

# **Management's Discussion and Analysis**

## **Introduction**

The County's management discussion and analysis presents an overview of the County's financial activities for the fiscal year ended September 30, 2010. Please read it in conjunction with the letter of transmittal, beginning on page 1, and the County's financial statements beginning on page 30.

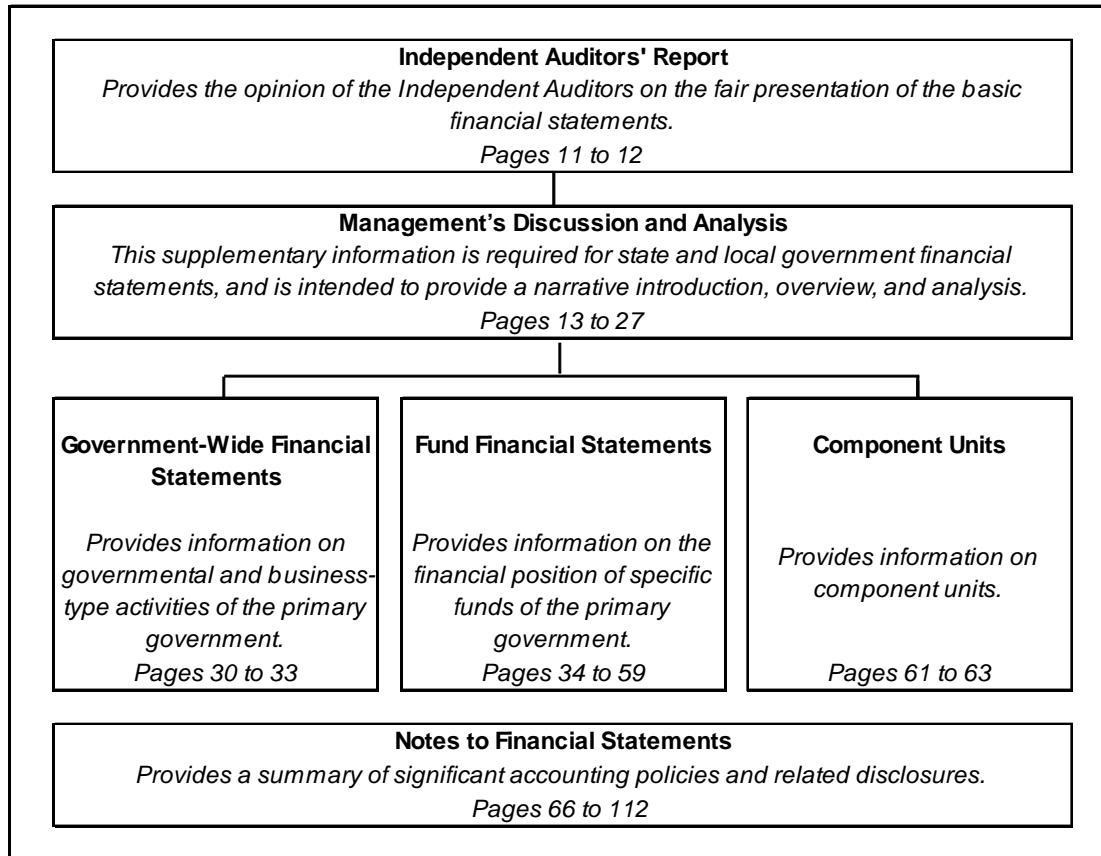
## **Financial Highlights**

- The assets of the County exceeded its liabilities at the close of fiscal year 2010 by \$964,051,747 (*net assets*). Of this amount, \$191,678,978 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- At September 30, 2010, the County's governmental funds reported combined ending fund balances of \$317,543,733, an increase of \$7,254,141.
- At September 30, 2010, unreserved fund balance for the General Fund was \$65,253,580, a decrease of .13 percent from the prior fiscal year.
- Governmental funds revenues decreased \$19,650,123 or 4.7 percent less than the prior fiscal year.
- The County's outstanding notes payable and bonded debt decreased by \$22,300,371 or 7.0 percent during fiscal year 2010. The principal retirements of its notes payable and bonded debt totaling \$28,952,273 offset an increase its notes payable in the amount of \$6,651,902.

## **Overview Of The Financial Statements**

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

### Organization and Flow of Financial Section Information



### Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. They consist of the *statement of net assets* and the *statement of activities*. The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during fiscal year 2010. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

The government-wide financial statements distinguish functions of the County 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 County include general government, public safety, physical environment, transportation, economic environment, health and social services, culture/recreation, and other community services. The business-type activities of the County include refuse disposal, airport operations, mass transit, water and sewer utilities, parking garage operations, and garbage collection.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also the following legally separate component units: Clerk of the Circuit Court, Volusia County Law Library,

and Emergency Medical Foundation, Inc. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 30-33 of this report.

### **Fund financial statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, 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 County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

#### ***Governmental funds***

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

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

The County maintains 46 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 balances for the general, municipal service district, and federal and state grants, which are considered to be major funds. Data from the other 43 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* in the supplementary information section of this report.

The County adopts an annual appropriated budget for its general, special revenue, and debt service funds and project-length budgets for the capital projects funds. A budgetary comparison statement has been provided for these funds to demonstrate budgetary compliance.

The basic governmental fund financial statements can be found on pages 34-46 of this report.

#### ***Proprietary funds***

The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements, except in more detail. The County uses enterprise funds to account for activities of a government that provide goods or services to the public at large primarily on a consumer charge basis. The proprietary fund financial statements provide separate information for the refuse disposal, Daytona Beach International Airport, Volusia Transportation Authority, water and sewer utilities, parking garage, and garbage collection funds. *Internal service funds* are an accounting device used to accumulate and internally allocate costs to the County's various functions. The County uses internal service funds to account for its computer replacement, vehicle maintenance, self-insurance and risk management, and employee group insurance programs. Because the services of these funds predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* in the supplementary information section of this report.

The basic proprietary fund financial statements can be found on pages 48-57 of this report.

### ***Fiduciary funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is similar to proprietary funds.

The basic fiduciary fund financial statements can be found on pages 58-59 of this report.

### **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. The notes to the financial statements can be found on pages 66-112 of this report.

### **Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* related to the County's volunteer firefighters pension funding and Other Post Employment Benefit (OPEB) obligations. Required supplementary information can be found on pages 114-115 of this report.

The combining statements referred to earlier in connection with nonmajor governmental, debt service, capital projects, internal service, and agency funds are presented in the supplementary information section of this report. Combining and individual fund statements and schedules can be found on pages 122-201 of this report.

## **Financial Analysis of County Of Volusia, Florida: Government-Wide Financial Analysis**

The County's net assets increased from a year ago – growing from \$920,195,307 to \$964,051,747. The increase of \$43,856,440 is less than last year's change of \$57,019,785. Looking at the net assets of the governmental and business-type activities separately, the business-type activities experienced a turn-around in its change in net assets when compared to the previous year – from a deficit of \$5,246,161 reported in 2009 to an increase of \$5,094,198 in 2010. The analysis that follows focuses on the changes in net assets of the County's governmental and business-type activities.

County of Volusia, Florida						
Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 419,980,041	\$ 417,669,984	\$ 64,336,481	\$ 58,817,438	\$ 484,316,522	\$ 476,487,422
Capital assets	675,313,426	668,725,053	219,784,143	216,456,239	895,097,569	885,181,292
Total assets	1,095,293,467	1,086,395,037	284,120,624	275,273,677	1,379,414,091	1,361,668,714
Long-term liabilities outstanding	287,361,486	310,729,549	88,806,072	85,225,411	376,167,558	395,954,960
Other liabilities	33,185,409	39,681,158	6,009,377	5,837,289	39,194,786	45,518,447
Total liabilities	320,546,895	350,410,707	94,815,449	91,062,700	415,362,344	441,473,407
Net Assets:						
Invested in capital assets, net of related debt	463,237,238	439,652,803	158,488,441	158,534,350	621,725,679	598,187,153
Restricted	142,883,607	140,159,434	7,763,483	7,476,848	150,647,090	147,636,282
Unrestricted	168,625,727	156,172,093	23,053,251	18,199,779	191,678,978	174,371,872
Total net assets	\$ 774,746,572	\$ 735,984,330	\$ 189,305,175	\$ 184,210,977	\$ 964,051,747	\$ 920,195,307

The net assets of the County's governmental activities increased by 5.3 percent (\$774,746,572 compared to \$735,984,330). Unrestricted net assets – the part used to finance day-to-day operations and meet the ongoing obligation to citizens and creditors without constraints by debt covenants, enabling legislation, or other legal requirements – changed from \$156,172,093 to \$168,625,727. The net assets of the business-type activities increased by 2.8 percent over last year's amount (\$189,305,175 compared to \$184,210,977). Unrestricted net assets changed from \$18,199,779 to \$23,053,251.

The largest portion of the County's net assets (64.5 percent) reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets (15.6 percent) represents resources that are subject to external restrictions on how they may be used. These restrictions include debt covenants, enabling legislation, and other legal requirements. For governmental activities, restricted assets increased \$2,724,173 over last year primarily due to an increase in funds accumulated for ECHO and Forever projects which, however, were offset by decreases in debt and capital project related activities. The restricted net assets of the County's business-type activities increased by \$286,665 due to approximately a \$90,000 increase in the debt service funding for the Daytona Beach International Airport's bonds and a \$197,000 increase in the amount required to fund the debt of the water and sewer utilities operation resulting from the issuance of a \$6.6 million note for expansion of a reclamation facility. The remaining balance of *unrestricted net assets* (\$191,678,078) for both governmental and business-type activities may be used to finance its day-to-day operations.

County of Volusia, Florida						
Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 48,225,939	\$ 50,519,796	\$ 48,976,427	\$ 46,785,500	\$ 97,202,366	\$ 97,305,296
Operating grants and contributions	30,108,237	27,608,244	9,469,186	8,720,566	39,577,423	36,328,810
Capital grants and contributions	16,535,782	26,322,290	11,217,672	6,089,166	27,753,454	32,411,456
General Revenues:						
Property taxes	228,686,586	236,246,448	-	-	228,686,586	236,246,448
Other taxes	55,882,829	55,385,251	-	-	55,882,829	55,385,251
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	15,122,485	23,258,322	894,627	1,317,242	16,017,112	24,575,564
<b>Total revenues</b>	<b>394,561,858</b>	<b>419,340,351</b>	<b>70,557,912</b>	<b>62,912,474</b>	<b>465,119,770</b>	<b>482,252,825</b>
<b>Expenses:</b>						
General government	68,474,891	66,181,105	-	-	68,474,891	66,181,105
Public safety	138,711,417	142,200,482	-	-	138,711,417	142,200,482
Physical environment	6,623,263	6,508,365	-	-	6,623,263	6,508,365
Transportation	28,992,740	28,633,671	-	-	28,992,740	28,633,671
Economic environment	20,469,936	19,973,864	-	-	20,469,936	19,973,864
Human services	22,913,545	20,750,157	-	-	22,913,545	20,750,157
Culture/recreation	51,613,063	52,581,962	-	-	51,613,063	52,581,962
Interest on long-term debt	9,653,950	10,232,969	-	-	9,653,950	10,232,969
Refuse disposal	-	-	15,382,143	20,022,046	15,382,143	20,022,046
Daytona Beach International Airport	-	-	15,298,781	15,952,429	15,298,781	15,952,429
Volusia Transportation Authority	-	-	21,936,449	20,511,281	21,936,449	20,511,281
Water and sewer utilities	-	-	12,035,452	12,354,869	12,035,452	12,354,869
Parking garage	-	-	2,115,123	2,303,761	2,115,123	2,303,761
Garbage collection	-	-	7,042,577	7,026,079	7,042,577	7,026,079
<b>Total expenses</b>	<b>347,452,805</b>	<b>347,062,575</b>	<b>73,810,525</b>	<b>78,170,465</b>	<b>421,263,330</b>	<b>425,233,040</b>
Increase (decrease) in net assets before transfers	47,109,053	72,277,776	(3,252,613)	(15,257,991)	43,856,440	57,019,785
Transfers in (out)	(8,346,811)	(10,011,830)	8,346,811	10,011,830	-	-
Increase (decrease) in net assets	38,762,242	62,265,946	5,094,198	(5,246,161)	43,856,440	57,019,785
Net assets - beginning of year, restated	735,984,330	669,264,434	184,210,977	189,240,832	920,195,307	858,505,266
Net assets - end of year	\$ 774,746,572	\$ 731,530,380	\$ 189,305,175	\$ 183,994,671	\$ 964,051,747	\$ 915,525,051

The combined revenues of both the county's governmental and business-type activities decreased by 3.6 percent (\$17,133,055). The total cost of all programs and services decreased by approximately .9 percent (\$3,969,710) when compared to last year. While these decreases did not contribute to a reduction in net assets, they do explain why the change in net assets for 2010 did not grow at the same rate when compared to last year. The following analysis separately considers the operations of governmental and business-type activities.

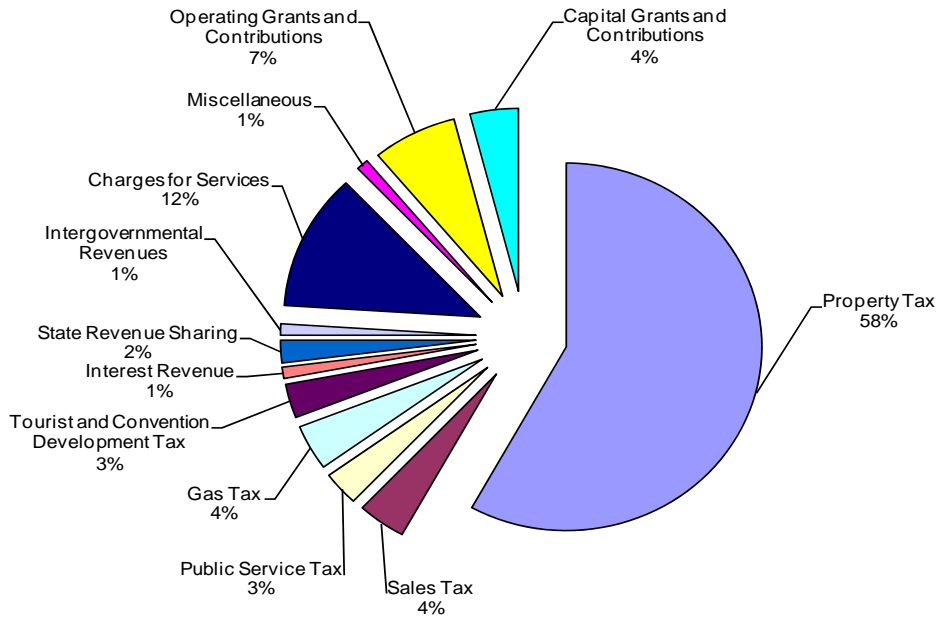
### **Governmental activities**

Revenues for the governmental activities decreased by \$24,778,943, or 5.9 percent, when compared to fiscal year 2009, while expenses increased by .1 percent. Property tax revenues declined by nearly \$7.6 million largely due to the decrease in property values upon which they are based. Charges for services were down \$2.3 million primarily due to the reduction in tax collector's fees which are based upon property tax collections and to the elimination of a contract between the County and a local municipality to provide fire protection services. In addition, operating and capital grants and contributions were lower by \$7.3 million because of one-time grants received in 2009 of approximately \$5.9 million in road improvement grants and \$1.4 million in public safety grants related to reimbursement for disaster recovery costs that were not repeated in 2010. Though improved from last year, the sluggish economy resulted in lower sales, resort, and gas tax receipts – a less than \$.4 million decline when compared to the previous year. Because of continued declines in the financial markets, investment interest rates dropped from an average of 2.61 percent a year ago to an average of 1.21 percent causing an \$8.3 million drop in interest revenue compared to last year.

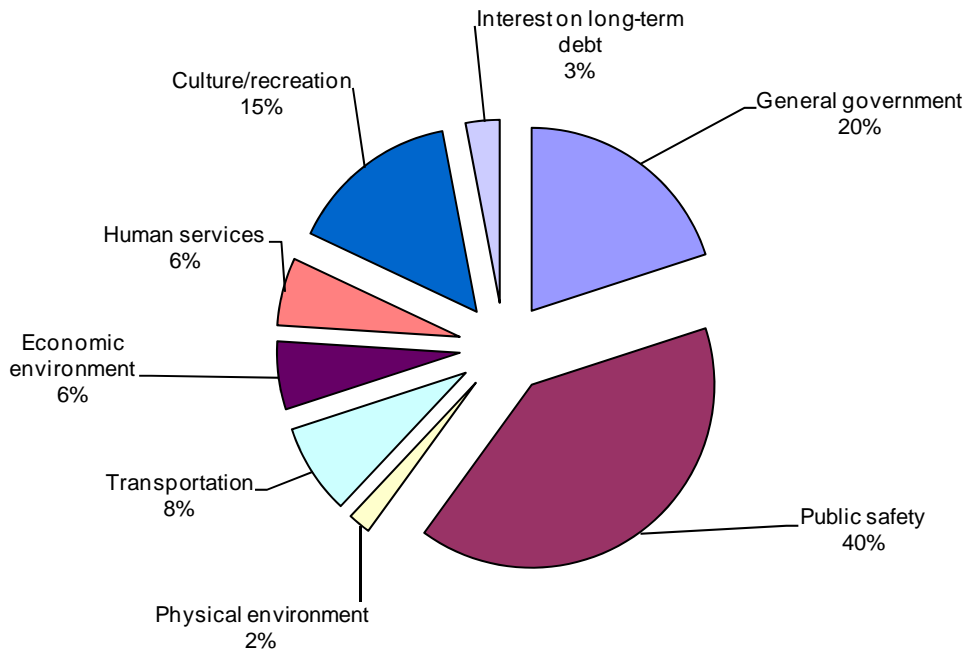
The cost of all governmental activities this year was \$347,452,805 compared to \$347,062,575 last year. However, as shown in the Statement of Activities on pages 32-33, \$94,869,958 was financed either through user fees by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. The statement presents the cost of each of the County's seven largest programs – general government, public safety, physical environment, transportation, economic environment, human services, and culture/recreation – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the amount needed to be financed by taxes or other sources. As a result, the remaining amount of \$252,582,847 was covered by taxes and other general revenues such as interest.

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### Revenue By Source – Governmental Activities



### Expenses By Function/Program – Governmental Activities





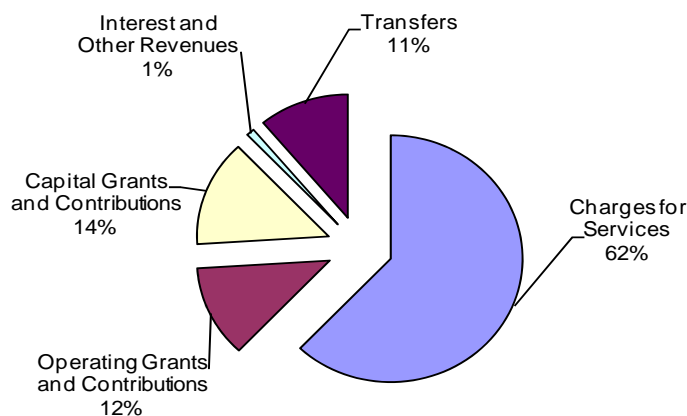
### Business-type activities

Revenues for the County's business-type activities increased by \$7,645,438 or 12.2% when compared to last year. This overall increase is comprised of the following: a \$2.2 million increase in charges for services; a \$5.8 million increase in operating and capital grants, and a \$.4 million decrease in other revenues.

In the refuse disposal fund, continual declines in the construction industry and resident populations were contributing factors to a nearly \$2.0 million decline in refuse disposal service revenue collected at the County's landfill. Also, the fund's capital grants and contributions were lower than last year by approximately \$.2 million. At the Daytona Beach International Airport, an increase in the number of scheduled flights (from 3,490 to 3,604) and higher passenger traffic generated an additional \$.4 million in revenues in comparison to last year. However, this gain was offset by reductions of nearly \$1.6 million in operating and capital grants resulting from the completion of a perimeter service road and terminal security system projects. Volusia Transportation Authority received an additional \$6.4 million in capital fund grants compared to last year. The grant funds were a part of the American Recovery and Reinvestment Act and were used for the purchase of 14 hybrid and 5 diesel buses. In addition, Volusia Transportation Authority received \$1.5 million more in operating grants in comparison to fiscal year 2009. At water and sewer utilities, the customer base increase of 449 households was a contributing factor in approximately \$1 million in additional water sales revenue. Capital grants and contributions for this fund were lower by about \$.2 million. The parking garage revenues grew by nearly \$.3 million due to a combination of increased parking rates which were in effect mid-year and increased attendance at the Ocean Center which uses the facility as its main source of parking. The garbage collection fund realized a boost in revenues of approximately \$2.4 million due to the increase in the residential garbage collection fee from \$130 to \$190 per year. Lower interest revenues were realized across all business-type activities' funds and were the contributing factor to the \$.4 million dollar decrease in other revenues.

Operating expenses decreased by \$4,359,940 or 5.6%, when compared to last year. Most of the business-type activities' lowered their operations spending based upon prior year's results and in anticipation of potential reductions in operating revenues and grants. The refuse disposal fund experienced the greatest reduction in expenses. This reduction is made up of the following: the pollution remediation liability was adjusted by approximately \$.2 million compared to last year's adjustment of \$1.6 million; the landfill closure adjustment for the current fiscal year was \$.4 million, compared to \$1.2 million; and on-call landfill monitoring services were lower by approximately \$2.1 million.

**Revenues by Source – Business-type Activities**



## Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental funds

The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County'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 fiscal year 2010, the County's governmental funds reported combined ending fund balances of \$317,543,733, an increase of \$7,254,141 from the prior year. *Unreserved, undesignated fund balance* of \$161,387,014 is available for spending at the County's discretion; \$22,008,615 is designated as emergency reserves and \$88,725,258 is designated for capital projects. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period (\$33,233,112), 2) for inventories (\$2,110,435), 3) for advances to other funds (\$1,630,035), 4) to pay debt service (\$4,087,320), 5) for employee receivables (\$92,478), and 6) for long-term notes receivable (\$4,269,466). The general, municipal service district, and federal and state grants are reported as major funds in the basic financial statements.

The general fund is the chief operating fund of the County. At the end of fiscal year 2010, unreserved fund balance of the general fund was \$65,253,580, while total fund balance was \$71,596,171. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 38.0 percent of the total general fund expenditures, while total fund balance represents 41.7 percent of that same amount.

General fund revenues decreased by \$3,744,395 from the prior year and total expenditures were reduced by \$5,145,047. These reductions were one of the contributing factors in the decrease of \$459,784 in the County's general fund ending fund balance. Transfers to other funds were increased over last year's amount of \$15,085,295 to \$34,156,586 in the current fiscal year also caused a reduction in fund balance. This increase is attributed to transfers to debt service funds in the amount of \$9,624,496 and to the capital outlay funds in the amount of \$11,040,053, primarily for the branch jail expansion and the information technology projects.

The municipal services district fund accounts for the fiscal activity of the resources generated by any municipal-type service rendered to the citizens and taxpayers of the County's unincorporated areas. The fund's expenditures of \$39,253,114 exceeded its revenues of \$38,932,016 by \$321,098. This was offset by net transfers of \$768,109. As a result, its fund balance increased by \$447,011 to the amount of \$6,494,343 at the end of the fiscal year.

In the municipal services district fund, tax revenues increased over the previous year by \$2,169,627 primarily due to increased collections of property taxes (\$1,101,805) and utility taxes (\$957,365). Licenses and permit revenues, however, were down. These revenues were lower by approximately \$435,416 from the previous fiscal year mainly due to the lack of building permit activity due to the poor economy.

The municipal service district's total expenditures decreased by \$1,233,840, or 3.0 percent, from the previous year. Only the functional category of human services increased expenditures during the fiscal year (\$129,223). Other functional categories of expenditure decreased ranging from 1.4 percent (public safety) to 24.4 percent (physical environment) with the decline in general government expenditures of \$604,458 accounting for the largest dollar amount decrease.

The federal and state grants fund balance of \$2,449,398 represents a decrease of \$343,055 from last fiscal year, a total change of 12.3 percent. Additionally, the federal and state grant funds realized a decrease in revenues of \$524,778 (1.9 percent) from last fiscal year. Correspondingly, there was a 1.9 percent decrease in expenditures, or \$525,108. The overall decreases were largely attributed to the completion of Homeland Security grants used for disasters and hazard mitigation and the completion of the Deltona Library construction grant. These decreases were offset by new grants in elections of \$72,383 (general government), in environmental management of \$73,487 (general government), and in community assistance (human services) of \$1,940,652.

### Proprietary funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of proprietary funds at the end of the year amounted to:

<b>Proprietary Funds</b>		
<b>Unrestricted Net Assets (deficit)</b>		
<b>Proprietary Fund</b>	<b>2010</b>	<b>2009</b>
<b>Enterprise Funds</b>		
Refuse disposal	\$ (2,469,920)	\$ (4,261,949)
Daytona Beach International Airport	6,383,130	7,473,256
Volusia Transportation Authority	3,554,026	3,173,626
Water and sewer utilities	11,037,958	7,994,409
Parking garage	(174,378)	(568,501)
Garbage collection	638,977	821,774
<b>Total</b>	<b>\$ 18,969,793</b>	<b>\$ 14,632,615</b>
<b>Internal Service Funds</b>	<b>\$ 40,104,541</b>	<b>\$ 37,374,840</b>

The increase in unrestricted net assets of the enterprise funds is mainly due to the increases in revenues and the reduction in expenses as previously addressed in the discussion of business-type activities.

In comparison to last year, unrestricted net assets of the internal service funds increased by \$2,831,234. This increase was due to a combination of a surplus in the insurance and vehicle maintenance funds and a decrease in the group insurance fund. In the vehicle maintenance fund, the nearly \$600,000 increase in revenues was attributed to a rise in user-charges for increased gas and oil prices. The insurance fund's surplus resulted from lower than anticipated claims costs which are used to determine user charges for the fund. Conversely, the group insurance fund's claims costs were larger than anticipated.

## **General Fund Budgetary Highlights**

During the year, the County Council authorized amendments to the original general fund budget for supplemental appropriations whose values were unknown during the initial budget process. The original 2010 budget was increased \$24,435,276 by these amendments. The original budget was also increased for end of the prior fiscal year encumbrances in the amount of \$5,322,450.

The variance between the final budget and actual expenditures for the general fund for the year was \$43,878,723. The largest portion of this variance pertains to the general government non-departmental expenditures which were \$16,888,409 less than budgeted. One of the main components of non-departmental expenditures are reserves which are either designated for specific expenditures that are anticipated in the future or for unanticipated expenditures that may arise during the year. For this purpose, \$15,616,023 was budgeted as an emergency reserve and was not expended during the fiscal year. Economic development actual expenditures were \$7,657,744 less than budgeted. This variance includes \$3,700,000 of unspent funding for the continuing development of the corporate park at the Daytona Beach International Airport in conjunction with the future Business Incubation program in partnership with the University of Central Florida.

Central services actual expenditures were \$2,578,377 less than budgeted due to delays in completion of repair and renovation projects at the branch jail, correctional facility, City Island courthouse, and the Volusia County Courthouse facility. Parks, recreation, and culture had a variance of \$2,100,420 for fiscal year 2010. This variance is the result of major efforts by the department to curtail utility costs, reduce grounds maintenance frequency, and a discontinuance of special event and recreation programs that did not recover costs. There was also a 33 percent reduction in participation in the summer recreation program resulting in less required staff and supplies.

## **Capital Asset And Debt Administration**

### **Capital Assets**

The County's investment in capital assets for its governmental and business-type activities as of September 30, 2010 amounts to \$895,097,569 (net of accumulated depreciation). This investment in capital assets includes land, easements, buildings, improvements other than buildings, leasehold improvements, equipment, infrastructure, intangibles, and construction in progress. The net increase in the County's investment in capital assets for the current fiscal year was 1.1 percent (a 1.0 percent increase for governmental activities and a 1.5 percent increase for business-type activities).

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

- The County has been replacing antiquated computer systems in recent years. In fiscal year 2010, the criminal justice information system (CJIS), InfoAdvantage Financial and Human Resource System, and the Tax Collection Automation System have all completed implementation at a cost of \$17 million, \$6.4 million, and \$1 million respectively.
- The infrastructure assets increased by \$21,238,093 due to the completion of Williamson Boulevard from Spruce Creek Road to Taylor Road in Daytona Beach, the widening of DeBary Avenue from Interstate 4 to Providence Road in Deltona, and the Rhode Island Avenue extension in Orange City.
- The County purchased land with Volusia Forever funds in the amount of \$1.7 million. Along with many small lot acquisitions, the 72 acre Fatio Road property, adjacent to Blue Springs State Park, was acquired.
- The County expended \$5.8 million to begin an upgrade to the existing 800 MHz radio system. The existing system is based on early 1990s technology while the new system will utilize GPS simulcast technology. The new system will provide improved communications as well as easier maintenance.

- The expansion of the Southwest Regional Water Reclamation Facility was substantially completed during the fiscal year. The total capitalized cost of the project was \$9,110,387. Of that amount, \$4,742,765 was spent in fiscal year 2010.
- A hangar construction project continues at the Daytona Beach International Airport. Construction in progress amounted to \$2,850,891 at the end of the fiscal year.
- In the County's continuing effort to "go green" and reduce operating costs, \$6 million was expended to purchase 14 hybrid buses for the Volusia Transportation Authority in fiscal year 2010.

County of Volusia, Florida Capital Assets (net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 126,734,221	\$ 124,962,513	\$ 48,177,834	\$ 48,183,629	\$ 174,912,055	\$ 173,146,142
Land - infrastructure	47,013,505	45,385,542	-	-	47,013,505	45,385,542
Easements	1,176,233	1,176,233	-	-	1,176,233	1,176,233
Intangibles	22,598,701	4,453,950	2,136,619	216,306	24,735,320	4,670,256
Buildings	215,580,836	226,919,295	19,996,345	21,230,841	235,577,181	248,150,136
Improvements other than buildings	19,233,289	15,896,917	121,186,102	117,201,797	140,419,391	133,098,714
Leasehold improvements	56,987	80,548	-	-	56,987	80,548
Equipment	47,868,342	48,170,787	22,607,061	18,422,995	70,475,403	66,593,782
Infrastructure	141,614,761	125,395,121	-	-	141,614,761	125,395,121
Construction in progress	7,240,725	24,459,374	5,680,182	11,200,671	12,920,907	35,660,045
Construction in progress - infrastructure	46,195,826	51,824,773	-	-	46,195,826	51,824,773
<b>Total</b>	<b>\$ 675,313,426</b>	<b>\$ 668,725,053</b>	<b>\$ 219,784,143</b>	<b>\$ 216,456,239</b>	<b>\$ 895,097,569</b>	<b>\$ 885,181,292</b>

Additional information on the County's capital assets can be found in Note 7 on pages 86-88 of this report.

#### Long-term bonded debt

At the end of fiscal year 2010, the County's total bonded debt outstanding amounted to \$266,180,000. This amount represents bonds secured by specified revenue sources (i.e., revenue bonds) and bonds secured by a property tax levy of 0.20 mills on all taxable property in the County (general obligation bonds).

County of Volusia, Florida Outstanding Bonded Debt Revenue and General Obligation Bonds						
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue bonds	\$ 186,405,000	\$ 201,915,000	\$ 47,630,000	\$ 50,175,000	\$ 234,035,000	\$ 252,090,000
General obligation bonds	32,145,000	34,230,000	-	-	32,145,000	34,230,000
<b>Total</b>	<b>\$ 218,550,000</b>	<b>\$ 236,145,000</b>	<b>\$ 47,630,000</b>	<b>\$ 50,175,000</b>	<b>\$ 266,180,000</b>	<b>\$ 286,320,000</b>

The County issued no new bonded debt for fiscal year 2010. Overall, the County's outstanding bonded debt decreased by \$20,140,000 or 7.0 percent, during fiscal year 2010. The factors in this decrease were scheduled principal retirements and an optional redemption in the amounts of \$13,930,000 and \$6,210,000, respectively.

Additional information on the County's debt can be found in Note 8 on pages 89-98 of this report.

## **Economic Factors And Next Year's Budget And Rates**

The County's elected and appointed officials considered many factors when establishing its 2010-11 budget and tax rates. One of these factors is the state of the economy. Key economic indicators have changed very little from 2009 to 2010. The unemployment rate at fiscal year-end grew from 11.8 percent from a year ago to 12.0 percent. This is higher than the national average of 9.6 percent and state average of 11.7 percent for the same time period. For the second year in a row, population decreased; from the prior fiscal year of 515,563 to the current year of 508,913. Retail sales and building permit activity saw declines as well. In 2010, 5,096 permits were issued compared to 5,985 in 2009. Taxable sales for 2010 were approximately \$5.6 billion compared to \$5.8 billion for the prior period.

The County's property tax base continues to experience declines. The County's tax base fell 13.2% from \$30.1 billion in fiscal year 2010 to \$26.0 billion in fiscal year 2011. The most significant reduction occurred in the net reassessment of real estate, falling by \$4.2 billion due to declining values. The fiscal year 2011 adopted countywide (general and library funds) millage rate of 5.90250 is lower than the rollback rate of 6.89730 and last year's millage of 5.97434. Property tax revenues are expected to decrease for all property tax supported funds in fiscal year 2011 by \$32 million, a reduction of 12% over last year, largely due to the overall decrease in the County's tax base.

The sluggish economy continues to have an effect on tax revenues other than property taxes. Gas tax collections in 2011 (an estimated \$14.3 million) are expected to be slightly lower than fiscal year 2010 (\$15.0 million). However, sales tax revenues are estimated to increase in fiscal year 2011 compared to 2010. As a result, the amount estimated to be collected in 2011 is \$16.1 million compared to \$15.3 million in 2010. The collection of utility, resort, and communication taxes are also expected to slightly increase over 2010 amounts.

The County continues to face budget challenges created by the slow recoveries of both the real estate market and the economy, as a whole. The fiscal year 2011 operating budget was reduced by \$19.4 million compared to fiscal year 2010. Cuts were made across all departmental personal services, operating, and capital outlay expenditures. To achieve reductions of close to \$9.5 million in personal service costs, the County, once again, reduced its workforce. Forty-two full-time positions of those individuals slated to retire in 2011 or 2012 fiscal years will remain unfunded upon the individual's retirement. A total of 467 positions have either been eliminated or unfunded since fiscal year 2007. In addition, no general wage adjustments were adopted for the fiscal year 2011 budget. As an additional measure, the County will review any additional one-time revenues, such as funds carried over from the prior fiscal year, to determine if it is in the best interest of the County to use those resources to pay down on its bonded debt or outstanding notes.

Of the \$65,253,580 in unreserved fund balance of the general fund, \$15,616,023 has been appropriated to primarily fund emergency reserves for the fiscal year 2011. As a general rule, to ensure the County does not become reliant on unreserved and undesignated fund balance to fund on-going operating costs, these excess funds are used for one-time capital purchases or to increase reserves.

## **Requests For Information**

This financial report is designed to present users with a general overview of the County's finances and to demonstrate the County's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the County's Chief Financial Officer, 123 West Indiana Avenue, Room 300, DeLand, FL 32720-4602. Additional financial information can be found on our web-site <http://www.volusia.org/finance>.