This schedule is prepared on the basis of Generally Accepted Accounting Principles.

City of Stuart, Florida

Required Supplementry Information

Schedule of Changes in Net OPEB Liability and Related Ratios

Year ended September 30, 2018

	2018
Total OPEB Liability	
Service Cost	$ 174,060
Interest	88,518
Differences between expected and actual experience	-
Change of assumptions	(186,663)
Change of benefit terms	-
Benefit payments	(80,594)
Net change in total OPEB liability	(4,679)
Total OPEB Liability - beginning	2,297,700
Total OPEB Liability - ending	**$ 2,293,021**
Covered payroll	$ 13,654,301
Total OPEB liability as a percentage of covered employee payroll	16.8%

Note: This schedule will not present ten years' of fiscal information until 2028, as amounts prior to 2018 are not available.

City of Stuart, Florida
Required Supplementry Information
Schedule of proportionate share of Net Pension Liability
Florida Retirement System
Year ended September 30, 2018

	2018*	2017*	2016*	2015*	2014*	2013*
City's proportion of the net pension liability	0.0672%	0.0696%	0.0674%	0.0622%	0.0654%	0.0695%
City's proportionate share of the net pension liability	$ 20,245,130	$ 20,598,428	$ 17,015,382	$ 8,036,252	$ 3,992,955	$ 11,962,480
City's covered payroll	$ 14,836,140	$ 14,666,676	$ 14,612,204	$ 11,748,727	$ 12,055,715	$ 11,788,979
City's proportionate share of the net pension liability as a percentage of its covered payroll	136.46%	140.44%	116.45%	68.40%	33.12%	101.47%
Pension Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%	N/A

* Represents the measurement date, period applied in the City's following fiscal year.
Note 1: This schedule will not present ten years' of fiscal information until 2022, as amounts prior to 2013 are not available.

Note 2: The long-term expected rate of return used to determine total pension liability was decreased from 7.60% used in 2016 to 7.10% in 2017.

City of Stuart, Florida
Required Supplementry Information
Schedule of contributions
Florida Retirement System
Year ended September 30, 2018

	2018	2017	2016	2015	2014
Contractually required contributions	$ 2,516,066	$ 2,456,872	$ 2,356,695	$ 1,755,186	$ 1,759,675
Contributions in relation to the contractually required contribution	2,516,066	2,456,872	2,356,695	1,512,609	1,447,667
Contribution deficiency (excess)	$ -	$ -	$ -	$ 242,577	$ 312,008
City's covered payroll	$ 14,653,990	$ 15,098,592	$ 14,612,204	$ 11,625,739	$ 12,088,898
Contributions as a percentage of covered payroll	17.17%	16.27%	16.13%	13.01%	11.98%

Note 1: This schedule will not present ten years' of fiscal information until 2022, as amounts prior to 2014 are not available.

City of Stuart, Florida
Required Supplementry Information
Schedule of proportionate share of Net Pension Liability
Health Insurance Subsidy
Year ended September 30, 2018

	2018*	2017*	2016*	2015*	2014*	2013*
City's proportion of the net pension liability	0.0468%	0.0480%	0.0461%	0.0452%	0.0472%	0.0469%
City's proportionate share of the net pension liability	$ 4,948,635	$ 5,128,310	$ 5,371,670	$ 4,613,793	$ 4,409,971	$ 4,083,803
City's covered payroll	$ 15,352,445	$ 15,471,345	$ 15,160,752	$ 13,951,663	$ 14,028,924	$ 13,628,509
City's proportionate share of the net pension liability as a percentage of its covered payroll	32.23%	33.15%	35.43%	33.07%	31.43%	29.97%
HIS Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%	N/A

* Represents the measurement date, period applied in the City's following fiscal year.
Note 1: This schedule will not present ten years' of fiscal information until 2022, as amounts prior to 2013 are not available.

Note 2: The long-term expected rate of return used to determine total pension liability was decreased from 7.60% used in 2016 to 7.10% in 2017.

City of Stuart, Florida
Required Supplementry Information
Schedule of proportionate share of Net Pension Liability
Health Insurance Subsidy
Year ended September 30, 2018

	2018	2017	2016	2015	2014
Contractually required contributions	$ 250,173	$ 261,822	$ 251,669	$ 188,051	$ 172,072
Contributions in relation to the contractually required contribution	250,173	261,822	251,669	183,897	158,161
Contribution deficiency (excess)	$ -	$ -	$ -	$ 4,154	$ 13,911
City's covered payroll	$ 15,070,652	$ 15,471,345	$ 15,146,016	$ 13,827,277	$ 14,162,267
Contributions as a percentage of covered payroll	1.66%	1.69%	1.66%	1.33%	1.12%

Note 1: This schedule will not present ten years' of fiscal information until 2022, as amounts prior to 2014 are not available.

STATISTICAL SECTION

Statistical Section

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

Contents	Pages
Financial trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	**69-78**
Revenues Capacity 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.	**79-82**
Debt Capacity 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.	**83-88**
Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	**89-90**
Operating Information 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.	**91-93**

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF STUART, FLORIDA

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2018	2017	2016	2015
Governmental activities				
Net investment in capital assets	$ 76,940,970	$ 75,751,252	$ 76,052,844	$ 74,741,415
Restricted	4,660,992	5,039,323	4,814,202	5,453,131
Unrestricted	(10,210,261)	(9,100,822)	(8,723,874)	(8,632,808)
Total governmental activities net position	$ 71,391,701	$ 71,689,753	$ 72,143,172	$ 71,561,738
Business-type activities				
Net investment in capital assets	$ 40,477,154	$ 42,175,303	$ 44,101,995	$ 41,597,662
Restricted	4,549,559	3,545,510	2,488,716	3,464,788
Unrestricted	10,236,827	9,000,692	7,848,162	8,035,781
Total business-type activities net position	$ 55,263,540	$ 54,721,505	$ 54,438,873	$ 53,098,231
Primary government				
Net investment in capital assets	$ 117,418,124	$ 117,926,555	$ 120,154,839	$ 116,339,077
Restricted	9,210,551	8,584,833	7,302,918	8,917,919
Unrestricted	26,566	(100,130)	(875,712)	(597,027)
Total primary government net position	$ 126,655,241	$ 126,411,258	$ 126,582,045	$ 124,659,969

Note: In FY2015, the City implemented GASB 68 and 71 pension standards which reduced the net position of the total primary government by $14,622,626.

CITY OF STUART, FLORIDA
NET POSITION BY COMPONENT (continued)
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Fiscal Year					
2014	2013	2012	2011	2010	2009
$ 75,991,723	$ 78,067,839	$ 78,740,219	$ 79,492,106	$ 76,789,485	$ 77,948,666
5,415,909	5,210,463	4,146,109	3,745,205	4,634,567	4,756,052
2,110,095	564,460	49,608	565,191	2,282,195	2,334,642
$ 83,517,727	$ 83,842,762	$ 82,935,936	$ 83,802,502	$ 83,706,247	$ 85,039,360
$ 41,557,117	$ 40,574,277	$ 40,708,669	$ 41,015,323	$ 38,098,498	$ 39,092,176
3,341,607	2,726,944	3,064,115	3,950,318	1,819,892	3,829,893
9,472,642	8,986,166	8,612,823	7,567,668	11,690,366	8,909,978
$ 54,371,366	$ 52,287,387	$ 52,385,607	$ 52,533,309	$ 51,608,756	$ 51,832,047
$ 117,548,840	$ 118,642,116	$ 119,448,888	$ 120,507,429	$ 114,887,983	$ -
8,757,516	7,937,407	7,210,224	7,695,523	6,454,459	39,092,176
11,582,737	9,550,626	8,662,431	8,132,859	13,972,561	81,778,559
$ 137,889,093	$ 136,130,149	$ 135,321,543	$ 136,335,811	$ 135,315,003	$ 120,870,735

CITY OF STUART, FLORIDA

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2018	2017	2016	2015
Expenses				
Governmental activities:				
General government	$ 7,955,772	$ 7,521,385	$ 7,005,003	$ 5,438,575
Public safety	13,028,489	12,718,833	12,193,791	11,110,143
Parks and recreation	1,806,339	1,720,374	1,574,147	713,530
Physical environment	2,187,022	2,050,629	1,729,597	2,496,634
Transportation	1,944,583	1,827,289	209,557	1,795,508
Community redevelopment	740,161	547,599	1,020,901	795,568
Interest on long-term debt	275,761	302,284	310,290	300,496
Total governmental activities expenses	27,938,127	26,688,393	24,043,286	22,650,454
Business-type activities:				
Water and sewer	10,656,386	10,196,007	9,208,635	8,840,672
Stormwater	4,223,204	3,909,114	1,118,729	1,165,949
Sanitation	1,311,252	1,236,235	3,744,822	3,518,251
Total business-type activities expenses	16,190,842	15,341,356	14,072,186	13,524,872
Total primary government expenses	$ 44,128,969	$ 42,029,749	$ 38,115,472	$ 36,175,326
Program revenues				
Governmental activities:				
Charges for services:				
General government	$ 1,405,398	$ 925,826	$ 694,716	$ 960,569
Public safety	2,899,677	2,791,022	3,179,728	2,632,773
Parks and recreation	80,556	74,506	75,923	78,053
Physical environment	30,000	120,206	349,464	25,931
Transportation	326,848	74,821	58,989	105,286
Operating grants and contributions	1,181,807	590,444	498,273	387,363
Capital grants and contributions	-	21,400	238,910	-
Total governmental activities program revenues	5,924,286	4,598,225	5,096,003	4,189,975
Business-type activities:				
Charges for services:				
Water and sewer	12,130,958	11,000,403	10,780,103	10,365,256
Sanitation	4,505,663	4,044,980	4,103,939	3,987,282
Stormwater	758,760	707,603	740,192	762,610
Capital grants and contributions	284,972	995,525	536,571	83,080
Total business-type activities program revenues	17,680,353	16,748,511	16,160,805	15,198,228
Total primary government program revenues	$ 23,604,639	$ 21,346,736	$ 21,256,808	$ 19,388,203
Net (expense)/revenue				
Governmental activities	(22,013,841)	(22,090,168)	(18,947,283)	(18,460,479)
Business-type activities	1,489,511	1,407,155	2,088,619	1,673,356
Total primary government net expense	$(20,524,330)	$(20,683,013)	$(16,858,664)	$(16,787,123)

CITY OF STUART, FLORIDA
CHANGES IN NET POSITION (continued)
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Fiscal Year					
2014	2013	2012	2011	2010	2009
$ 5,591,406	$ 5,122,408	$ 4,868,891	$ 5,116,404	$ 5,189,601	$ 6,019,808
11,586,159	11,153,721	11,431,311	11,823,576	12,689,830	13,225,140
1,195,249	1,357,639	1,201,571	1,184,503	1,690,535	1,685,758
1,988,449	1,805,739	1,938,331	1,788,129	1,860,956	2,060,206
1,252,392	1,374,217	1,368,106	1,149,954	1,141,768	1,312,333
765,490	553,898	689,415	1,044,906	901,883	854,628
551,606	533,927	501,698	503,700	521,202	526,194
22,930,751	21,901,549	21,999,323	22,611,172	23,995,775	25,684,067
8,808,884	8,629,070	8,289,696	8,308,351	8,540,405	8,651,144
1,200,327	1,230,454	1,087,492	1,087,605	1,090,929	916,931
3,634,336	3,529,768	3,392,874	3,124,477	3,273,428	3,932,023
13,643,547	13,389,292	12,770,062	12,520,433	12,904,762	13,500,098
$ 36,574,298	$ 35,290,841	$ 34,769,385	$ 35,131,605	$ 36,900,537	$ 39,184,165
$ 1,044,333	$ 940,113	$ 744,436	$ 709,976	$ 47,255	$ 36,747
1,671,361	1,512,196	1,510,928	1,381,830	1,178,401	802,432
85,291	128,739	69,459	70,060	142,226	145,758
-	3,006	3,780	-	-	176,907
9,721	132,227	215,232	45,463	340,103	92,972
416,474	286,594	325,393	331,516	277,838	1,121,334
-	610,534	704,539	1,263,048	409,805	119,374
3,227,180	3,613,409	3,573,767	3,801,893	2,395,628	2,495,524
10,853,527	9,051,891	8,334,781	8,525,000	8,110,817	7,777,191
3,919,973	3,773,032	3,698,926	3,651,678	3,719,005	3,783,100
702,734	616,721	603,679	587,564	545,093	568,335
850,459	93,818	76,884	617,995	57,200	124,957
16,326,693	13,535,462	12,714,270	13,382,237	12,432,115	12,253,583
$ 19,553,873	$ 17,148,871	$ 16,288,037	$ 17,184,130	$ 14,827,743	$ 14,749,107
(19,703,571)	(18,288,140)	(18,425,556)	(18,809,279)	(21,600,147)	(23,188,543)
2,683,146	146,170	(55,792)	861,804	(472,647)	(1,246,515)
$(17,020,425)	$(18,141,970)	$(18,481,348)	$(17,947,475)	$(22,072,794)	$(24,435,058)

CITY OF STUART, FLORIDA

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2018	2017	2016	2015
Governmental activities:				
Taxes				
Property taxes	$ 8,448,358	$ 8,069,423	$ 7,619,060	$ 7,179,228
Utility taxes	2,786,675	2,741,770	2,686,543	2,609,887
Franchise taxes	1,656,124	1,687,917	1,669,041	1,720,135
Sales taxes	1,835,616	1,744,766	1,713,039	1,627,497
Gas tax	625,815	400,815	385,126	391,089
Local business tax	640,363	631,900	605,617	600,558
Unrestricted intergovernment revenues	1,831,105	1,918,889	2,514,613	2,509,226
Rental Income	-	-	-	-
Miscellaneous and other taxes	2,567,284	2,318,633	1,127,521	1,341,578
Unrestricted Investment earnings	351,613	143,234	242,852	99,894
Gain (loss) on sale of capital assets	(2,565)	34,453	118,051	20,130
Transfers	975,401	814,285	847,254	914,934
Total governmental activities	21,715,789	20,506,085	19,528,717	19,014,156
Business-type activities:				
Miscellaneous and other taxes	-	-	4,622	17,001
Unrestricted Investment earnings	47,776	95,835	94,631	58,543
Gain (loss) on sale of capital assets	(19,851)	75,750	24	5,859
Transfers	(975,401)	(814,285)	(847,254)	(914,934)
Total business-type activities	(947,476)	(642,700)	(747,977)	(833,531)
Total primary government	$ 20,768,313	$ 19,863,385	$ 18,780,740	$ 18,180,625
Change in net position				
Governmental activities	$ (298,052)	$ (1,584,083)	$ 581,434	$ 553,677
Business-type activities	542,035	764,455	1,340,642	839,825
Total primary government	$ 243,983	$ (819,628)	$ 1,922,076	$ 1,393,502

CITY OF STUART, FLORIDA
CHANGES IN NET POSITION (continued)
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Fiscal Year					
2014	2013	2012	2011	2010	2009
$ 8,895,155	$ 7,797,741	$ 7,623,707	$ 8,214,346	$ 9,115,344	$ 10,211,152
2,584,686	2,340,526	2,258,484	2,225,929	2,134,596	1,985,616
1,707,844	1,580,045	1,617,891	1,680,885	1,653,379	1,925,407
1,629,190	1,397,984	1,730,941	2,569,226	2,532,535	2,558,850
524,160	751,182	723,788	736,978	739,786	745,138
586,111	580,431	586,736	569,432	603,298	632,001
832,253	830,059	875,415	810,791	804,707	27,422
-	-	-	-	562,086	535,088
902,505	1,131,404	767,058	704,445	679,036	895,573
54,809	39,666	68,856	143,274	235,200	227,965
16,920	24,756	-	(9,509)	15,041	2,940
597,380	782,080	158,000	74,052	(54,904)	(157,757)
18,331,013	17,255,874	16,410,876	17,719,849	19,020,104	19,589,395
(24,426)	426,559	45,914	86,884	68,468	53,237
23,338	13,363	26,455	49,917	105,201	163,190
(699)	97,768	(6,279)	-	20,783	75,810
(597,380)	(782,080)	(158,000)	(74,052)	54,904	157,757
(599,167)	(244,390)	(91,910)	62,749	249,356	449,994
$ 17,731,846	$ 17,011,484	$ 16,318,966	$ 17,782,598	$ 19,269,460	$ 20,039,389
$ (1,372,558)	$ (1,032,266)	$ (2,014,680)	$ (1,089,430)	$ (2,580,043)	$ (3,599,148)
2,083,979	(98,220)	(147,702)	924,553	(223,291)	(796,521)
$ 711,421	$ (1,130,486)	$ (2,162,382)	$ (164,877)	$ (2,803,334)	$ (4,395,669)

CITY OF STUART, FLORIDA

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2018	2017	2016	2015
General fund				
Reserved	$ -	$ -	$ -	$ -
Unreserved	-	-	-	-
Nonspendable	82,166	63,322	1,636,714	2,013,263
Restricted	3,173,384	2,393,728	2,141,994	2,746,217
Assigned	3,443,822	4,285,787	4,535,794	3,517,264
Unassigned	4,556,050	3,879,153	3,749,002	3,454,760
Total general fund	$ 11,255,422	$ 10,621,990	$ 12,063,504	$ 11,731,504
All other governmental funds				
Unreserved, reported in:				
Special revenue funds	$ -	$ -	$ -	$ -
Restricted	1,487,608	2,645,595	2,672,208	2,692,146
Committed	403,951	189,399	-	-
Assigned	605,928	568,195	-	-
Unassigned	-	-	(779,181)	(1,237,185)
Total all other governmental funds	$ 2,497,487	$ 3,403,189	$ 1,893,027	$ 1,454,961

CITY OF STUART, FLORIDA

FUND BALANCES, GOVERNMENTAL FUNDS (continued)
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Fiscal Year					
2014	2013	2012	2011	2010	2009
$ -	$ -	$ -	$ -	$ 2,863,171	$ 3,094,429
-	-	-	-	6,331,355	5,922,737
2,041,811	2,275,254	2,474,860	2,670,433	-	-
2,538,600	2,799,759	1,527,876	1,366,053	-	-
2,831,419	2,862,918	3,061,606	2,370,002	-	-
3,078,690	1,693,617	1,475,235	1,378,267	-	-
$ 10,490,520	$ 9,631,548	$ 8,539,577	$ 7,784,755	$ 9,194,526	$ 9,017,166
$ -	$ -	$ -	$ -	$ 2,181,809	$ 2,857,212
2,828,979	2,153,120	2,438,662	2,262,484	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(1,376,299)	(1,584,226)	(2,038,097)	(2,361,988)	-	-
$ 1,452,680	$ 568,894	$ 400,565	$ (99,504)	$ 2,181,809	$ 2,857,212

CITY OF STUART, FLORIDA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2018	2017	2016	2015
Revenues				
Property taxes	$ 8,448,358	$ 8,069,423	$ 7,654,060	$ 7,192,558
Utility taxes	2,786,675	2,741,770	2,686,543	2,609,887
Local business tax	640,363	631,900	605,617	600,558
Franchise fees	1,656,124	1,687,917	1,669,041	1,720,135
Intergovernmental	6,472,546	5,603,756	5,343,359	4,897,381
Licenses and permits	1,393,635	979,787	891,286	946,217
Charges for services	1,534,192	1,629,056	1,866,499	1,357,884
Assessments	1,209,824	1,192,230	1,191,067	1,145,496
Impact fees	604,828	241,161	450,404	193,625
Fines and forfeitures	193,077	169,251	179,472	183,427
Interest	351,613	143,234	242,853	99,894
Rental Income	814,246	903,836	943,612	977,861
Miscellaneous	528,085	296,704	331,791	366,510
Total revenues	26,633,566	24,290,025	24,055,604	22,291,433
Expenditures				
Current:				
General government	4,952,688	4,519,530	4,272,263	4,138,950
Public safety	12,529,537	12,224,773	11,761,266	10,858,816
Parks and recreation	1,501,332	1,388,614	1,254,934	823,751
Physical environment	2,038,672	1,907,746	1,893,460	2,119,118
Transportation	1,636,326	1,601,594	1,152,337	1,259,557
Community redevelopment	419,988	224,239	459,424	485,608
Capital outlay	3,140,025	2,040,273	2,552,673	1,156,243
Debt service:				
Principal	1,559,942	826,612	751,351	784,033
Interest	275,761	302,284	318,739	325,952
Other debt service costs	-	-	-	11,074
Total expenditures	28,054,271	25,035,665	24,416,447	21,963,102
Excess (deficiency) of revenues over (under) expenditures	(1,420,705)	(745,640)	(360,843)	328,331
Other financing sources (uses)				
Debt issuance	173,038	-	283,601	-
Payment to refunded bonds escrow agent	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Transfers in	2,735,780	4,745,032	2,319,191	2,578,750
Transfers out	(1,760,379)	(3,930,747)	(1,471,937)	(1,663,816)
Total other financing sources (uses)	1,148,439	814,285	1,130,855	914,934
Net change in fund balance	$ (272,266)	$ 68,645	$ 770,012	$ 1,243,265
Debt service as a percentage of noncapital expenditures	8.0%	5.2%	5.1%	5.6%

CITY OF STUART, FLORIDA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (continued)
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Fiscal Year					
2014	2013	2012	2011	2010	2009
$ 7,208,170	$ 6,579,057	$ 7,119,351	$ 7,583,316	$ 7,770,864	$ 8,710,935
2,584,686	2,340,526	2,258,484	2,225,929	2,134,596	1,985,616
586,111	580,431	586,736	569,432	603,298	632,001
1,707,844	1,580,045	1,617,891	1,680,885	1,653,379	1,925,407
6,207,729	6,202,004	6,192,358	7,393,660	7,165,148	7,276,155
704,939	918,769	560,630	565,534	511,896	639,686
1,559,760	1,433,562	1,348,200	1,268,180	990,965	801,055
-	-	-	-	-	-
47,690	245,805	347,931	74,611	485,996	302,679
192,652	146,495	147,349	188,164	231,024	171,967
54,809	39,666	68,856	143,274	235,200	227,965
920,550	858,569	700,315	676,374	562,086	535,088
339,454	145,524	223,772	145,329	177,308	266,674
22,114,394	21,070,453	21,171,873	22,514,688	22,521,760	23,475,228
3,622,381	3,247,577	2,256,178	3,568,872	3,104,793	4,457,951
11,454,429	10,951,439	10,864,512	11,704,731	12,352,569	12,108,590
823,272	990,741	807,250	885,150	1,344,012	1,355,410
1,880,282	1,748,712	1,738,374	1,743,441	1,975,522	2,086,136
1,045,924	1,015,515	1,138,330	937,012	1,037,157	1,093,094
452,291	477,209	449,632	807,700	624,572	610,763
876,049	3,267,772	1,888,310	5,691,034	1,614,872	5,497,740
7,420,140	501,534	427,321	440,040	418,280	404,624
449,756	415,216	457,561	500,119	518,393	505,764
44,493	500	63,981	1,725	1,714	1,768
28,069,017	22,616,215	20,091,449	26,279,824	22,991,884	28,121,840
(5,954,623)	(1,545,762)	1,080,424	(3,765,136)	(470,124)	(4,646,612)
7,100,000	1,275,000	994,385	-	-	-
-	-	(977,918)			
-	-	-	-	26,985	9,471
1,750,604	2,031,093	1,810,843	4,449,577	2,852,086	1,769,483
(1,153,224)	(1,249,013)	(1,652,843)	(4,375,525)	(2,906,990)	(1,927,240)
7,697,380	2,057,080	174,467	74,052	(27,919)	(148,286)
$ 1,742,757	$ 511,318	$ 1,254,891	$ (3,691,084)	$ (498,043)	$ (4,794,898)
40.8%	5.0%	5.1%	4.8%	4.6%	4.2%

CITY OF STUART, FLORIDA

ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Fiscal Year	Tax Year	Real Property	Personal Property	Assessed Value	Total Exemption Value	Total Taxable Value	Total Direct Tax Rate	Taxable Value as a % of Assessed Value
2009	2008	$2,019,204,326	$ 166,081,741	$3,182,186,225	$ 996,900,158	$2,185,286,067	4.5788	68.7%
2010	2009	1,747,063,884	143,697,895	2,611,109,420	720,347,641	1,890,761,779	4.6081	72.4%
2011	2010	1,569,618,483	129,102,819	2,394,221,956	695,500,654	1,698,721,302	4.6436	71.0%
2012	2011	1,439,575,290	118,406,626	2,207,730,581	649,748,665	1,557,981,916	4.6674	70.6%
2013	2012	1,388,755,423	114,226,636	2,123,313,596	620,331,537	1,502,982,059	4.9041	70.8%
2014	2013	1,354,255,562	111,388,986	2,084,431,403	618,786,855	1,465,644,548	5.1513	70.3%
2015	2014	1,415,392,568	116,417,570	2,130,918,193	599,108,055	1,531,810,138	4.9013	71.9%
2016	2015	1,504,107,611	123,714,479	2,212,516,917	584,694,827	1,627,822,090	4.8327	73.6%
2017	2016	1,602,901,248	131,840,362	2,321,458,253	586,716,643	1,734,741,610	4.8224	74.7%
2018	2017	1,708,319,438	136,509,008	2,438,844,115	594,015,669	1,844,828,446	4.7572	75.6%

Source: Florida Department of Revenue

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)

	City of Stuart			Overlapping					
Fiscal Year	Operating Millage	General Obligation Debt Debt Service	Total City Millage	Martin County	Martin County Board of Education	So. Florida Water Management District	Florida Inland Navigational District	Children's Service Council	Total Direct and Overlapping Rates
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
2012	4.3329	0.3345	4.6674	5.7704	6.6040	0.4363	0.0345	0.3693	17.8819
2013	4.5524	0.3517	4.9041	5.7329	6.9040	0.4289	0.0345	0.3693	18.3737
2014	4.8020	0.3493	5.1513	5.8668	7.2780	0.4110	0.0345	0.3693	19.1109
2015	4.5520	0.3493	4.9013	5.9651	7.1380	0.3842	0.0345	0.3618	18.7849
2016	4.5520	0.2807	4.8327	6.1264	7.0980	0.3551	0.0320	0.3618	18.8060
2017	4.5520	0.2704	4.8224	6.2407	6.8810	0.3307	0.0320	0.3618	18.6686
2018	4.5000	0.2572	4.7572	6.3887	6.5520	0.3100	0.0320	0.3618	18.4017

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

	2018		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Adjustable Taxable Value
Arium Jensen Beach, LLC	$ 32,500,000	1	1.76%
ARHC AlstuFL01 LLC	27,471,750	2	1.49%
Pineapple Commons Retail LP	21,600,396	3	1.17%
Stuart Centre Investors, LLC	18,710,450	4	1.01%
Pacific Star 5 Inc.	15,567,332	5	0.84%
RLV Martin Square, LP	15,544,480	6	0.84%
Wal-Mart Stores East, LP	15,199,940	7	0.82%
SPC Regency, LLC	14,103,810	8	0.76%
NP I Inc.	13,809,270	9	0.75%
Stuart Lodge Properties LLC	12,016,960	10	0.65%
Total	186,524,388		10.11%
Total city-wide	$ 1,844,828,446		

	2009		
	Taxable Assessed Value	Rank	Percentage of Total Adjustable Taxable Value
Pineapple Commons Retail LP	$ 26,708,430	1	1.30%
RLV Martin Square, LP	20,730,950	2	1.01%
Southern Associates LP	17,100,160	3	0.83%
Wal-Mart Stores East, LP	16,332,480	4	0.80%
Stuart Centre Investors, LLC	14,633,890	5	0.71%
SPC Regency, LLC	14,383,650	6	0.70%
Lowe's Home Centers, Inc.	13,551,430	7	0.66%
Nobel Management Company	12,923,590	8	0.63%
Eden Park Management, Inc.	12,071,670	9	0.59%
Ted Glasrud Associates of Stuart	12,035,010	10	0.59%
Total	160,471,260		7.82%
Total city-wide	$ 2,051,849,718		

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	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	$ 9,254,621	$ 8,882,011	95.97%	$ 45,334	$ 8,927,345	96.46%
2010	8,192,482	7,839,599	95.69%	35,715	7,875,314	96.13%
2011	7,306,674	7,067,470	96.73%	5,406	7,072,876	96.80%
2012	6,786,481	6,513,513	95.98%	32,225	6,545,738	96.45%
2013	6,842,176	6,253,222	91.39%	34,625	6,287,847	91.90%
2014	7,057,849	6,505,400	92.17%	185,004	6,690,404	94.79%
2015	7,014,106	6,729,131	95.94%	15,763	6,744,894	96.16%
2016	7,520,737	7,165,762	95.28%	43,350	7,209,112	95.86%
2017	7,964,288	7,604,166	95.48%	12,718	7,616,884	95.64%
2018	8,301,728	7,952,598	95.79%	20,782	7,973,380	96.04%

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%).

CITY OF STUART, FLORIDA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				
	General Obligation Bonds	Community Redevelopment Bonds	Refunding Revenue Note	Revenue Bonds/Note	Promissory Notes
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	-	-
2012	7,220,000	1,587,650	994,385	-	-
2013	7,010,000	1,350,453	940,047	1,275,000	-
2014	6,900,000	1,013,979	882,992	1,232,000	200,000
2015	6,640,000	844,632	823,220	1,051,043	164,000
2016	6,385,000	575,053	763,448	924,043	124,000
2017	6,120,000	293,688	700,959	1,030,886	83,000
2018	5,845,000	-	635,753	331,939	42,000

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

RATIOS OF OUTSTANDING DEBT BY TYPE (continued)
LAST TEN FISCAL YEARS

Business-Type Activities					
Utility Revenue Refunding Bonds	Refunding Revenue Note	State Revolving Fund Loan	Total Primary Government	Percentage of Personal Income[a]	Debt Per Capita[a]
$ 23,409,000	$ 874,427	$ -	$ 35,365,671	4.25%	$ 2,142
22,833,000	853,879	2,869,538	37,220,381	4.31%	2,387
22,231,000	831,048	2,755,974	36,041,945	3.86%	2,305
21,720,000	835,615	2,642,738	35,000,388	3.33%	2,226
21,075,000	789,953	2,527,948	34,968,401	3.48%	2,211
20,358,000	742,008	2,410,363	33,739,342	3.22%	2,112
19,614,000	691,780	3,009,903	32,838,578	2.86%	2,038
18,850,000	641,552	4,464,298	32,727,394	2.77%	2,027
18,059,000	589,041	7,395,360	34,271,934	2.68%	2,118
17,236,000	534,247	7,184,012	31,808,951	N/A	1,937

CITY OF STUART, FLORIDA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2018

Jurisdiction	Total Bonded Debt Outstanding	Estimated Percentage Applicable[a]	Estimated Amount Applicable
Overlapping:			
Martin County			
Revenue Bonds & Notes	$ 62,388,045	100%	$ 62,388,045
Capital Leases	21,526,506	100%	21,526,506
State Loans	1,051,748	100%	1,051,748
Town of Jupiter Island			
General Obligation Bonds	6,842,505	100%	6,842,505
Martin County School Board			
State School Boards	5,031,000	100%	5,031,000
Certificates of Participation	29,122,816	100%	29,122,816
Capital Leases	271,335	100%	271,335
South Florida Water Management District			
Certificates of Participation	432,328,682	2.19%	9,467,998
Subtotal, Overlapping Debt			135,701,953
City of Stuart Direct Debt			6,854,692
Total Direct and Overlapping Debt			$ 142,556,645

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 their own value since their borders extend beyond the City/County's borders.

Note: [a] The percentage of overlapping debt applicable is estimated using the South Florida Water Management District Property Tax Revenue by County.

CITY OF STUART, FLORIDA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding: General Obligation Bonds	General Bonded Debt Outstanding: Community Redevelopment Bonds	General Bonded Debt Outstanding: Total	Percentage of Total Adjustable Taxable Value	Debt Per Capita[a]
2009	$ 7,800,000	$ 2,241,671	$ 10,041,671	0.46%	$ 608
2010	7,615,000	2,032,843	9,647,843	0.51%	619
2011	7,420,000	1,814,971	9,234,971	0.54%	591
2012	7,220,000	1,587,650	8,807,650	0.57%	560
2013	7,010,000	1,350,453	8,360,453	0.56%	529
2014	6,900,000	1,013,979	7,913,979	0.54%	495
2015	6,640,000	844,632	7,484,632	0.49%	465
2016	6,385,000	575,053	6,960,053	0.43%	431
2017	6,120,000	293,688	6,413,688	0.37%	396
2018	5,845,000	-	5,845,000	0.32%	356

Source: City of Stuart Finance Department

Note: [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
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

	Refunding Revenue Note, Series 2012						
Fiscal Year	General Fund Gross Revenues	Less: Ad Valorem	Non-Ad Valorem Revenue	Debt Service Principal	Debt Service Interest[a]	Debt Service Total	Coverage[b]
2012	$ 18,900,241	$ 7,119,351	$ 11,780,890	$ -	$ 3,987	$ 3,987	2,954.9
2013	18,750,960	6,798,709	11,952,251	100,000	44,387	144,387	82.8
2014	19,296,404	7,208,170	12,088,234	7,169,623	334,342	7,503,965	1.6
2015	20,561,247	7,192,558	13,368,689	59,772	21,642	81,414	164.2
2016	22,271,351	7,654,060	14,617,291	59,772	20,177	79,949	182.8
2017	22,449,733	8,069,423	14,380,310	62,489	18,712	81,201	177.1
2018	24,859,539	8,448,358	16,411,181	65,206	17,181	82,387	199.2

	Public Utilities Revenue, Refunding & Improvement Bonds, Series 2006, 2007 and 2011						
Fiscal Year	Water and Sewer Gross Revenues	Less: Operating Expenses[c]	Net Available Revenue	Debt Service Principal	Debt Service Interest[a]	Debt Service Total	Coverage[d]
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
2012	8,334,781	5,230,956	3,103,825	628,000	848,916	1,476,916	2.1
2013	9,051,891	5,203,586	3,848,305	645,000	788,682	1,433,682	2.7
2014	10,853,527	5,551,729	5,301,798	717,000	960,306	1,677,306	3.2
2015	10,365,256	5,725,391	4,639,865	744,000	752,502	1,496,502	3.1
2016	10,781,326	5,780,897	5,000,429	764,000	728,630	1,492,630	3.4
2017	11,000,403	6,448,816	4,551,587	791,000	699,974	1,490,974	3.1
2018	12,092,443	6,379,383	5,713,060	823,000	661,526	1,484,526	3.8

Notes:
[a] Includes accrued interest
[b] Required coverage is 1.5% of average of actual non-advalorem revenues over prior two years
[c] Operating expenses are personal services and operating expenses.
[d] Required coverage is 1.1%

CITY OF STUART, FLORIDA

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS

Fiscal Year	City Population[a]	City Personal Income	Martin County Per Capita Personal Income[b]	Martin County Unemployment Rate[c]
2009	16,514	$ 831,496,414	$ 50,351	11.6%
2010	15,593	864,413,548	55,436	11.0%
2011	15,636	933,297,204	59,689	10.0%
2012	15,725	1,051,939,600	66,896	8.3%
2013	15,814	1,003,398,300	63,450	7.3%
2014	15,972	1,046,980,572	65,551	6.2%
2015	16,110	1,146,983,670	71,197	5.2%
2016	16,148	1,183,583,808	73,296	4.8%
2017	16,183	1,280,140,032	79,104	3.5%
2018	16,425	N/A	N/A	3.0%

Sources: [a] Florida Bureau of Economic and Demographic Research
[b] US Bureau of Economic Analysis
[c] US Bureau of Labor Statistics - based on not seasonally adjusted September rates

CITY OF STUART, FLORIDA

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

	2018		
Employer	Employees	Rank	Percentage of Total County Employment
Martin Health Systems	4,563	1	6.14%
Martin County School District	2,671	2	3.60%
Martin County	1,714	3	2.31%
State of Florida	502	4	0.68%
Liberator Medical Supply	400	5	0.54%
Florida Power and Light	375	6	0.50%
Triumph Aerospace Structures	370	7	0.50%
Paradigm Precision	365	8	0.49%
Seacoast National Bank	340	9	0.46%
City of Stuart	251	10	0.34%
Total	11,551		15.56%
Total County Employees	74,281		

	2009		
	Employees	Rank	Percentage of Total County Employment
Martin Health Systems	2,619	1	4.09%
Martin County School District	2,539	2	3.97%
Martin County	2,447	3	3.82%
Publix Supermarkets	1,145	4	1.79%
State of Florida	670	5	1.05%
Wal-Mart	515	6	0.81%
Armelini Express Lines	486	7	0.76%
Turbocombustor Technology	382	8	0.60%
Winn-Dixie Stores	325	9	0.51%
Home Depot	296	10	0.46%
Total	11,424		17.86%
Total County Employees	63,974		

Sources: The labor force figures are from the Florida Department of Economic Opportunity. The 2018 employer data is from the Business Development Board of Martin County except for the governmental entities which provided their own data. The Business Development Board data includes information for only their targeted industries which may not include businesses that have been included on this list in the past such as Wal-Mart, Publix, Winn-Dixie, etc.. More information on their targeted industries can be found on their website http://www.yesmartinfl.com.
Note: The data presented in this list may include part time and full time employees.

CITY OF STUART, FLORIDA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Function/Program										
General government										
City Commission	5	5	5	5	5	5	5	5	5	5
City Manager	4	4	3	3	2	3	3	3	3	3
City Attorney	2	2	2	2	2	2	2	2	2	2
Human Resources	3	3	3	3	3	2	2	2	2	2
City Clerk	2	2	1	1	1	1	1	1	1	1
Financial Services	9	9	9	13	13	13	13	13	12	12
Information Services	4	4	4	4	4	4	4	4	4	4
Development	11	11	11	11	8	8	11	10	13	14
Public Safety										
Police	64	64	63	62	64	64	60	60	63	64
Fire / Rescue	45	43	43	43	43	43	42	43	42	41
Physical Environment										
Vehicle Maintenance	4	3	3	3	3	3	3	3	4	4
Building Maintenance	6	6	6	6	5	5	5	5	5	4
Turf & Grounds	12	14	14	14	14	14	13	12	12	13
Water & Sewer General	10	10	9	9	9	9	8	9	9	10
Water Treatment	10	10	10	10	10	10	10	9	10	10
Waste Water Treatment	9	9	9	9	9	9	9	8	9	9
Distribution & Collection	10	10	10	8	9	9	9	8	9	9
Utility Customer Service	5	5	5	-	-	-	-	-	-	-
Residential Collection	2	3	3	2	2	2	2	2	2	2
Commercial Sanitation	9	8	8	8	8	8	8	8	7	8
Trash Collection	2	2	2	2	2	2	2	2	2	2
Stormwater	3	3	3	4	3	3	3	3	3	3
Transportation										
Streets	8	6	6	6	6	6	6	6	6	6
Economic Environment										
Legislative and Economic	-	-	-	3	-	-	-	-	-	-
Community Redevelopment	-	-	2	3	3	3	3	3	-	-
Community Services										
Community Services	9	10	9	-	-	-	-	-	-	-
Recreation	-	-	-	4	7	7	7	6	11	12
Parks	2	1	1	1	1	1	2	2	-	-
Total	250	247	244	239	236	236	233	229	236	240

Source: All information based on the City of Stuart adopted budget for the relevant year.

CITY OF STUART, FLORIDA

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Function/Program										
Police										
Physical arrests	915	851	832	846	1,136	1,231	1,326	903	866	989
Parking violations	1,448	1,339	1,094	1,025	480	344	1,168	1,290	1,350	1,070
Traffic violations	2,937	2,568	2,116	2,457	2,263	3,882	5,501	3,941	3,701	4,767
Fire										
Emergency responses	6,031	5,824	6,060	5,526	5,264	4,887	3,510	3,704	3,491	3,286
Fires extinguished	88	61	69	87	57	78	44	54	45	66
Fire inspections	725	1,081	1,310	1,769	822	954	1,181	1,211	958	720
Refuse Collection										
Refuse collected (tons per day)	76	77	71	53	60	58	56	46	45	44
Customers	3,922	3,876	3,607	3,579	3,843	3,784	3,725	3,672	3,648	3,591
Other Public Works										
Street resurfacing (miles)	-	-	-	4.75	3.00	-	4.55	-	-	1.75
Potholes repaired	251	141	105	85	25	45	80	60	42	35
Development										
Building permits issued	2,313	2,314	2,243	1,758	3,073	2,102	1,131	1,149	1,177	921
Building inspections	8,182	5,522	4,818	3,949	4,915	3,867	2,819	3,515	3,692	2,475
Plan reviews	6,930	7,703	6,652	5,324	9,836	4,918	-	-	-	-
Community Services[a]										
Athletic field reservations	367	438	334	383	65	46	27	24	115	105
Pavilion 7 State reservations	196	255	222	227	440	370	300	247	235	224
CC rental reservations	24	28	27	67	293	163	33	25	67	85
Special events public permits	118	103	68	190	184	192	193	181	91	47
Special events private permits	36	34	49	76	138	126	56	51	34	23
Special events banner permits	199	212	195	199	227	220	202	171	163	55
Special events - public property attendance [c]	183,330	155,600	208,310	287,450	208,963	191,550	174,136	126,376	101,730	90,820
Pavilion & stage rental attendance	3,004	3,286	12,231	11,180	19,272	16,206	13,140	9,853	7,865	6,848
Water										
New connections	15	9	14	8	11	17	23	10	20	16
Water mains breaks	8	5	7	2	-	1	2	11	15	13
Average daily consumption	170	170	168	167	168	171	174	186	185	166
Metered services	4,452	4,437	4,428	4,250	4,355	4,285	4,215	4,193	4,146	4,145
Wastewater										
Average daily sewage treatment[b] (Gallons Per Day/Per Customer)	636	681	709	654	1,513	821	129	132	131	118
Customers	2,595	2,486	2,397	2,330	2,247	2,009	1,771	1,728	1,717	1,702
Transit										
Total miles on route per shift	46	35	35	10	10	10	10	10	10	10
Passengers	47,800	48,120	45,665	n/a	29,343	22,447	15,551	13,181	12,489	15,272

Source: Various City departments.

Notes:

[a] At the end of FY2009 Parks and Recreation changed its name to Community Services.

[b] Total - residential, commercial and industrial customers - Historically a breakdown of condominiums, single family and commercial accounts were calculated.

[c] Rock'n RiverWalk moved to license agreement

CITY OF STUART, FLORIDA

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Function/Program										
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
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Refuse collection										
Collection trucks	13	13	13	13	13	11	11	11	11	10
Other public works										
Streets (miles)	120	100	100	100	100	100	100	100	100	100
Streetlights	500	461	455	455	455	455	455	300	275	275
Traffic signals	22	35	35	35	35	35	43	44	44	36
Community Services[a]										
Acreage	232	232	232	232	232	232	232	232	170	170
Environmental parks	3	3	3	3	3	3	3	3	-	-
Active parks	9	9	9	9	9	9	9	9	-	-
Passive parks	25	25	25	25	25	25	25	25	-	-
Community parks	-	-	-	-	-	-	-	-	8	11
Community mini/urban parks	-	-	-	-	-	-	-	-	22	43
Baseball/softball diamonds	1	1	1	1	1	1	1	1	5	5
Tennis courts	6	6	6	6	6	6	6	6	6	6
Shuffleboard courts	15	15	15	15	15	15	15	15	15	15
Community centers	1	1	1	1	1	1	1	1	1	2
Water										
Fire hydrants[b]	561	561	495	495	495	495	492	483	482	978
Storage capacity (million gal)	3	3	3	3	3	3	3	3	3	3.25
Wastewater										
Wastewater sewers (miles)	124	120	70	70	70	69	66	58	54	54
Treatment capacity (million gal)	4	4	4	4	4	4	4	4	4	4
Stormwater										
Stormwater sewers (miles)	21	21	21	21	21	21	21	21	21	21
Transit-minibuses										
Downtown Courtesy Tram	6	6	5	3	3	2	1	1	1	1

Source: Various City departments.

Notes: [a] At the end of FY2009 Parks and Recreation changed its name to Community Services
[b] City, County and privately owned within City limits

COMPLIANCE SECTION

MSL
Certified Public Accountants

INDEPENDENT AUDITOR'S 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*

The Honorable Mayor and
Members of the City Commission
City of Stuart, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 15, 2019.

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 of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Honorable Mayor and
Members of the City Commission
City of Stuart, Florida

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, grant agreements, and contracts, 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*.

We noted certain matters that we reported to management of the City in a separate letter dated March 15, 2019.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
March 15, 2019

MSL
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT

The Honorable Mayor and
Members of the City Commission
City of Stuart, Florida

We have examined the City of Stuart, Florida's (the City) compliance with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2018. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with those requirements. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2018.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
March 15, 2019

MSL
Certified Public Accountants

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

The Honorable Mayor and
Members of the City Commission
City of Stuart, Florida

Report on the Financial Statements

We have audited the basic financial statements of the City of Stuart, Florida (the City) as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated March 15, 2019.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General.*

Other Reporting Requirements

We have also issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General.* Disclosures in those reports, which are dated March 15, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General,* requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No findings and recommendations were made in the preceding annual report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General,* requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority is disclosed in the notes to the financial statements.

The Honorable Mayor and
Members of the City Commission
City of Stuart, Florida

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based, in part, on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the Mayor, City Commission, and applicable management and is not intended to be, and should not be, used by anyone other than these specified parties.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
March 15, 2019