

COUNTY OF VOLUSIA, FLORIDA



POPULAR ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

ACKNOWLEDGEMENTS

The successful completion of this year's Popular Annual Financial Report is attributed to the group efforts of several individuals deserving of special recognition. The cooperation, contributions, and expertise provided by each one are greatly appreciated.

The Accounting team is commended for their expertise and perpetual efforts put forth in the research, analysis, and compilation of this report.

Donna de Peyster, CPA, Accounting Director
Mary Felton, CGFO, Assistant Accounting Director
Natalia Eckroth, Senior Accountant
Patricia Kehr, Senior Accountant
Shirley Liu, CPA, Accountant
Terri Ruegger, Accountant
Lynne Urice, Accountant
Myriam Lemay, Activity Project Manager
Terri Bergeron, Administrative Coordinator

Additional Acknowledgements:
Rhonda Orr, CGFO, Deputy Director, Financial and Administrative Services
Tammy Bong, Management and Budget Director
Juan Godoy, Activity Project Manager, Management and Budget – Grants
Peggy Flomerfelt, Revenue Director
Christine Carpenter, Activity Project Manager, Revenue
Robert Ehrhardt, Business Manager, Economic Development





March 5, 2013

It is a pleasure to present the third issue of the *County of Volusia, Florida, Popular Annual Financial Report for the fiscal year ended September 30, 2012*. It represents a brief presentation of financial information and activities of the County, but excludes discretely presented component units. Since the *Popular Annual Financial Report* contains simplified information, it does not conform to Generally Accepted Accounting Principles (GAAP) for governmental entities.

Information contained in this *Popular Annual Financial Report* was derived from the audited *County of Volusia, Florida, Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2012*. The CAFR consists of over 240 pages of detailed financial statements, notes, schedules, and reports and, along with this annual report, is published online at www.volusia.org/finance. The Government Finance Officers Association has awarded the County the Certificate of Achievement for Excellence in Financial Reporting for the CAFR, an ongoing tradition since the County received its first award in 1977.

Fiscal policy is established by the County Council, implemented by County management and includes sound management and fiscal practices, continued vigilance in long range monitoring of revenue and expense trends, maintaining strong reserve balances, and a conservative approach to debt management. I would like to thank the County Manager, County Chair, and County Council for their leadership and support in planning the financial operations of the County in a responsible and progressive manner.

This year's cover showcases the photography of Joseph de Peyster, M.D., a local citizen who, with his camera, has captured the natural beauty of Volusia County.

Sincerely,

A handwritten signature in cursive script that reads "Charlene Weaver".

Charlene Weaver, CPA
Deputy County Manager/Chief Financial Officer

**Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting**

PRESENTED TO

**County of Volusia
Florida**

for the Fiscal Year Ended

September 30, 2011



Christopher P. Morrill
President

Jeffrey L. Esser
Executive Director

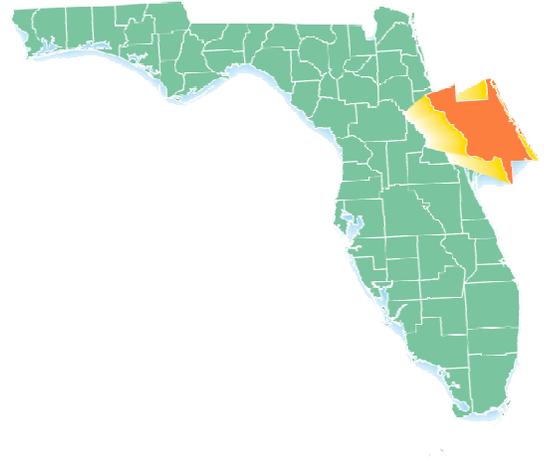
The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the County of Volusia, Florida for its Popular Annual Financial Report for the fiscal year ended September 30, 2011. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.

The County and its Organization

Volusia County is located in the east-central region of the State of Florida and bordered by the Atlantic Ocean. Volusia County is approximately 40 miles northeast of the City of Orlando and approximately 200 miles from Tallahassee, Florida's capital.



Volusia County was established in 1854 and became the 30th county in the State of Florida. In June 1970, the electorate of Volusia County adopted a Home Rule Charter, effective January 1, 1971. The County operates under a Council/Manager form of government. The promulgation and adoption of policy are the responsibility of the seven-member council and the execution of such policy is the responsibility of the council-appointed County Manager. The Council is elected on a non-partisan basis. Voters elect the County Council which consists of seven members that serve four-year terms. Five are elected by district; the County Chair and the At-Large representative are elected countywide.

The County provides a full range of services, including public protection; highway, street, and other infrastructure construction and maintenance; growth management; conservation and resource management; economic development; health and human welfare assistance; and recreational activities and cultural events. In addition, the County operates a water and sewer system, an international airport, a public transportation system, a parking garage, a garbage collection program, and a refuse disposal system.

Volusia County Council Mission Statement

Mission: To nourish good citizenship by promoting democratic values and earning public trust; to respond effectively to citizens' needs for health, safety, and general welfare; to allocate limited public resources fairly and efficiently; to provide leadership and high quality service by consistently communicating with the citizens about their needs and aspirations.

Strategic Goals:

- Customer/Partner Relations: Maintain and foster productive working relationships with partners while providing a high level of customer service.
- Quality Services: Provide a broad range of services in ways that meet community expectations for quality.
- Community Quality of Life: Engage in infrastructure, regulatory, and leadership actions, which protect and enhance the resident's experience of Volusia County as a distinctive and satisfying place to live and work.
- Economic and Financial Vitality: Strengthen the economic health of the community to foster quality job growth and a financial base for public sector activities.

Principal County Officials

COUNTY COUNCIL

Volusia County operates under a Council/Manager form of government. The promulgation and adoption of policy are the responsibility of the seven-member council. Board members at fiscal year-end were:

Frank T. Bruno, Jr., County Chair

Joyce M. Cusack, Vice-Chair	Council Member At-Large
Andy Kelly	District No. 1
Joshua J. Wagner	District No. 2
Joie Alexander	District No. 3
Vacant	District No. 4
Patricia Northey	District No. 5

ELECTED OFFICIALS

Constitutional officers are elected officials responsible for specifically designated functions of County government. The elected officials at year-end were:

Ben F. Johnson	Sheriff
Ann McFall	Supervisor of Elections
Morgan B. Gilreath, Jr.	Property Appraiser

APPOINTED OFFICIALS

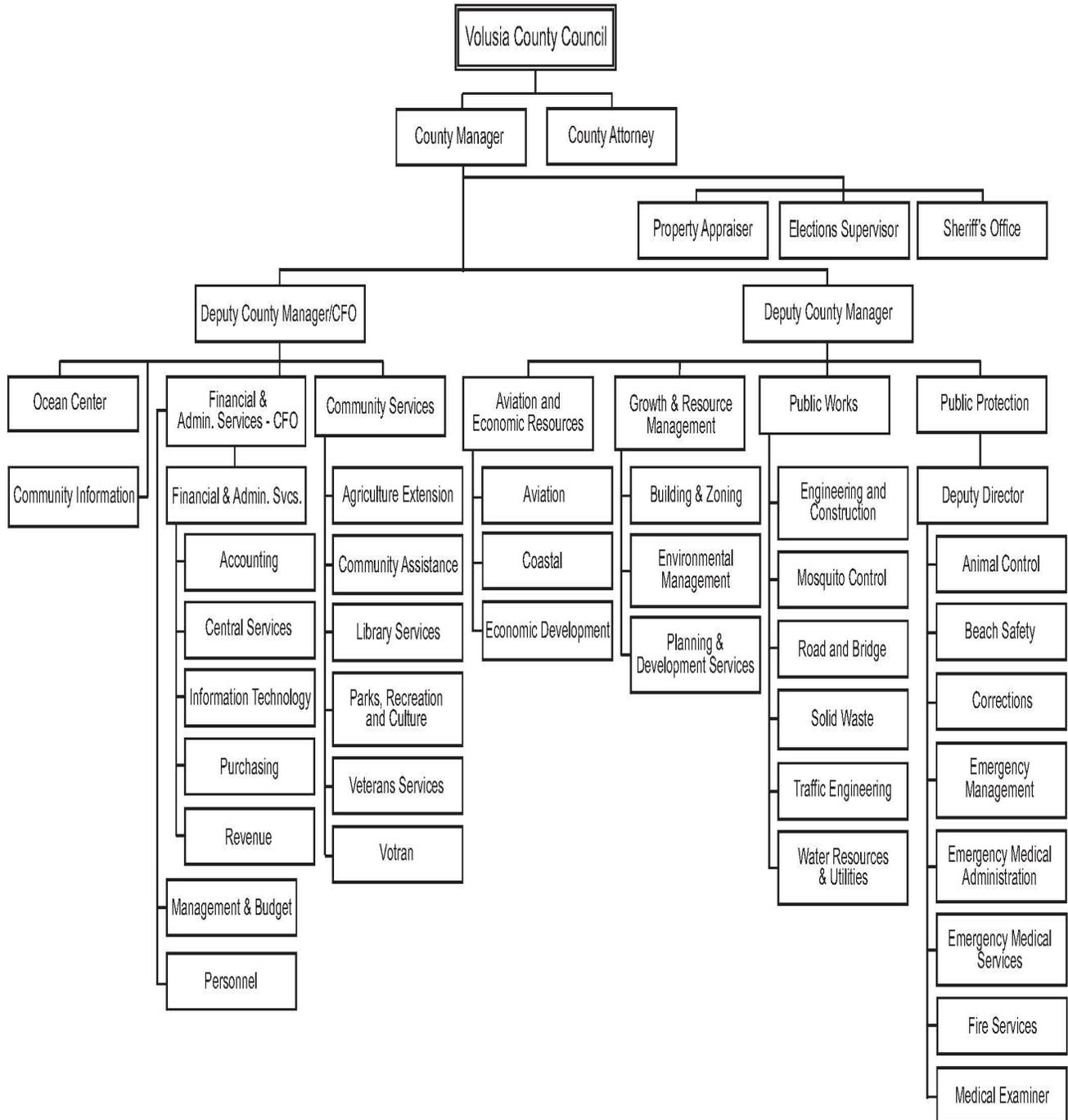
The council appoints the County Manager and the County Attorney.

James Dinneen	County Manager
Daniel Eckert	County Attorney

The County Manager appoints Deputy County Managers.

Charlene S. Weaver, CPA, CFO	Mary Anne Connors
------------------------------	-------------------

Volusia County Organizational Chart



Economic Condition of the County

The economy of Volusia County improved in 2012 with most industry sectors showing stability or modest growth. Employment increased from 229,467 in September, 2011 to 232,926 in September, 2012, a gain of 1.5 percent. The unemployment rate showed consistent improvement throughout the year and stands at 8.8 percent in September, 2012, an improvement of nearly 2 percent when compared to the same month one year ago. However, the number of unemployed workers remains above 20,000, highlighting the ongoing need for retraining workers to upgrade current skills.

The number of new homes entering foreclosure has slowed, while the resale of existing homes in the area and the accompanying median sales price is up markedly. New construction residential permits have improved dramatically showing an increase of over 50 percent through the first three quarters of 2012 as compared to the same period in 2011. The number of new commercial and industrial permits has declined slightly as projects under construction are completed.

International Speedway Corporation announced its intent to renovate the Daytona International Speedway and expand its entertainment complex with improvements to the facilities and grandstands. New development could include up to 2 million square feet of retail space, 1,785 hotel rooms, 1,500 multifamily residential units, movie theaters, and 950,000 square feet of industrial space. Two developers are considering separate beachfront condominium hotel complexes in Daytona Beach – a 1.22 million square foot project valued at \$100 million and a 1.3 million square foot project with an estimated \$80 million construction cost. A \$16 million, 112-room hotel opened for business in New Smyrna Beach, the first new hotel to be built there in 20 years.

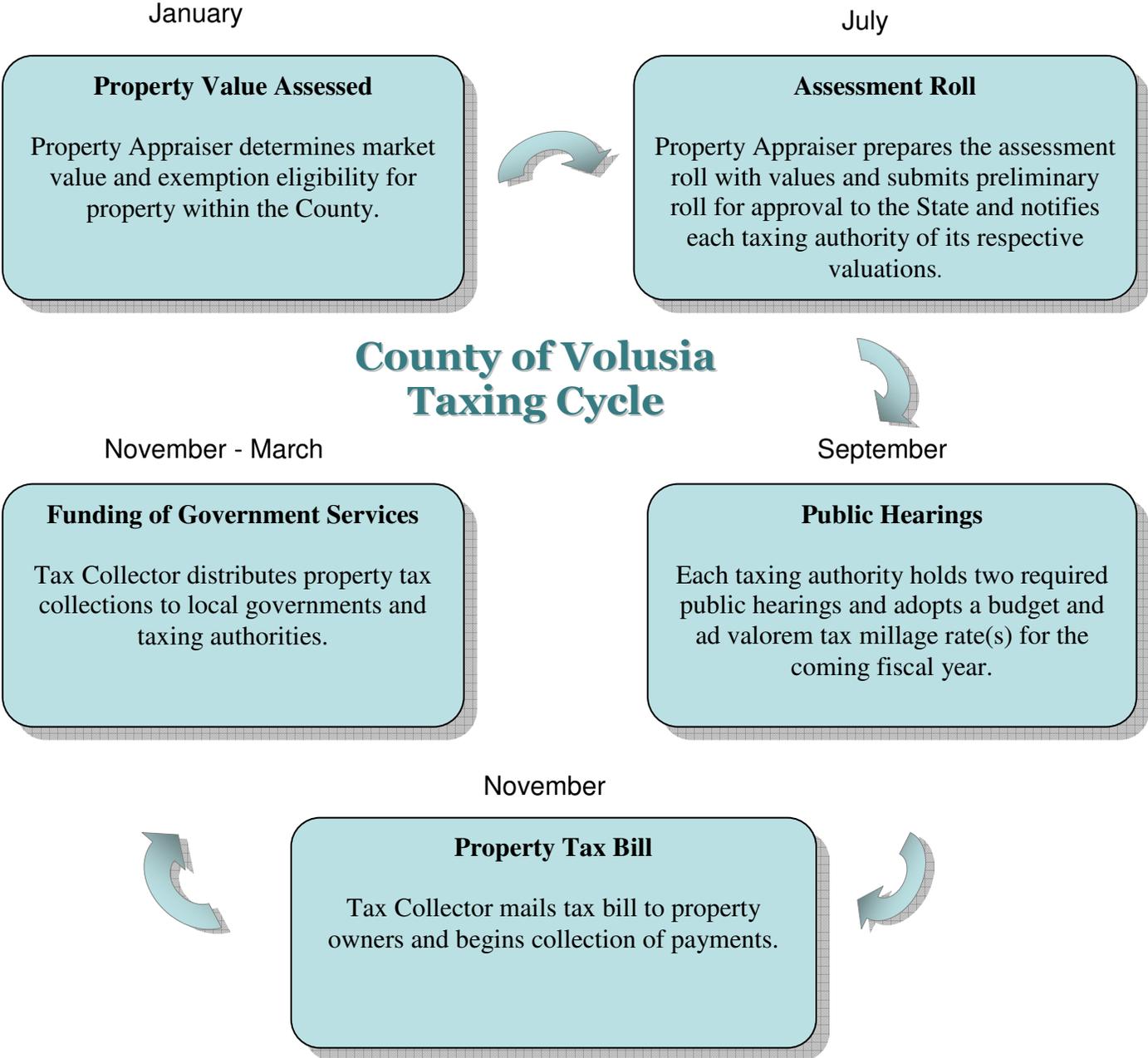
Major manufacturers are expanding with Teledyne Oil & Gas expected to occupy a 50,000 square foot research and development facility in the first quarter of 2013 and AO Precision Manufacturing LLC nearing completion of a 60,000 square foot expansion to their existing manufacturing facility. Brown & Brown Insurance completed a 28,000 square foot hangar at the Daytona Beach International Airport, the largest free standing hangar ever constructed in Volusia County, to accommodate their fleet of corporate jets. In 2012, Sen-Pack moved into a new state-of-the-art robotic packaging manufacturing facility and ARK Technologies, Inc. began automotive component manufacturing in their first Florida facility, a new 50,000 square foot building in Daytona Beach. Conelec of Florida, LLC re-purposed a 60,000 square foot facility located in DeLand Crossing Industrial Park by making a significant capital investment prior to moving their 30 year old company from Seminole County.

Embry-Riddle Aeronautical University completed or commenced construction on approximately \$70 million of campus improvements including the campus loop road system, the athletic expansion, Larson Motorsports facility, Henderson Administration and Welcome Center, Research Park, and the new College of Arts and Sciences. Stetson University completed an \$8 million Science Center addition and a \$6.7 million athletics complex on their DeLand campus. The University of Central Florida (UCF) managed Business Incubator at the Daytona Beach International Airport ended the year with 13 client companies. These startup companies have created over 30 positions pursuing business models in technology, manufacturing, service, and health. The management team continues to focus on attracting angel or venture capital investors, while developing this successful program.

In 2012, the Florida Department of Transportation commenced two interstate widening projects in Volusia County. The Interstate 95 project is budgeted at \$118 million and is expected to generate 3,300 direct, indirect, or induced jobs while the Interstate 4 widening project is budgeted at \$134 million and could create 3,700 related jobs.

Annual Budget

The County must prepare an annual budget authorizing the spending of public funds. State law requires the County have a balanced budget that can only be amended through the fiscal year with approval of the County Council. Prior to October 1 of each year, the annual budget is legally adopted. Planning and preparation of the budget begins many months prior to its adoption. Two public hearings are held, usually in September, to illicit comments and feedback from County citizens concerning the proposed budget and tax rates.



Revenues

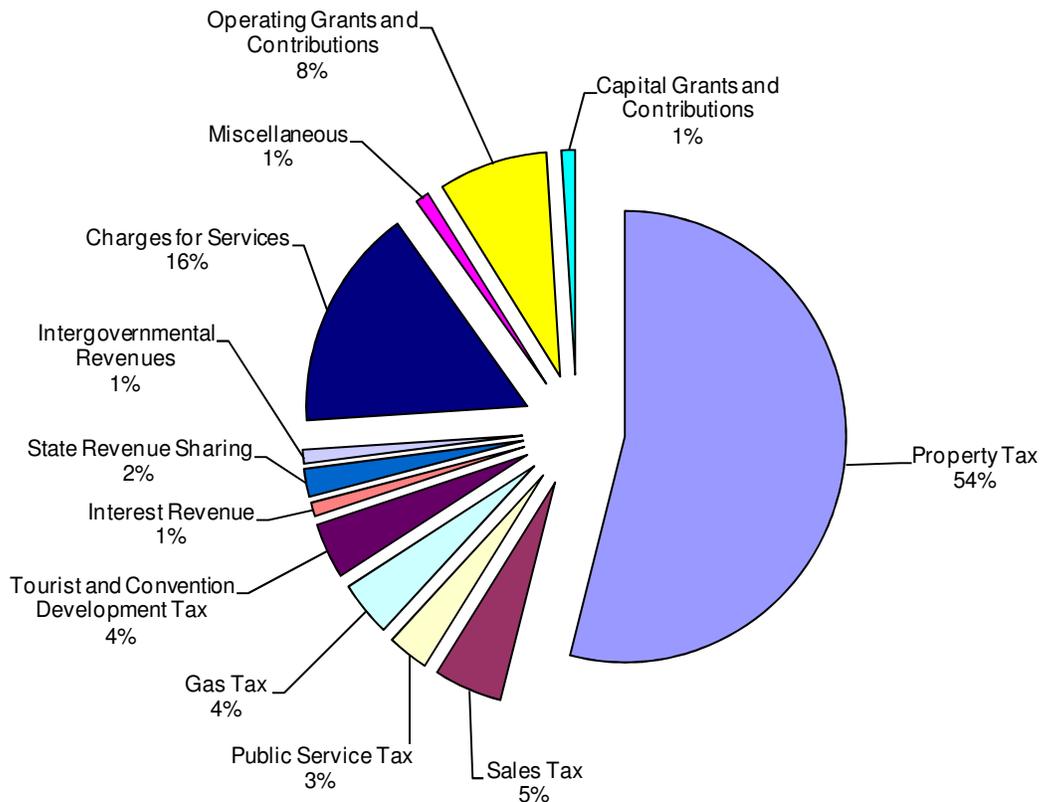
Comparison of Revenues Between Fiscal Years 2012 and 2011

(Amounts in Millions)	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>	<u>Increase (Decrease)</u>
Governmental activities:			
Property taxes	\$ 193	\$ 198	\$ (5)
Sales tax	16	15	1
Public services tax	11	11	0
Gas tax	15	15	0
Tourist-related taxes	15	14	1
State revenue sharing	7	7	0
Investment earnings	3	3	0
Charges for services	59	48	11
Grants and contributions	33	40	(7)
Other revenues	5	4	1
Total governmental activities	<u>357</u>	<u>355</u>	<u>2</u>
Business-type activities:			
Refuse disposal	13	13	0
Daytona Beach International Airport	17	30	(13)
Volusia Transportation Authority	12	12	0
Water and sewer utilities	14	13	1
Parking garage	2	2	0
Garbage collection	9	8	1
Total business-type activities	<u>67</u>	<u>78</u>	<u>(11)</u>
	<u>\$ 424</u>	<u>\$ 433</u>	<u>\$ (9)</u>

Revenues – Governmental Activities

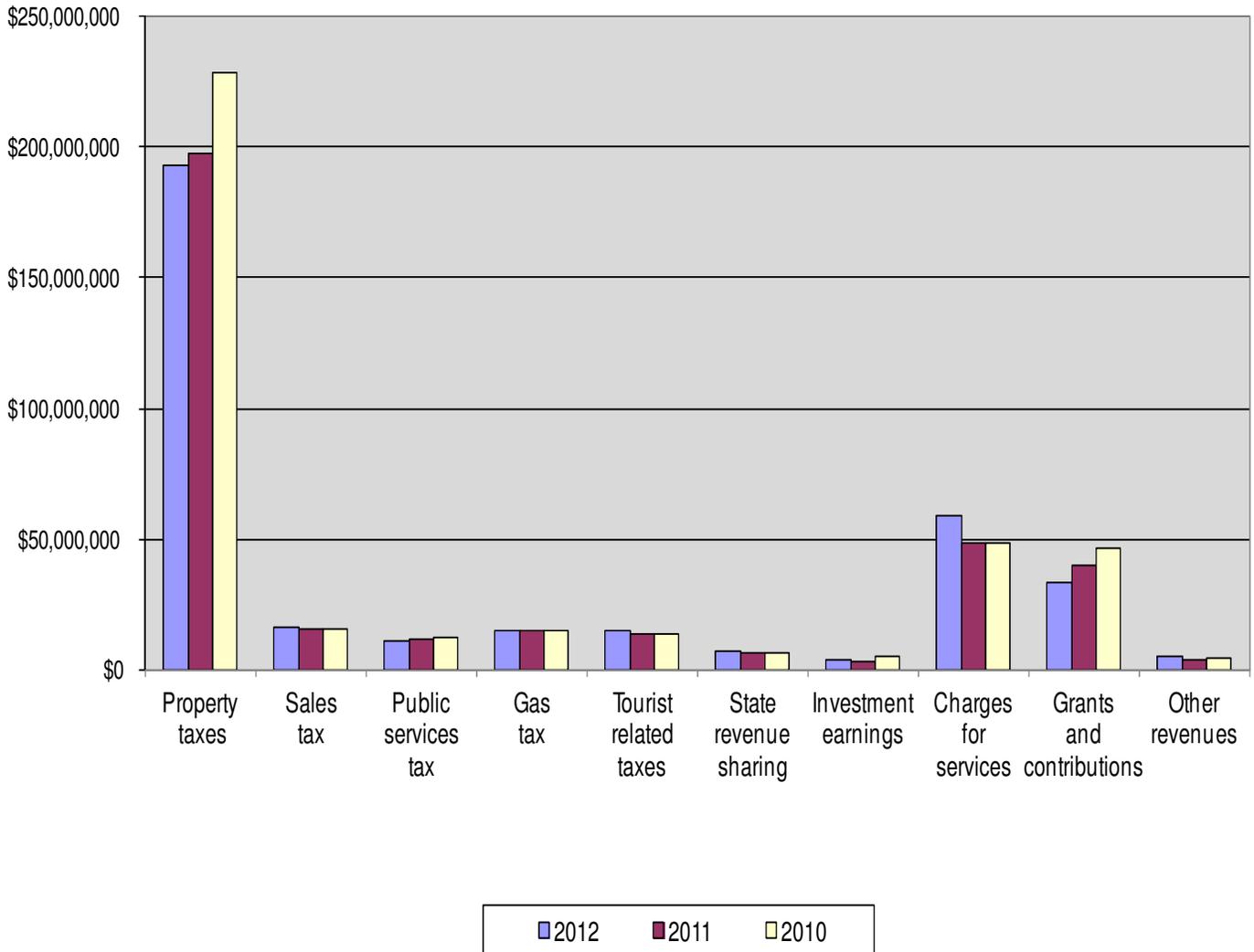
Governmental Activities are primarily supported by taxes, state shared revenues, or grants. These activities include the following functional areas: general government, public safety, physical environment, transportation, economic environment, health and social services, and culture/recreation. Property tax revenues declined by nearly \$5.0 million, a significant improvement over last year's reduction of \$30.8 million. Again, the decline in revenues is largely due to the decrease in property values upon which they are based. Capital grants and contributions were lower by \$8.5 million primarily due to the completion of road improvements (\$3.7 million) and flood mitigation (\$1.3 million) projects that were funded by one-time grants. Charges for services increased by \$10.2 million primarily due to revenue generated by EVAC ambulance operations which became part of County government at the beginning of fiscal year 2012. Modest growth in the economy resulted in improvements in sales, resort, and gas tax receipts – an overall increase of nearly \$1.8 million when compared to the previous year. Investment earnings improved somewhat, increasing by about \$650,000, of which, over \$579,000 was due to a required year-end adjustment to revalue the County's portfolio to market value.

Revenues by Source



Revenues – Governmental Activities

Comparison of Revenues by Source-Last Three Fiscal Years

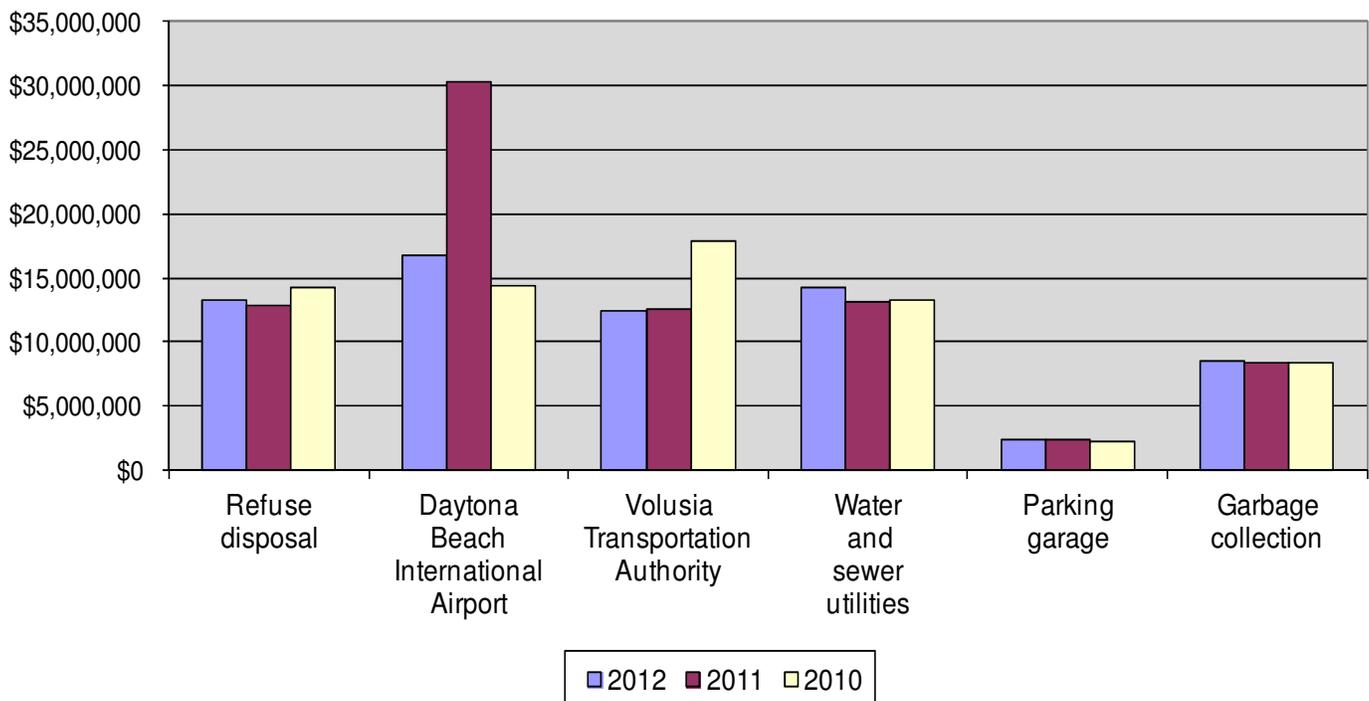


Revenues – Business-Type Activities

Business-type Activities are supported by fees and user charges that are set to recover the cost of services provided. Business-type activities consist of the Refuse Disposal, Daytona Beach International Airport, Volusia Transportation Authority (VOTRAN), Water and Sewer Utilities, Parking Garage (beach side), and Garbage Collection funds.

In the refuse disposal fund, a modest improvement in refuse disposal service revenue collected at the County’s landfill was realized resulting in an increase of \$255,000 compared to last year. At the Daytona Beach International Airport, higher passenger traffic generated an additional \$420,000 in revenues in comparison to last year. Capital grant revenue decreased at the airport by approximately \$11.6 million due to the completion of the runway rehabilitation project funded by one-time grants that were not repeated in 2012. Operating grants were also reduced by \$2.4 million. Volusia Transportation Authority (VOTRAN) charges for services revenues remained at approximately the same levels as the prior year. In addition, receipt of operating and capital grants, in total, remained about the same. However, the transfers to VOTRAN were lower because no additional funding from the general fund was required to fund the SunRail project in 2012. As a result of changes in the rate structures and rate increases, water and sewer utilities generated a revenue increase of \$1.5 million. The parking garage’s revenues remained fairly consistent with last year’s collections and modestly increased by approximately \$84,000. Similar to the parking garage, the garbage collection fund realized little growth in its revenues when compared to last year.

Comparison of Revenues by Business-type Activity-Last Three Fiscal Years



Expenses

Comparison of Expenses Between Fiscal Years 2012 and 2011

(Amounts in Millions)	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>	<u>Increase (Decrease)</u>
Governmental activities:			
General government	\$ 59	\$ 59	\$ -
Public safety	156	138	18
Physical environment	7	5	2
Transportation	33	35	(2)
Economic environment	19	17	2
Human services	23	22	1
Culture/recreation	51	47	4
Interest on long-term debt	8	9	(1)
Total governmental activities	<u>356</u>	<u>332</u>	<u>24</u>
Business-type activities:			
Refuse disposal	13	14	(1)
Daytona Beach International Airport	15	15	-
Volusia Transportation Authority	23	27	(4)
Water and sewer utilities	12	12	-
Parking garage	2	2	-
Garbage collection	8	7	1
Total business-type activities	<u>73</u>	<u>77</u>	<u>(4)</u>
Total Expenses	<u>\$ 429</u>	<u>\$ 409</u>	<u>\$ 20</u>

Expenses – Governmental Activities

Governmental Activities expenses are grouped and reported by functional area. These functional areas include:

General government includes the county council, county manager, county attorney, elections, property appraiser, growth management commission, judicial, financial, facilities, and information technology expenses.

Public safety includes the costs for sheriff, corrections, emergency management, fire services, medical examiner, emergency medical services, and building, zoning and code administration operations.

Physical environment includes expenses associated with conserving and managing natural resources such as air, water, soil, wildlife, as well as controlling pollution.

Transportation includes expenses for roads, bridges, street lighting, storm water systems and other infrastructure, and highway safety operations and projects.

Economic environment includes expenses related to new business promotion and development, housing assistance and rehabilitation programs, and veterans' services.

Human services includes expenses for services such as public health care for the poor, public assistance, care for children and the elderly, social services, as well as animal and mosquito control.

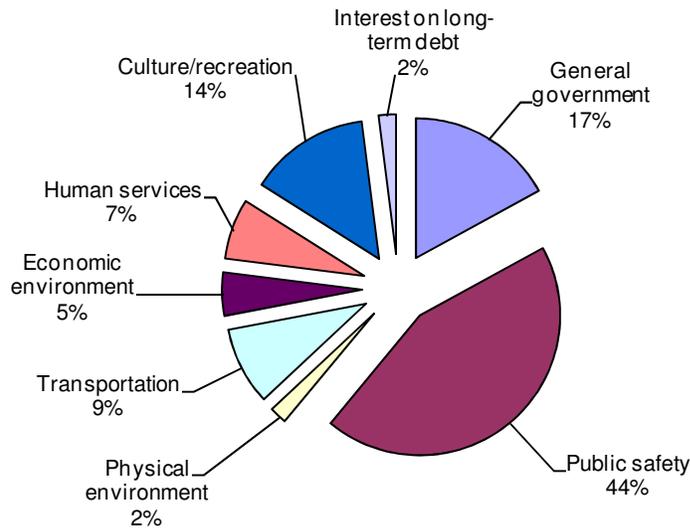
Culture/recreation expenses include costs related to libraries, parks, and recreational facilities.

Interest on long-term debt includes costs related to interest expense for various bonds issued for capital improvement projects.

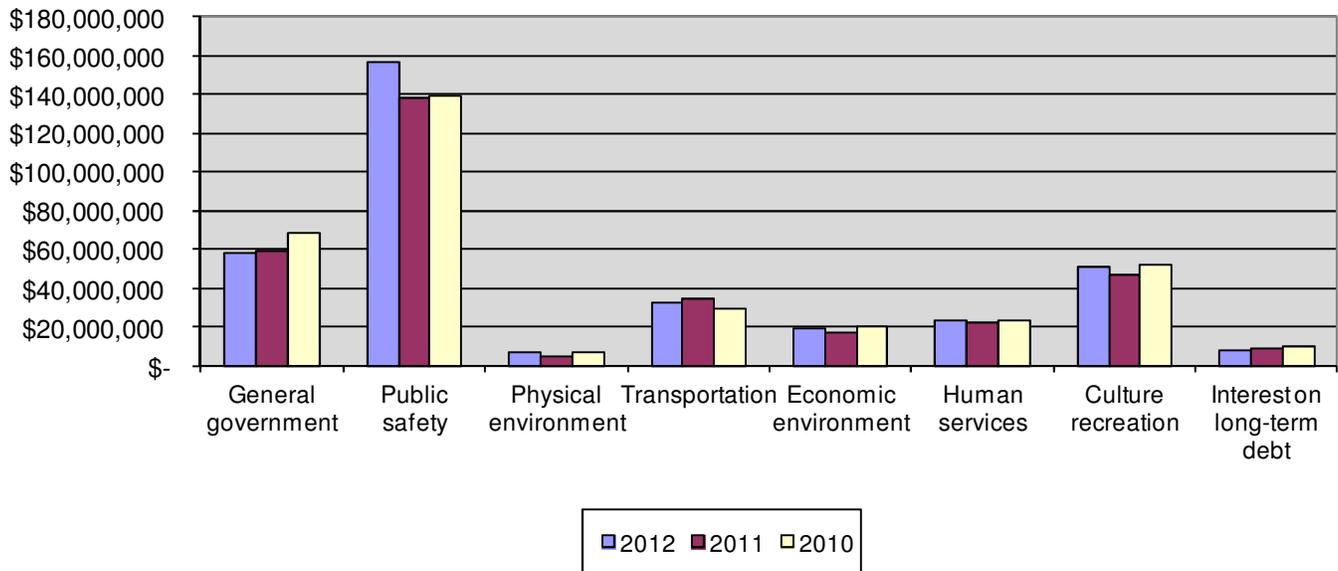
The cost of all governmental activities this year was up \$24.0 million when compared to last year. The addition of EVAC ambulance and consolidated public safety dispatch services as operating divisions of the County contributed to the majority of its increase. In addition, the spending of Volusia ECHO funds for its environmental cultural, historic and outdoor related, competitive grant program was a main factor in the increase in culture/recreation activities.

Expenses – Governmental Activities

Expenses by Function/Program



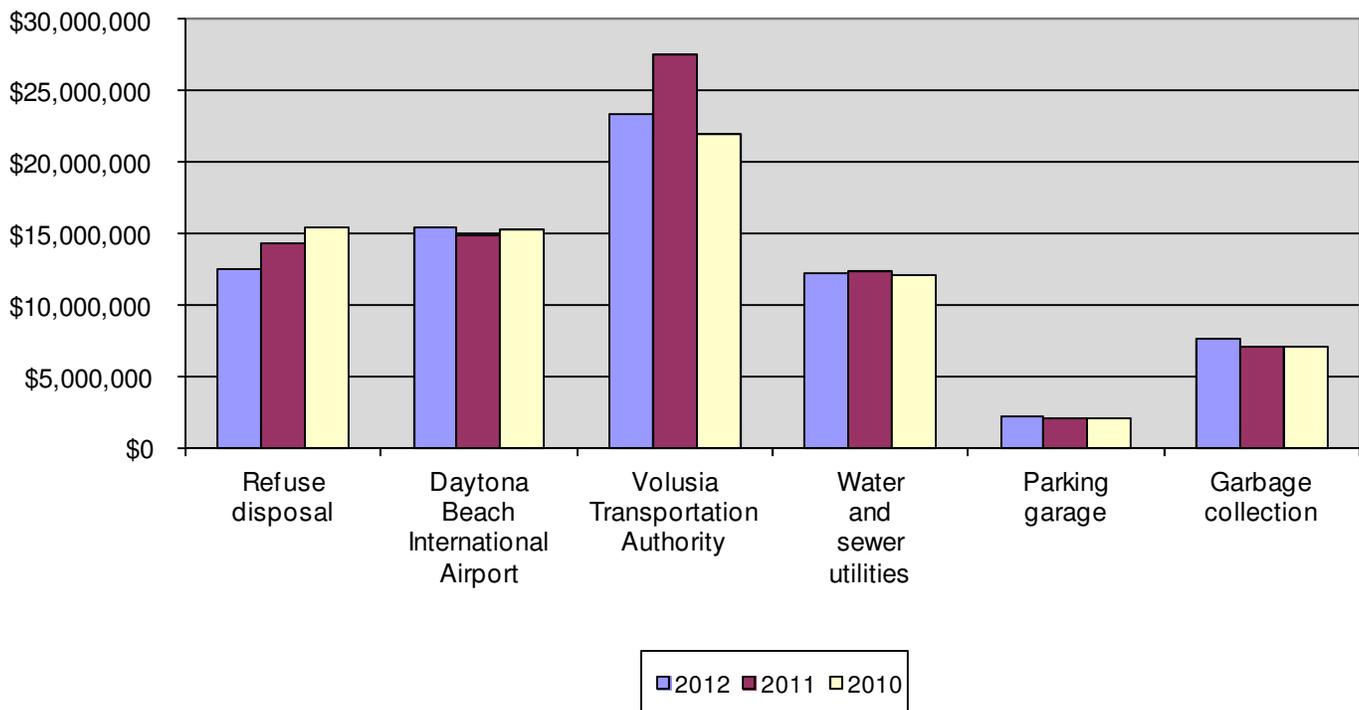
Comparison of Expenses by Function/Program-Last Three Fiscal Years



Expenses – Business-Type Activities

Business-type Activities expenses for 2012 decreased by nearly \$4 million when compared to 2011. Most of the business-type activities were careful not to raise operations spending based upon prior year's results and in anticipation of potential reductions in operating revenues and grants. Refuse disposal expenses were down by over \$1.7 million. This reduction is primarily due to an over \$650,000 adjustment resulting from a change in estimate of the landfill closure cost liability. At the Daytona Beach International Airport, expenses were up by over \$587,500 due to recognition of a full year's depreciation expense on an expanded runway which was completed last year. VOTRAN's expenses were reduced because no payments were made this year to the Florida Department of Transportation for the SunRail project, which last year, was over \$5.6 million. However, some of this decrease was offset by increases in fuel costs.

Comparison of Expenses by Business-type Activities-Last Three Fiscal Years



Balance Sheet

The balance sheet shows the financial position of the County on the last day of the fiscal year. Restricted net position represent equity that may be used only as specified by debt covenants, grantors, laws or regulations, other governments, or other external restrictions.

September 30, 2012			
(Amounts in Millions)			
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 335	\$ 55	\$ 390
Due from state/federal governments	16	4	20
Receivables and other current assets	8	7	15
Inventories and prepaid items	5	1	6
Capital assets, net of depreciation	710	223	933
	1,074	290	1,364
DEFERRED OUTFLOW OF RESOURCES			
Deferred charges on debt refundings	2	1	3
	2	1	3
LIABILITIES			
Accounts and contracts payable	14	3	17
Accrued interest payable	4	1	5
Notes and bonds, due within one year	15	4	19
Other current liabilities	13	1	14
Notes and bonds, due in more than one year	197	55	252
Other long-term liabilities	58	22	80
	301	86	387
NET POSITION (Equity)			
Net investment in capital assets	529	168	697
Net position, restricted	144	6	150
Net position, unrestricted	102	31	133
Total net position	\$ 775	\$ 205	\$ 980

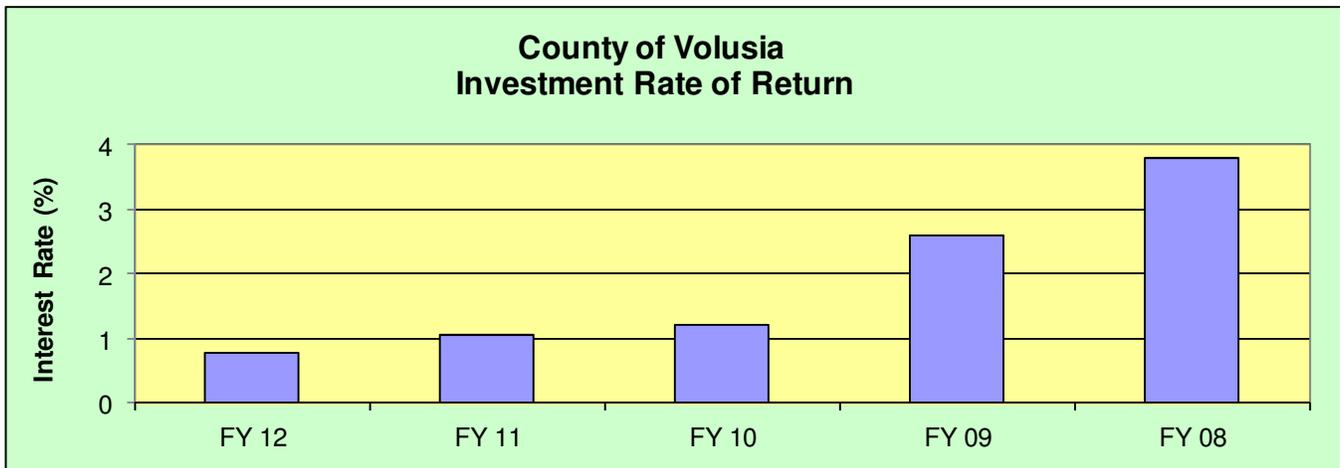
Cash & Investments

The County's investment policy, established by county ordinance, provides investment guidelines for the County. This policy applies to all financial assets held or controlled by the County, with the exception of certain pension, trust, or debt related funds which are controlled by other ordinances or policies. The primary objectives of investment activities, in priority order, are: safety, liquidity, and yield. Safety of principal is the foremost objective of the investment program. Investments are undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The investment portfolio remains sufficiently liquid to meet all operating requirements that are reasonably anticipated. The portfolio is designed with the objectives of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. As a result, the core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

At September 30, 2012, the County investment portfolio, including a single employer defined benefit pension plan for volunteer firefighters, was invested as shown below.

	Amount in Millions	Percentage of Total
U.S. Government Sponsored Agency Securities	\$ 221	66
Government-only Money Market Mutual Funds	112	33
Stocks (volunteer firefighters pension plan, only)	1	1
	\$ 334	100

For fiscal year 2012, the County investment pool realized an overall average rate of return of .77 percent. The chart below shows the County's rate of return on investments (excluding firefighter's pension plan) over the last five years. For safety and flexibility, the County maintains a short overall weighted average maturity on its cash and investments.



Long-Term Debt

The County issues debt only for the purposes of constructing or acquiring capital improvements or for making major renovations to existing capital assets. Financing in the form of long-term notes for the acquisition of major equipment is also allowed provided there is cost justification to do so. All capital improvements financed through the issuance of debt are financed for a period not to exceed the useful life of the improvements, but in no event exceed thirty years. Revenue sources are only pledged for debt when legally available. In those situations where the revenue sources have previously been used for general operating expenditures, they are only pledged for debt when other sufficient revenue sources are available to replace them.

Most bond issues are assigned a rating agency, such as Fitch (Fitch) Ratings, Moody's (Moody's) Investors Service, and Standard & Poor's (S & P). The rating is an extremely important factor in determining an issues' marketability and the interest rate a local government will pay: the better the rating, the lower the interest rate. The rating agencies consider the County's bonds to be of upper medium to high grade quality confirming the government's strong financial commitment, which in turn, equates to low credit risk.

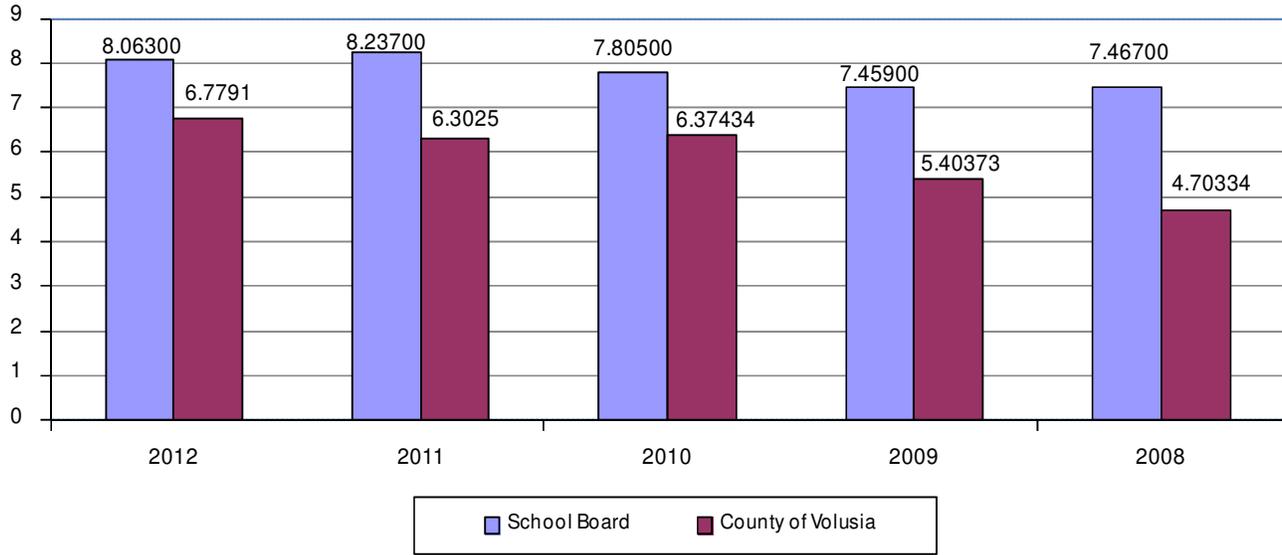
Overall, the County lowered the amount of its outstanding debt by \$17.0 million, or 6.0 percent, during fiscal year 2012. The key factors in this decrease were scheduled principal retirements. The County refinanced three bond issues in fiscal year 2012 to take advantage of favorable interest rates. The expected result is a decrease in future debt service payments of \$1.5 million.

A comparison of the amount of long-term debt owed at the end of fiscal year 2012 to the same time period in 2011 is presented below.

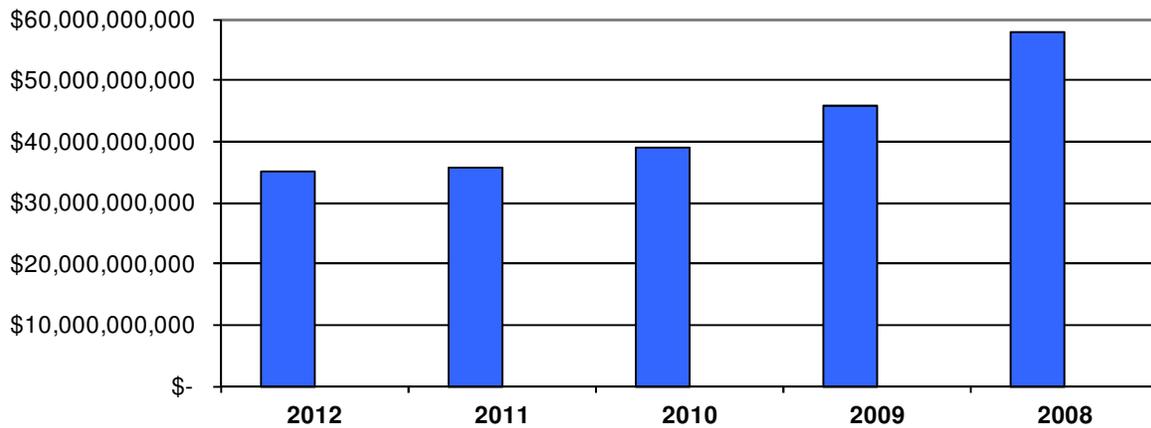
(Amounts in Millions)	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>	<u>Increase (Decrease)</u>
Bonds payable:			
Revenue bonds	\$ 207	\$ 222	\$ (15)
General obligation bonds	28	30	(2)
Deferred amounts (plus issuance premiums, less discounts and costs)	<u>(5)</u>	<u>(8)</u>	<u>3</u>
Total bonds payable	230	244	(14)
Notes payable	<u>35</u>	<u>38</u>	<u>(3)</u>
Total long-term liabilities	<u>\$ 265</u>	<u>\$ 282</u>	<u>\$ (17)</u>

Property Taxes and Assessed Value

**Property Tax Millage Rates for the County of Volusia and School Board
Last Five Fiscal Years**

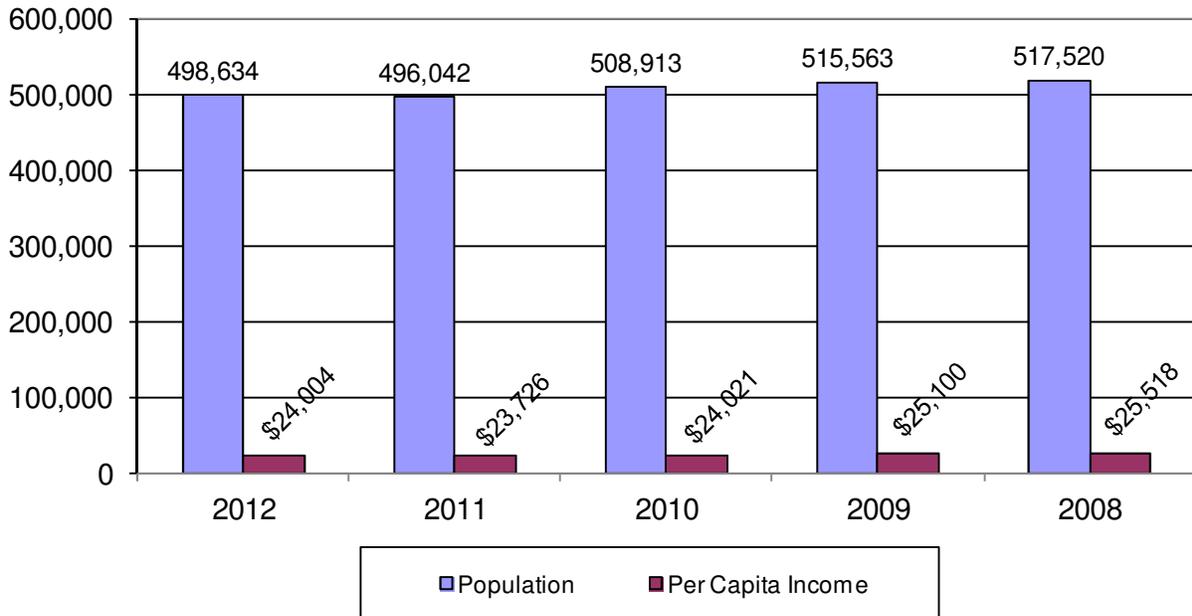


Total Assessed Value of Taxable Property



Demographics

Comparison of Population and Per Capita Income Last Five Fiscal Years



Ten Largest Employers in Fiscal Year 2012

<u>Employer</u>	<u>Number of Employees</u>	<u>Percent of Total Employment</u>
Volusia County School Board	8,917	3.50
Halifax Health	4,037	1.59
Florida Hospital - All Divisions	3,723	1.46
County of Volusia	3,314	1.30
Publix Supermarkets Incorporated	2,841	1.12
Wal-Mart Stores Incorporated	2,769	1.09
State of Florida	2,178	0.86
Daytona State College	1,702	0.67
U.S. Government	1,274	0.50
Embry-Riddle Aeronautical University	1,125	0.44
Total	31,880	12.53%

Interesting Facts

Did you know that Volusia County.....

- offers 54 parks that total 11,220 acres that include 281 miles of bike paths and sidewalks, multi-use trails, camping, bird observation towers, fishing, fresh and saltwater boating, historic and archaeological sites, and sports and recreation centers
- has 47 miles of beaches on the Atlantic Ocean, including one of the few places you are able to drive on the beach
- has Blue Springs and DeLeon Springs state parks that have swimming and recreation in and around the fresh water springs
- is home to the world-famous Daytona 500 NASCAR race, headquarters of the Ladies Professional Golf Association (LPGA), and official American home of the London Symphony Orchestra
- has a Marine Science Center that includes rehabilitation services for sea turtles and birds along with offering tours and educational opportunities for all ages
- has the Lyonia Environmental Center that provides a unique insight into the County's fragile ecosystems with interactive displays where visitors can learn about the importance of the environment, energy conservation, and natural resources
- owns and operates the Daytona Beach International Airport which had 2,846 scheduled flights last year, with 578,796 passengers arriving and departing the airport
- owns and operates the Ocean Center located in Daytona Beach, 400 feet from the Atlantic Ocean, which includes 164,000 square feet of interior exhibit space and a 9,600 seat, 42,000 square foot arena, hosting over 100 events with over 300,000 attendees
- has a library system that provided over 4.3 million circulation materials to members of the public, in addition, 4.2 million users took advantage of the electronic resources available
- offers enrollment in its Citizens Academy designed to educate and inform citizens about County government functions
- provides information on the County via numerous electronic means such as its recently revised website; Volusia Magazine, a weekly television program; public information radio program; live audio of County Council meetings; and live beach cams
- provides an email notification service created to disperse updates from the county manager's office, emergency management, Ocean Center, parks and recreation, permit center, University of Florida/Volusia County Extension, revenue services and the sheriff's office

