

2010

DOLLARS & SENSE



Your practical
guide to County
Finances

St. Lucie County, Florida

www.stlucieclerk.com

Joseph E. Smith Clerk of the Circuit Court

Auditor, Recorder, Custodian of all county funds

The only way not to think about money is to have a great deal of it.

Edith Wharton—*US novelist (1862 - 1937)*

That's so true! And for many years, your County government had a great deal of it. Actually, almost everyone did. During that time, County government played catch-up: shoring reserves and taking care of projects long held in the planning stages. Then, there was the "Great Recession" when our neighbors, friends and some of us faced economic conditions not seen in generations. While I have not heard anyone refer to this time period in our economic life as the "Great Comeback," reduced foreclosure numbers, declining unemployment rates and a resurgent Wall Street are indicators of better times ahead.

As we move toward a stronger and more diverse local economy, it remains vital that citizens be aware of the financial health of our government and choose to participate in the decisions made on our behalf. Our tax dollars are hard-earned and should be watched, managed and spent accordingly.

That is why I am pleased to present you with the report "*Dollars and Sense: Your Practical Guide to County Finances*," for the fiscal year which ended September 30, 2010. It presents the County's fiscal year 2010 financial activity in a concise and easy to read format.

As the Chief Financial Officer of our County, it is my responsibility to monitor financial records and serve as your fiscal watchdog to ensure that whatever the County does with our tax dollars is within the law. A spirit of openness and integrity is at the heart of every function your Finance Department performs on your behalf. This includes gathering superior technical and financial expertise to complete our tasks well. Providing accurate, timely and useful information to citizens, County management and the Board of County Commissioners is our top priority.

The information presented in *Dollars and Sense* was derived from the (much larger) St. Lucie County, Florida Comprehensive Annual Financial Report (CAFR) for the fiscal year which ended September 30, 2010. The 2010 CAFR was prepared in accordance with Generally Accepted Accounting Principles (GAAP). It is available for review at our website, www.stlucieclerk.com. The CAFR is also available at the Finance Department of the Clerk's Office, located in the *Roger Poitras Annex* at 2300 Virginia Avenue in Fort Pierce or by calling 772.462.1476.

It is a privilege to share this information with you in an easier to read, more concise fashion by virtue of the authority granted to the Clerk of the Circuit Court in Article VIII, Section (1)(d) of the Constitution of the State of Florida as *auditor, recorder, and custodian of all county funds*. Thank you for allowing me the opportunity to do so.

Cordially,



Joseph E. Smith

Clerk of the Circuit Court



Joseph E. Smith was elected St. Lucie County's tenth Clerk of the Circuit Court in 2008. Smith is a certified Clerk through the Florida Association of Court Clerks and Comptrollers and former Chair of the St. Lucie County Board of Commissioners.

Key Terms

This section provides definitions for some of the accounting terms that you will find throughout this report.

<p>Government-wide: This PAFR presents the balance sheet (statement of net assets) which includes assets, liabilities and net assets. It also presents the income statement (statement of activities) which includes revenue and expense information.</p>	<p>Liabilities: What the County owes.</p>
<p>Primary Government: Includes all of the governmental and business-type activities belonging to the County but excludes fiduciary funds.</p>	<p>Long-term liabilities: Includes such items as bonds, loans, compensated absences, and other County obligations.</p>
<p>Governmental Activities: Activities supported mainly by taxes. The County maintains 55 governmental funds that are used to account for taxes, program and other miscellaneous revenues.</p>	<p>Net Assets: The difference between the County's assets and liabilities. It is the net worth of the County.</p>
<p>Business-type Activities: Activities supported by user charges. The County maintains 6 business-type funds that are used to account for activities for which a fee is charged to external users for goods or services.</p>	<p>Invested in capital assets, net of related debt: Represents amounts invested in capital assets less accumulated depreciation and any outstanding debt used to acquire these assets.</p>
<p>Assets: What is owned by the County. Includes such items as pooled cash and investments, receivables, internal balances, inventories, deposits with others, prepaid items and deferred charges.</p>	<p>Restricted: What is not available for use by the County because it is set aside for a particular use.</p>
<p>Capital assets: Includes such items as County land, construction in progress, equipment, infrastructure and buildings and improvements net of depreciation.</p>	<p>Unrestricted: One-time funds available for the County to use for operations.</p>

St. Lucie County Snapshot

St. Lucie County's population in 2010 was estimated at 272,782, which is largely concentrated in the eastern portion of the County that is within 5-10 miles of the Atlantic Ocean.

This is a 42% increase over figures from the 2000 Census and a considerable 82% increase since 1990.

Service, tourism, agriculture, construction and light manufacturing are the principal industries within the County. While St. Lucie County is poised to take advantage of its location, climate and abundant workforce; growth in employment opportunities has not kept pace with the growth in population. At the end of 2010, the County's unemployment rate was 14.1% while the State's rate was 11.6%.

The County saw tremendous growth between 2003 and 2008. Between 2008 and the present, the County's total property value has decreased by 34%. New construction permits are down 75% from its 2007 level. Both result from the slowdown in the housing market.

County revenues that are affected by the economy include property taxes, sales taxes, and charges for services. Key factors affecting these revenues include real estate activity and consumer spending. Although short-term and long-term interest rates are low by historical standards, there is continued uncertainty about where the local economy is heading in 2011 and beyond. The County is cautiously and conservatively planning for the near-term.

Statistical Information

Population (2010)	277,789
Median Age (2009)	39.6
Average Annual Wage (2009)	\$34,892
Personal Income Per Capita (2008)	\$29,115
School Enrollment (September 2010)	40,374
Unemployment Rate (December 2010)	14.1%
Median Home Cost (August 2010)	\$107,300
County Outstanding Debt Per Capita (2010)	\$624
County Annual Budget (Fiscal Year 2011)	\$592 million

Top 10 Principal Employers

<u>Employer</u>	<u>Employees</u>
St. Lucie County School Board	5,350
HCA Healthcare (formerly Lawnwood Regional Medical Center)	2,710
Liberty Medical and Pharmacy	2,700
Wal-Mart Retail Stores and Distribution Center	2,482
St. Lucie County Government	1,753
Indian River State College	1,752
City of Port St. Lucie	1,093
QVC	1,076
Florida Power & Light	1,038
McDonalds	638

Government-wide Financial Statements

Statement of Net Assets -Primary Government

(in thousands)

	2009	2010	Increase (Decrease)
Assets			
Cash and investments	\$ 287,560	\$ 286,096	\$ (1,464)
Receivable, net	20,094	20,864	770
Due from other governments	10,647	9,896	(751)
Inventories	526	589	63
Restricted cash and investments	12,477	12,375	(102)
Bond issuance costs, net	1,883	1,738	(145)
Assets held for resale	-	2,053	2,053
Capital assets-Depreciable, net	436,628	436,927	299
Capital assets-Nondepreciable	172,430	178,873	6,443
Total assets	942,245	949,411	7,166
Liabilities			
Current liabilities:			
Accounts payable	15,105	10,887	(4,218)
Matured bonds payable	4,920	5,102	182
Matured interest payable	2,361	2,316	(45)
Claims payable	1,570	1,460	(110)
Due to other governments	1,929	1,722	(207)
Unearned revenue	979	2,115	1,136
Liabilities from restricted assets	874	1,346	472
Non-current liabilities:			
Liabilities from restricted assets	9,891	10,950	1,059
Arbitrage liability	145	-	(145)
Long-term liabilities:			
Due within one year	18,659	16,885	(1,774)
Due beyond one year	172,424	167,406	(5,018)
Landfill maintenance liability	9,035	10,401	1,366
OPEB liability	13,810	16,867	3,057
Total liabilities	251,702	247,457	(4,245)
Net assets			
Invested in capital assets, net of related debt	461,972	463,752	1,780
Restricted for:			
Transportation	30,713	10,667	(20,046)
Public safety	10,976	9,618	(1,358)
Court related	5,365	6,003	638
Physical environment	10,591	6,056	(4,535)
Human services	1,040	6,321	5,281
Environmental land	4,606	4,717	111
Debt service	22,769	31,112	8,343
Capital projects	23,765	21,884	(1,881)
Culture and recreation	7,467	7,812	345
Other purposes	1,646	2,446	800
Unrestricted	109,633	131,567	21,934
Total net assets	\$ 690,543	\$ 701,955	\$ 11,412

The Statement of Net Assets presents information on all of the County's assets and liabilities, with the difference between the two as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the County is improving.

The County's total net assets increased by 1.6%, or \$11.4 million, during the fiscal year 2009-10. \$11.3 million of the increase in net assets was from governmental activities and \$0.1 million was from business-type activities. Below are the three components of net assets and their respective fiscal year-end balances:

Invested in capital assets, net of related debt

This component of net assets represents the amount that is unavailable for reducing debt or paying for services because it is the value of the capital assets themselves, and is not liquid like cash or equivalents. The balance represents 66% or \$463.7 million, of the County's total net assets at September 30, 2010.

Restricted net assets

This component of net assets represents the amount that is available for use only as allowed by creditors. Grantors, contributors, or laws and regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. The balance in this category accounts for 12.78%, or \$89.7 million, of the County's total net assets at September 30, 2010.

Unrestricted net assets

This component of the County's total net assets is the amount that is unencumbered available and may be used to meet the County's ongoing obligations to citizens and creditors. Of the unrestricted net assets for fiscal year 2009-10, \$142.4 million is from governmental activities, and \$6.1 million is from business-type activities. The balance in this category is .22%, or \$148.5 million, of the County's total net assets as of September 30, 2010.

Government-wide Financial Statements

Statement of Activities—Primary Government (in thousands)

	2009	2010	Increase (Decrease)
Revenues:			
Program revenues:			
Charges for services	\$ 41,472	\$ 38,825	\$ (2,647)
Operating grants	13,904	24,209	10,305
Capital grants	73,113	30,947	(42,166)
General revenues:			-
Property taxes	149,178	120,501	(28,677)
Sales and use taxes	2,114	2,053	(61)
Franchise taxes	5,488	5,145	(343)
State shared revenues	17,314	14,876	(2,438)
Interest earnings	6,471	8,028	1,557
Miscellaneous	8,623	6,635	(1,988)
Total revenues	317,677	251,219	(66,458)
Expenses:			
General government	42,877	39,774	(3,103)
Public safety	89,424	83,269	(6,155)
Physical environment	8,095	6,334	(1,761)
Transportation	27,406	20,902	(6,504)
Economic environment	7,100	5,526	(1,574)
Human services	15,525	15,333	(192)
Culture/Recreation	17,908	11,738	(6,170)
Court related	21,276	17,459	(3,817)
Interest on long-term debt for governmental activities	7,846	7,515	(331)
Bailing & recycling	17,378	17,953	575
Gof course	1,897	1,840	(57)
Water & sewer	7,921	7,969	48
Sports complex	2,561	2,591	30
Building & zoning	1,877	1,604	(273)
Total expenses	269,091	239,807	(29,284)
Change in net assets	48,586	11,412	(37,174)
Net assets, beginning of year, as restated	641,957	690,543	48,586
Net assets, end of year	\$ 690,543	\$ 701,955	\$ 11,412

The Statement of Activities presents information showing how the County's net assets changed during the fiscal year. This statement shows both the level of resources available to the County for providing services as well as to the costs for providing those services during the current fiscal year ended September 30, 2010.

Revenues

As a result of the economic downturn, the County had a decrease of \$66.5 million in revenues. This is mainly attributed to decreases in capital grants and property tax revenues. The \$42.2 million decrease in capital grants is primarily due to reductions in federal and state grant funding. The \$28.7 million decrease in property tax revenues is primarily due to the decrease in property values. The decreases are also reflected in other revenue categories except operating grants and interest earnings. The operating grants category reflects an increase of \$10.3 million. This is attributed from FEMA reimbursements. The interest earnings category reflects an increase of \$1.6 million adjusted to reflect market value.

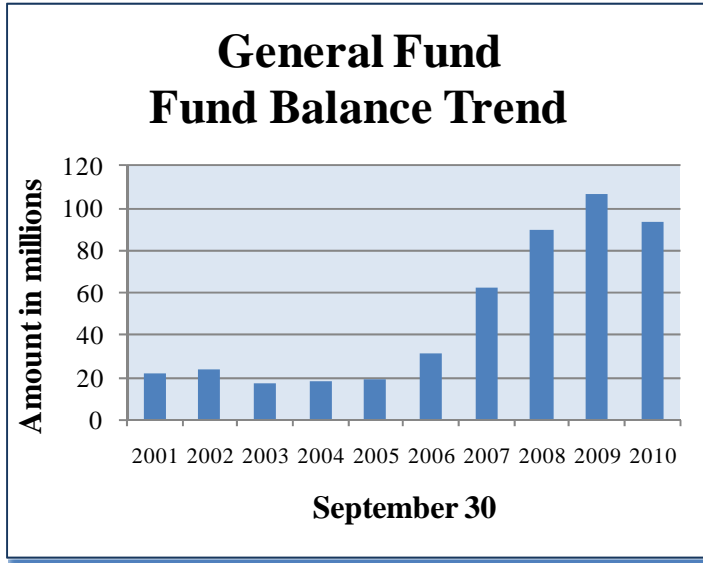
Expenses

All expense categories except Water & Sewer and Sports Complex show a decrease in spending in fiscal year 2009-10. This is caused by budget reductions related to anticipated revenue shortfalls. The most significant variances in expenses on the Statement of Activities are a \$6.2 million decrease in Public Safety; a \$6.5 million decrease in Transportation; and a \$6.2 million decrease in Culture/Recreation.

Key Financial Information

Fund Balance Analysis

The General Fund is the main operating fund of the County. The General Fund ending fund balance on September 30, 2010 was \$93.7 million. A 10-year snapshot of the General Fund balance trend is presented below:



The County implemented the Governmental Accounting Standards Board (GASB) Statement 54—Fund Balance Reporting in fiscal year 2009. The Statement 54 requires the fund balances for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The fund balance classifications include: 1) a nonspendable category for inventory, prepaid items, advance to other funds, and assets held for resale, 2) a restricted category for resources that are either externally restricted by creditors, grantors, contributors, law or regulations of other government or imposed by law through constitutional provisions or enabling legislation (the General Fund does not have any fund balance in this category), 3) a committed category for constraints imposed by formal action of the County Commissioners, 4) an assigned category for constraints by the County's intent to use monies for specific purposes, and 5) an unassigned category is available for spending at the County's discretion.

In comparison to the prior fiscal year, the General Fund has a decrease of \$12.7 million in total fund balances. This is primarily attributed to the decrease in property tax revenues. The total unassigned fund balance for fiscal year 2010 has experienced a decrease of \$45 million mainly due to the assigned budget stabilization fund by the County Administrator for fiscal year 2012. The establishment of the budget stabilization fund results from the anticipation of significant budget shortfalls for fiscal year 2011 and fiscal year 2012.

General Fund Fund Balances Comparison

	<u>FY 2009</u>	<u>FY 2010</u>
Fund Balances:		
Nonspendable	\$ 5,274,420	\$ 8,039,227
Committed to:		
Emergency reserves	17,691,624	17,691,624
Court operations	140,799	559,770
Other purposes	206,688	255,976
Assigned to:		
Budget stabilization for fiscal year 2011	37,526,984	37,526,984
Budget stabilization for fiscal year 2012	-	29,073,867
Debt service	381,257	380,976
Unassigned	45,170,714	199,865
Total	\$ 106,392,486	\$ 93,728,289

Key Financial Information

Investment Analysis

The County manages its investment portfolio with the primary objectives of safeguarding principal, ensuring liquidity to meet daily cash needs, and maximizing investment earnings within statutory and fiduciary constraints. The investment types are either allowed by Section 218.415, Florida Statutes, the County's adopted investment policy, or various bond covenants.

On September 30, 2010, the County investment portfolio was invested in the following categories:

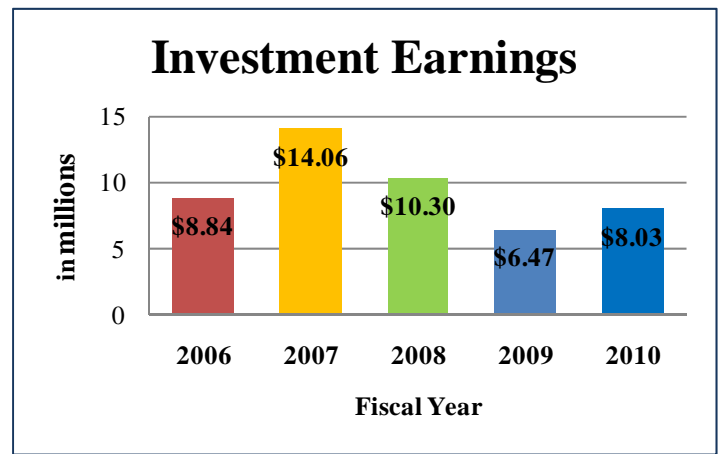
Issuer	Amount	Percentage of Portfolio
Local Government Investment Pool (LGIP)	\$ 4,934,128	1.47%
Local Government Surplus Fund Trust Fund ("Fund B")	3,010,610	0.90%
United States Treasuries	96,029,530	28.61%
United States Agencies	61,642,606	18.36%
Florida Local Government Investment Trust Day to Day Fund	3,005,317	0.90%
Corporate Obligations (Temporary Liquidity Guarantee Program)	15,488,633	4.61%
Corporate Obligations	29,733,019	8.86%
Certificates of Deposit	39,000,000	11.62%
Mutual Fund Money Market	81,699,454	24.34%
Collateralized Money Market Fund	1,124,303	0.33%
Total	\$ 335,667,600	100.00%

All amounts reflect their fair market value as of September 30, 2010. For safety and flexibility, the County maintains a short overall weighted average maturity. As of September 30, 2010, its weighted average maturity was 1.4 years, excluding the Local Government Surplus Funds Trust Fund ("Fund B").

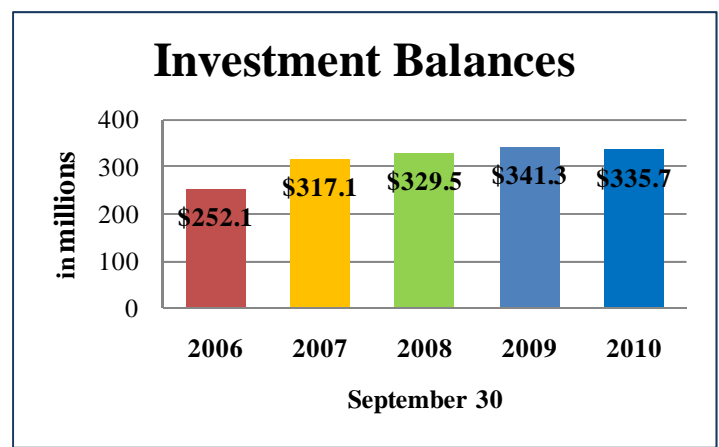
The Local Government Surplus Funds Trust Fund ("Fund B") is accounted for as a fluctuating Net Asset Value (NAV) pool. The market value expressed as a factor for September 30, 2010 was 0.707058094.

The weighted average maturity at September 30, 2010 was 7.49 years.

The following charts show the County's investment earnings and total investment portfolio amounts during the past five years.



The investment earnings have shown significant decreases in fiscal year 2008 and fiscal year 2009. Fiscal year 2010 shows a \$1.56 million increase from the prior year, mainly due to the year-end fair value adjustment.



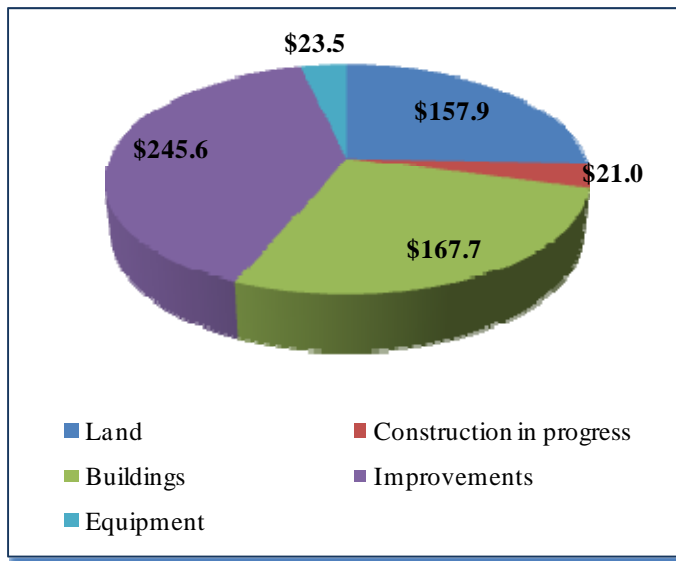
Standard & Poor's Financial Rating Service awarded the County's investment portfolio a "AAAf/S1" designation—the highest rating possible. This rating affirms that the County's portfolio holdings provide strong protection against losses from potential credit defaults. This is the second consecutive year the County has received the designation.

Key Financial Information

Capital Assets

As of September 30, 2010, the County's capital assets for both governmental and business-type activities amounted to \$615.8 million (net of depreciation). The capital assets include land, easements, buildings, infrastructure (roads, bridges, airport runways, parks, and storm drains) and land improvements, construction in progress, and equipment.

Capital Assets, net of depreciation (in millions)



The following material capital projects are either on-going or are planned to be completed in the near future:

- Old Courthouse Renovation Phase I – \$5.3 million
- Midway Road Widening—\$1.2 million
- Kings Highway to Okeechobee Road Widening Study – \$1.5 million
- South County Stadium Phase III Renovations – \$2.4 million
- Airport Rehabilitation-Runway 09L/27R – \$2.3 million
- Airport Perimeter Security system – \$1.4 million
- Harbor Branch Preserve – \$6.1 million

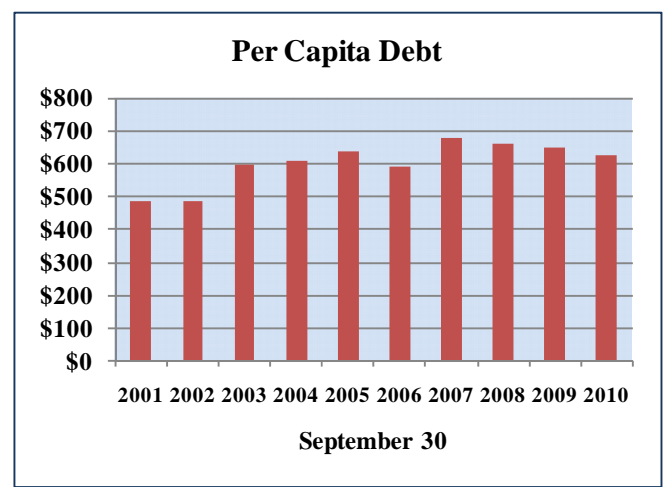
Long-Term Debt

As of September 30, 2010, the County had total bonded debt outstanding of \$138.2 million, notes payable of \$30.1 million, and capital leases of \$2 million for a total debt of \$170.4 million. Approximately 1.85% of the total County debt is repaid with property tax revenues. The remainder is repaid with pledged revenues, including sales tax, tourist tax, special taxing units and water and sewer revenues.

The total debt outstanding realized a decrease of \$6.8 million from the prior fiscal year balance.

(amounts in millions)	September 30		Increase (Decrease)
	2009	2010	
General obligation debt	\$4.7	\$3.2	(\$1.5)
Revenue bonds	107.9	102.7	(5.2)
Revenue notes	34.5	30.1	(4.4)
Special assessment bonds	7.7	12.5	4.8
Water and sewer revenue bonds	20.2	19.8	(0.4)
Clean water State revolving loan	0.1	0.1	0.0
Capital leases	2.1	2.0	(0.1)
	<u>\$177.2</u>	<u>\$170.4</u>	<u>(\$6.8)</u>

The chart below shows the amount of debt per capita within the County and includes all types of debt held, including bonds backed by property taxes, sales and gas taxes and capital leases.



Credit Ratings and Acknowledgements

Credit Ratings

The County strives to maintain a minimum underlying bond rating equivalent to 'upper Medium Grade' (Moody Rating Service A or Standard & Poor's A). Moody's and S&P evaluated St. Lucie County's underlying creditworthiness in 2005. Moody's rated the County at A2. S&P rated the County at A+. Both ratings indicate the County is in the 'Upper Medium Grade' of investment quality.

On March 29, 2007, Standard & Poor's assigned a rating of A+ for the \$30 million St. Lucie County Transportation Revenue Bonds, Series 2007. Moody assigned an A2 underlying rating for the same issue.

On March 19, 2011, Standard & Poor's re-affirmed the County's issuer credit rating as A+ and upgraded the State Revenue Sharing Bonds from A/Stable to A+/Stable.

Acknowledgements

The Government Finance Officers Association (GFOA) established the Popular Annual Financial Reporting Awards Program (PAFR Program) in 1991. The program was meant to encourage and assist state and local governments to extract information from their comprehensive annual financial report (CAFR) and produce high quality popular annual financial reports specifically designed to be readily accessible and easily understandable. Our office agrees that the general public and other interested parties who do not have a public finance background should still have access to information related to their government.

This is the first time the St. Lucie County Clerk's Office is participating in the PAFR program. We believe that our PAFR meets the program requirements and will aid our residents in understanding county finances. We are submitting this document to the GFOA to determine its eligibility for a PAFR award.

It remains the goal of the St. Lucie County Clerk's Office to utilize the best communication method to serve the citizens of the County. We believe the information available in this report is transparent, focused, logical and easy to understand. Special recognition and our deep appreciation is extended to the finance staff of the Clerk's Office for their effort and dedication in compiling, completing, editing and printing this report.

The following are credit ratings maintained by the County:

	<u>Moody's Investors Service, Inc.</u>	<u>Standard & Poor's Rating Services</u>
Issuer Credit	A2	A+

St. Lucie County elected officials as of September 30, 2010

Constitutional Officers

Clerk of the Circuit Court-Joseph E. Smith
772.462.6900 | www.stlucieclerk.com

Property Appraiser-The late Jeffery S. Furst (July 2, 2010)
772.462.1000 | www.paslc.org

Ken J. Mascara-Sherriff
772.462.7300 | www.stluciesheriff.com

Gertrude Walker-Supervisor of Elections
772.462.1500 | www.slcelections.com

Bob Davis-Tax Collector
772.462.1650 | www.tclslc.com

Board of County Commissioners

www.stlucieco.gov
772.462.1100

District One-Chris Dzadoovsky

District Two-Doug Coward, Vice Chair

District Three-Paula A. Lewis

District Four-Charles Grande, Chair

District Five-Chris Craft



Joseph E. Smith
St. Lucie County
Clerk of the Circuit Court

www.stlucieclerk.com

The Clerk of the Circuit Court, established by the Florida Constitution of 1838, is the public trustee for the county. The Clerk provides the checks and balances in county government by acting in his capacity as Clerk to the Board, Clerk to the Court, Keeper of the Public Records, Comptroller and Internal Auditor of county funds.