

COUNTY OF VOLUSIA, FLORIDA



POPULAR ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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
Melinda Edwards, Senior Accountant
Patricia Kehr, Senior Accountant
Natalia Eckroth, Senior 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
Brittany Tyre, Senior Accountant, Grants
Christine Carpenter, Activity Project Manager
Peggy Flomerfelt, Revenue Director
Phil Ehlinger, Director, Economic Development





March 20, 2012

It is a pleasure to present the second issue of the *County of Volusia, Florida Popular Annual Financial Report for the fiscal year ended September 30, 2011*. 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, 2011*. 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.

Our cover this year is dedicated to the County's Art in Public Places program. This program established funding guidelines that require one-half to one percent of the construction costs for new, expanded, and renovated publically accessible County facilities be set aside to purchase art work for permanent display. Since its inception in 1990, more than \$1.0 million has been appropriated to purchase more than 200 pieces of art.

Sincerely,

A handwritten signature in black ink 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, 2010



Linda C. Dawson
President

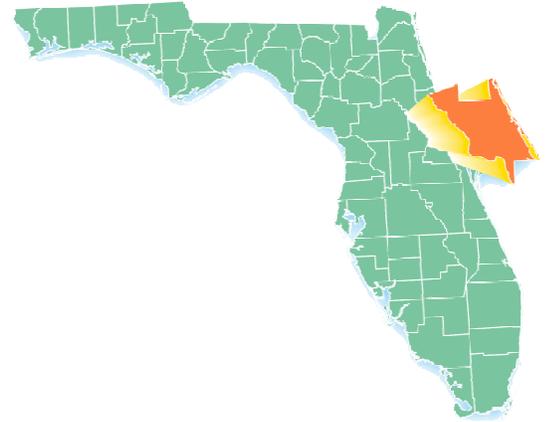
Jeffrey L. Esser
Executive Director

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, 2010. 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.

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

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

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

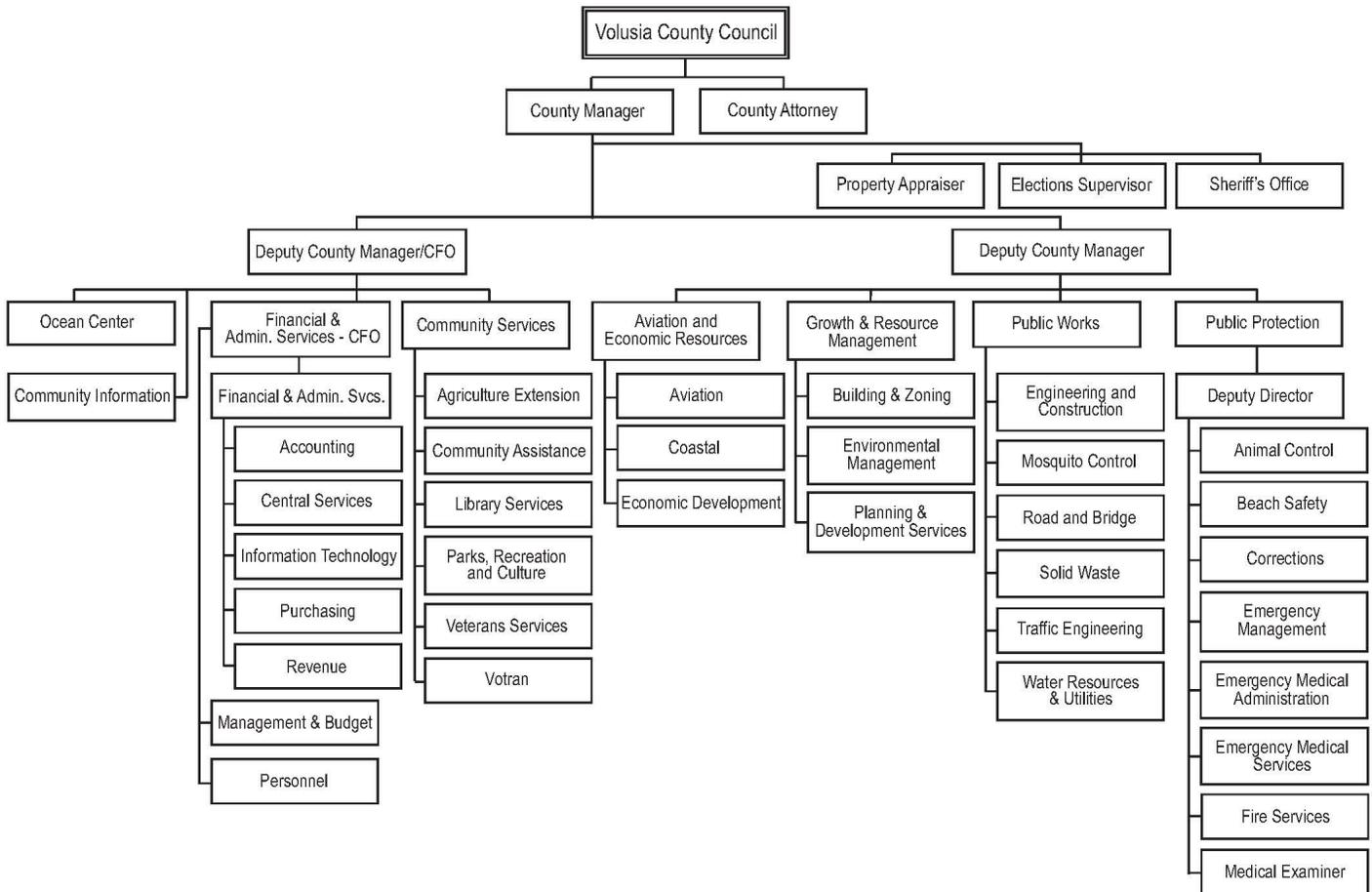
The council appoints the County Manager and the County Attorney.

James Dinneen	County Manager
Daniel Eckert	County Attorney

The County Manager appoints Deputy County Managers.

Charlene S. Weaver, CPA, CFO	Mary Anne Connors
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Volusia County Organizational Chart



Economic Condition of the County

While the economy of Volusia County generally mirrored regional and national economic trends, certain sectors of the economy have shown stability and growth. For example, although unemployment has remained higher than desired, currently at 10.1 percent, it has decreased from 12.7 percent a year ago. From the end of 2010 through December 2011, the workforce increased by almost 4,000 jobs. In addition, the decline in construction jobs has been more than offset by increases in professional and business services, healthcare, and leisure and hospitality. The average wage has increased slightly and manufacturing wages, in particular, remain healthy.

Major projects completed in 2011 included a \$20 million repaving of the Daytona International Speedway and a \$17 million runway repaving and construction of a new \$5 million corporate hangar at Daytona Beach International Airport.

Our major manufacturers, such as Teledyne Oil & Gas, Raydon and AO Precision, continue to expand. An OEM automobile parts maker is nearing completion of a new 50,000 square foot manufacturing facility expected to open in April 2012. A manufacturer of robotic packaging equipment is completing a new 60,000 square foot facility at the County owned and developed industrial park. Export growth of manufactured goods has topped the \$700 million annual mark and continues to grow.

The County partnered with the University of Central Florida to create a 9,000 square foot business incubator at the Daytona Beach International Airport, which opened in 2011. Approximately 30 percent of the incubator space is now occupied by startup companies.

The Federal Aviation Administration (FAA) has made a major commitment in its partnership with Embry-Riddle Aeronautical University (ERAU) to develop NextGen, the only private research facility to promote the next generation of air traffic control. ERAU has leased a facility at the Daytona Beach International Airport for this effort. ERAU is partnering with a number of major aerospace contractors to participate in this project, which is planned to expand into ERAU's Research Park. Basic infrastructure work on the park is expected to begin in 2012.

Traffic at the Daytona Beach International Airport continues to grow and has resulted in both Delta Air Lines and US Airways using larger aircraft to increase capacity. Passenger volume is now approaching 600,000 passengers per year, an approximate 11 percent increase over the prior year. The Ocean Center, the County's convention facility, the fifth largest in the state, and only 400 feet from the ocean, is being aggressively marketed. Planning for additional development in the convention center area is underway as a partnership between the County and the City of Daytona Beach. An adjunct to that future growth is also underway with a corridor study to promote increased linkage between the Daytona Beach International Airport, the Daytona International Speedway, Daytona Live, historic downtown, and the Ocean Center.

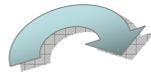
Annual Budget

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.

January

Property Value Assessed

Property Appraiser determines market value and exemption eligibility for property within the County.



July

Assessment Roll

Property Appraiser prepares the assessment roll with values and submits preliminary roll for approval to the State and notifies each taxing authority of its respective valuations.

County of Volusia Taxing Cycle



November - March

Funding of Government Services

Tax Collector distributes property tax collections to local governments and taxing authorities.

September

Public Hearings

Each taxing authority holds two required public hearings and adopts a budget and ad valorem tax millage rate(s) for the coming fiscal year.

November

Property Tax Bill

Tax Collector mails tax bill to property owners and begins collection of payments.



Revenues

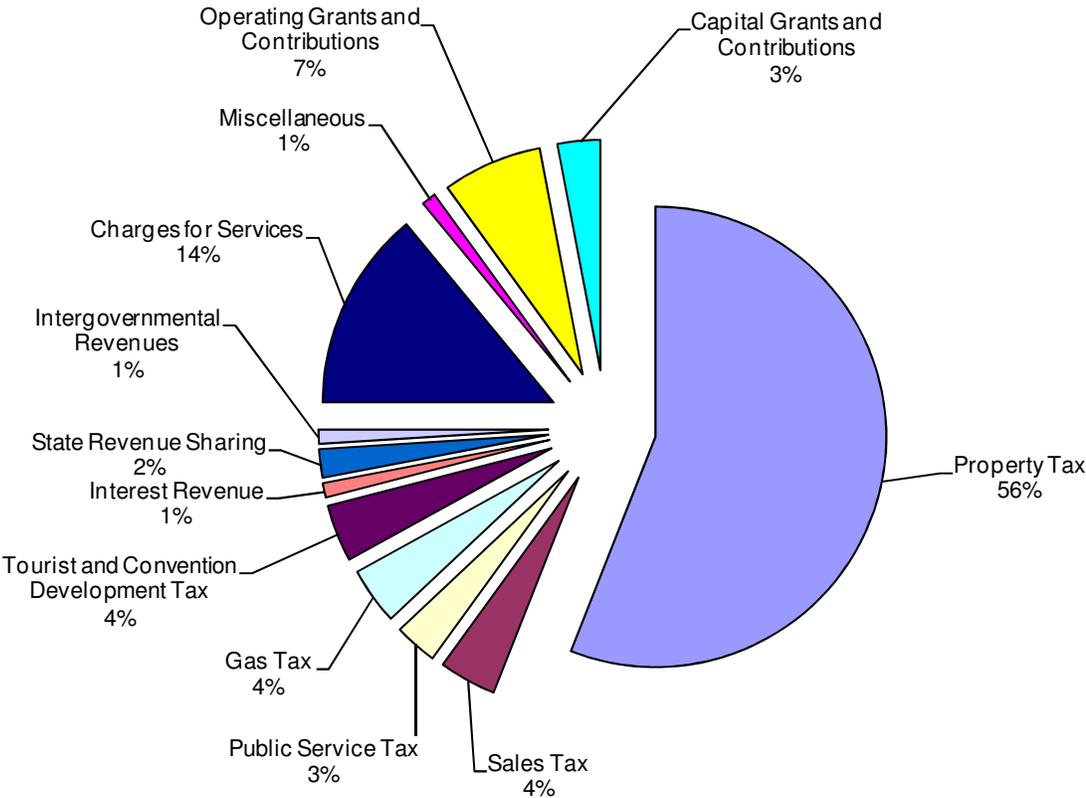
Comparison of Revenues Between Fiscal Years 2011 and 2010

(Amounts in Millions)	Fiscal Year 2011	Fiscal Year 2010	Increase (Decrease)
Governmental activities:			
Property taxes	\$ 198	\$ 228	\$ (30)
Sales tax	15	15	0
Public services tax	11	12	(1)
Gas tax	15	15	0
Tourist-related taxes	14	14	0
State revenue sharing	7	6	1
Investment earnings	3	5	(2)
Charges for services	48	48	0
Grants and contributions	40	47	(7)
Other revenues	4	4	0
Total governmental activities	<u>355</u>	<u>394</u>	<u>(39)</u>
Business-type activities:			
Refuse disposal	13	14	(1)
Daytona Beach International Airport	30	14	16
Volusia Transportation Authority	12	18	(6)
Water and sewer utilities	13	13	0
Parking garage	2	2	0
Garbage collection	8	8	0
Total business-type activities	<u>78</u>	<u>69</u>	<u>9</u>
	<u>\$ 433</u>	<u>\$ 463</u>	<u>\$ (30)</u>

Revenues – Governmental Activities

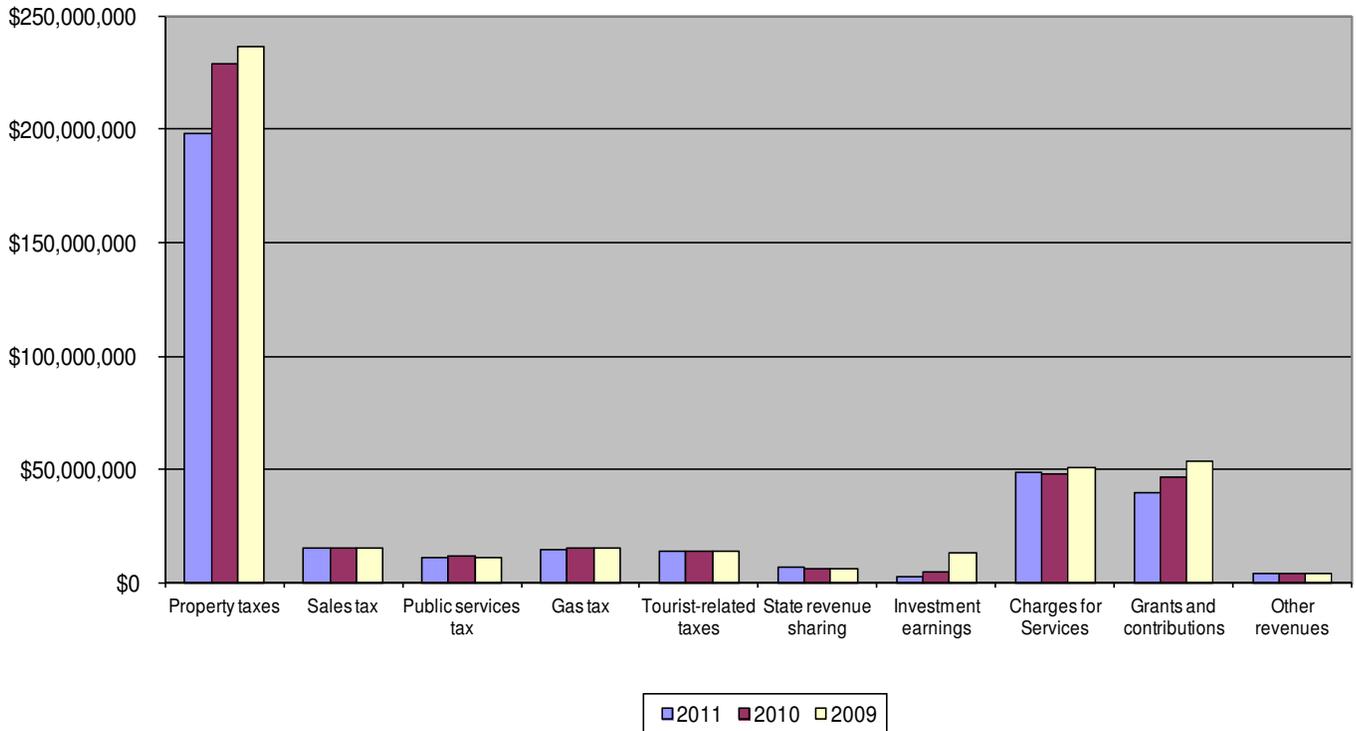
Governmental Activities are primarily supported by taxes, state shared revenues, or grants. These activities include the following functional areas: general government, public safety, physical environment, transportation, economic environment, health and social services, and culture/recreation. Revenues for the governmental activities decreased by \$39 million or 9.9 percent when compared to fiscal year 2010. Property tax revenues declined by nearly \$30.8 million largely due to the decrease in property values upon which they are based. In addition, operating and capital grants and contributions were lower by approximately \$6.8 million because of the completion of \$3.9 million road improvement and \$3.0 million neighborhood stabilization projects that were substantially completed in 2010 and funded by one-time grants that were not repeated in 2011. Charges for services remained stable and increased by almost \$370,000. The leveling off of the decline in the economy resulted in slight improvements in sales, resort, and gas tax receipts – an overall increase of nearly \$700,000 when compared to the previous year. Investment interest rates dropped from an average of 1.21 percent a year ago to an average of 1.05 percent causing a \$1.7 million drop in interest revenue when compared to last year.

Revenues by Source



Revenues – Governmental Activities

Comparison of Revenues by Source-Last Three Fiscal Years

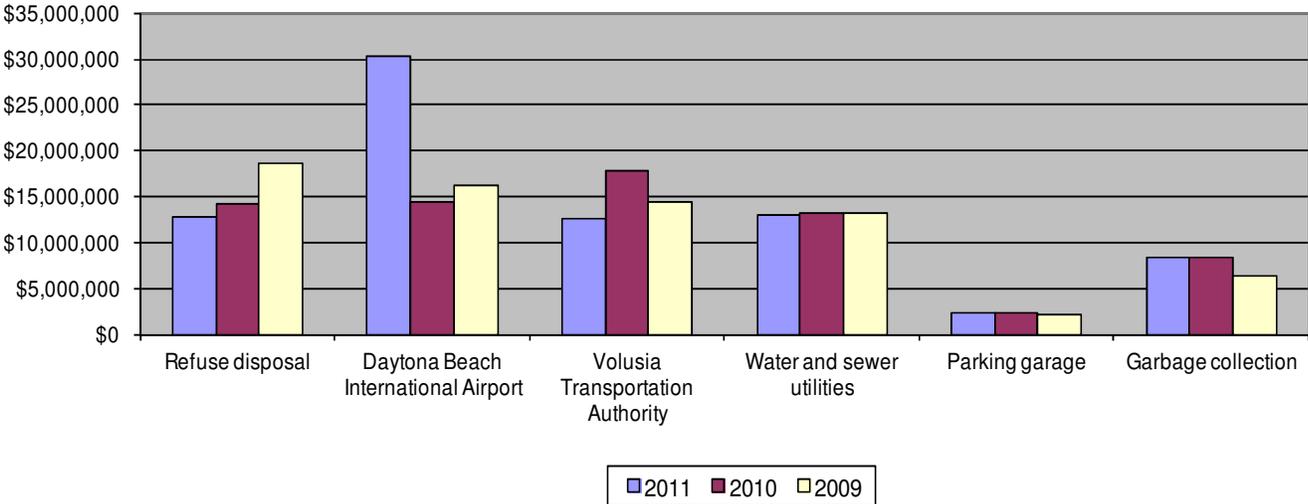


Revenues – Business-type Activities

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. Revenues for the County’s business-type activities increased by over \$9.0 million or 13.0 percent, when compared to last year. This increase is comprised of a \$.1 million increase in charges for services, a \$9.5 million increase in operating and capital grants and a \$.5 million decrease in other revenues.

In the Refuse Disposal fund, continual declines in the construction industry and resident populations were contributing factors to a decline of a little over \$800,000 in refuse disposal service revenue collected at the County’s landfill. However, this decline is less than last year’s and 2009’s decline, which saw reductions of \$2.0 million in each year. At the Daytona Beach International Airport, higher passenger traffic generated an additional \$800,000 in revenue in comparison to last year. Also, the airport received an additional \$14.4 million in capital grants and \$570,000 in operating grants when compared to last year. The capital grants were used to fund a runway rehabilitation and improvement project. VOTRAN experienced a modest increase of approximately \$65,000 in charges for services revenues due to increased ridership on its buses. In addition, receipt of capital grants were down by \$5.8 million when compared to last year because the American Recovery and Reinvestment Act grant funds used to purchase hybrid and diesel buses in 2010 was not repeated in 2011. Lower interest revenues were realized across all business-type activities’ funds and were the contributing factor to a \$530,000 decrease in other revenues.

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



Expenses

Comparison of Expenses Between Fiscal Years 2011 and 2010

(Amounts in Millions)	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2010</u>	<u>Increase (Decrease)</u>
Governmental activities:			
General government	\$ 59	\$ 68	\$ (9)
Public safety	138	138	-
Physical environment	5	7	(2)
Transportation	35	29	6
Economic environment	17	20	(3)
Human services	22	22	-
Culture/recreation	47	52	(5)
Interest on long-term debt	9	10	(1)
Total governmental activities	<u>332</u>	<u>346</u>	<u>(14)</u>
Business-type activities:			
Refuse disposal	14	15	(1)
Daytona Beach International Airport	15	15	-
Volusia Transportation Authority	27	22	5
Water and sewer utilities	12	12	-
Parking garage	2	2	-
Garbage collection	7	7	-
Total business-type activities	<u>77</u>	<u>73</u>	<u>4</u>
Total Expenses	<u>\$ 409</u>	<u>\$ 419</u>	<u>\$ (10)</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.

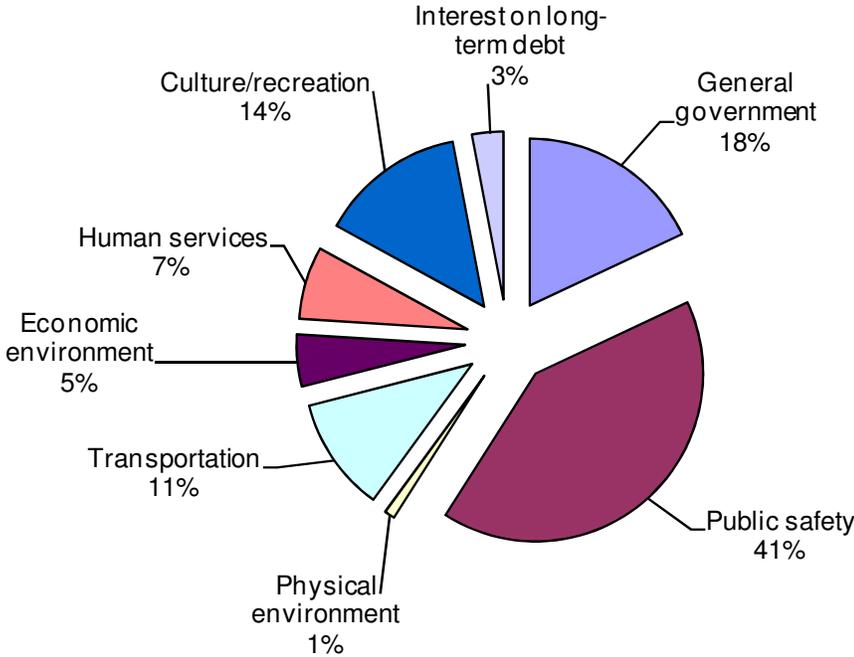
Culture/recreation expenses include costs related to libraries, parks, and recreational facilities.

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

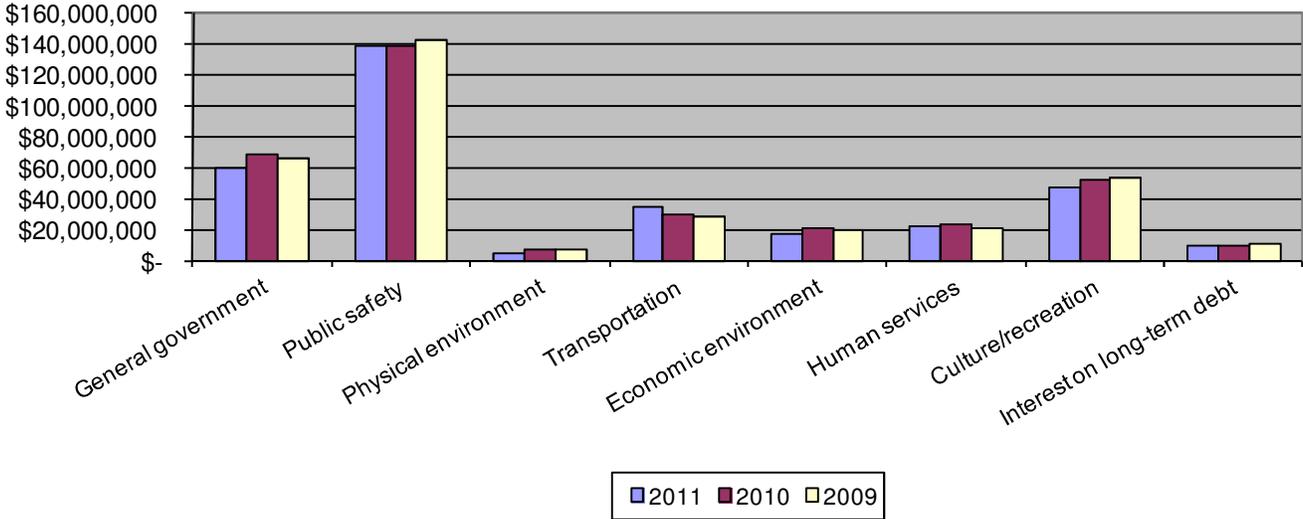
The cost of all governmental activities this year was down \$14.0 million when compared to last year. In response to the overall reduction in property taxes, those department and divisions supported by these taxes reduced their operating costs. The transportation activity, primarily funded by gas tax revenue, realized an increase in its overall expenses due to non-capitalized repairs and improvements on County roadways and thoroughfares. Interest on long term debt is reduced due to redemption on refinancing of outstanding notes payable which allowed the County to take advantage of lower interest rates.

Expenses – Governmental Activities

Expenses by Function/Program



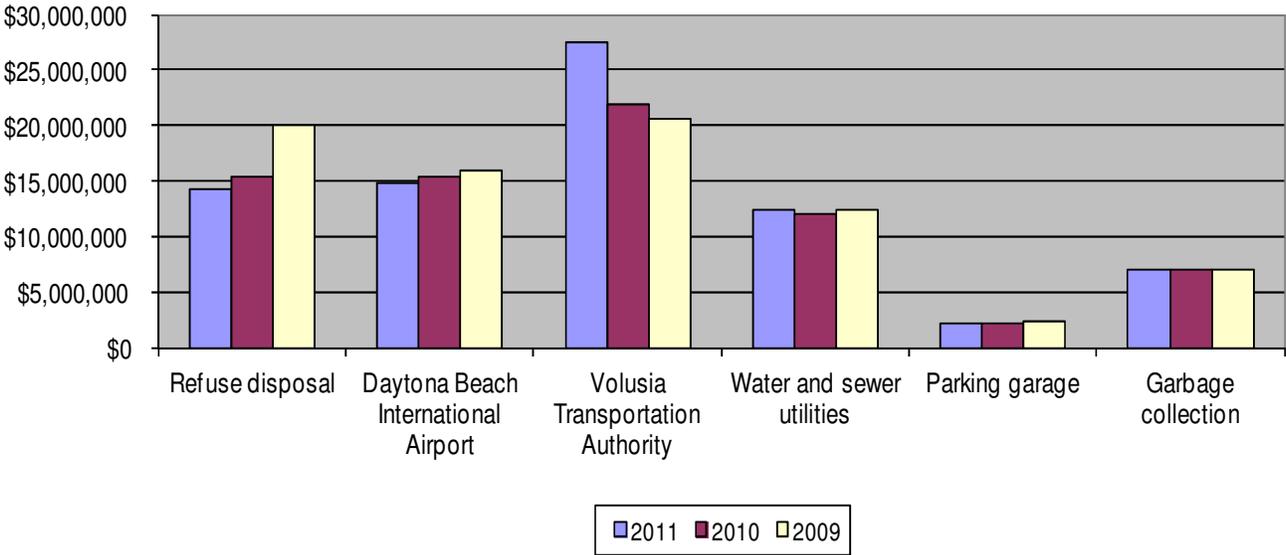
Comparison of Expenses by Function/Program-Last Three Fiscal Years



Expenses – Business-Type Activities

Business-type Activities expenses for 2011 increased by nearly \$4 million when compared to 2010. 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. However, VOTRAN experienced an increase in expenses. The main factor of this increase was the payment by VOTRAN of \$5.6 million to the Florida Department of Transportation for SunRail. Offsetting this increase, Refuse Disposal experienced a reduction of nearly \$1.0 million in its expenses. This reduction was made up of the following: the personal services were lower by approximately \$130,000 because of five open, unfunded positions; the contracted services for leachate hauling was replaced by the leachate pretreatment system, reducing costs by approximately \$800,000; and payment in lieu of taxes were lower by \$255,000.

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 assets represent equity that may be used only as specified by debt covenants, grantors, laws or regulations, other governments, or other external restrictions.

September 30, 2011			
(Amounts in Millions)			
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash and investments	\$ 352	\$ 53	\$ 405
Due from state/federal governments	17	4	21
Receivables and other current assets	9	6	15
Inventories and prepaid expenses	4	1	5
Capital assets, net of depreciation	703	233	936
	-		-
	<u>1,085</u>	<u>297</u>	<u>1,382</u>
LIABILITIES			
Accounts and contracts payable	8	4	12
Accrued interest payable and liabilities	4	1	5
Notes and bonds, due within one year	15	4	19
Other current liabilities	25	2	27
Notes and bonds, due in more than one year	208	55	263
Other long-term liabilities	41	27	68
	<u>301</u>	<u>93</u>	<u>394</u>
NET ASSETS (Equity)			
Invested in capital assets, net of debt	510	172	682
Net assets, restricted	148	8	156
Net assets, unrestricted	126	24	150
Total net assets	<u>\$ 784</u>	<u>\$ 204</u>	<u>\$ 988</u>

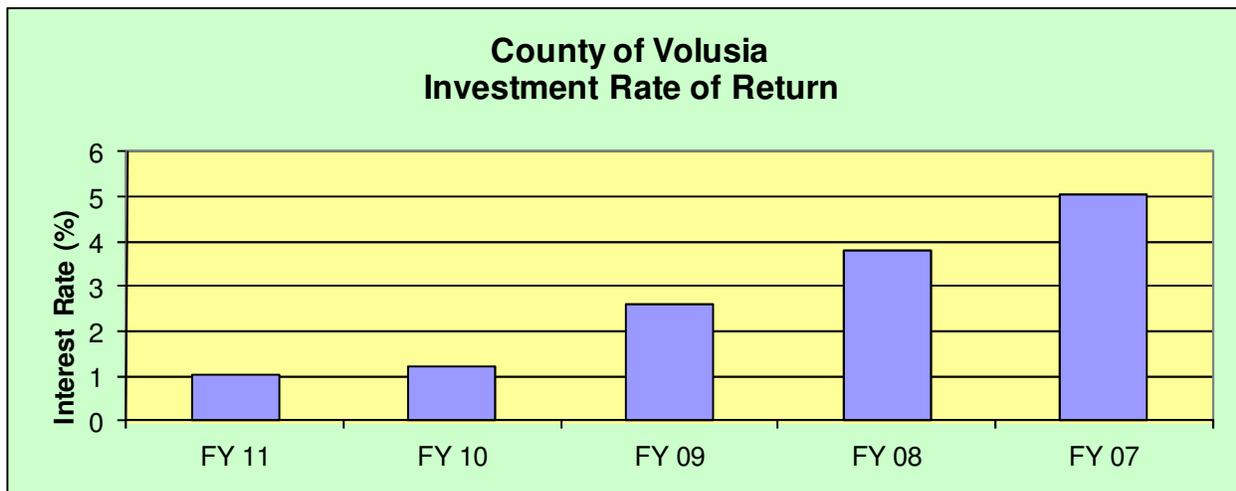
Cash & Investments

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, 2011, the County investment portfolio, including a single employer defined benefit pension plan for volunteer firefighters, was invested as shown below.

	<u>Amount in Millions</u>	<u>Percentage of Total</u>
U.S. Government Sponsored Agency Securities	\$ 190	52
Corporate Notes - FDIC Insured	55	15
Government-only Money Market Mutual Funds	116	32
Stocks (volunteer firefighters pension plan, only)	1	1
	<u>\$ 362</u>	<u>100</u>

For fiscal year 2011, the County investment pool realized an overall average rate of return of 1.05 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. Bonds which are rated AAA by S & P and Fitch and Aaa by Moody's are considered to carry the highest credit quality and the issuer has a strong ability to pay interest and repay principal. The County maintains an AAA rating from S & P or Fitch and/or a rating of Aaa from Moody's on its outstanding bond issues.

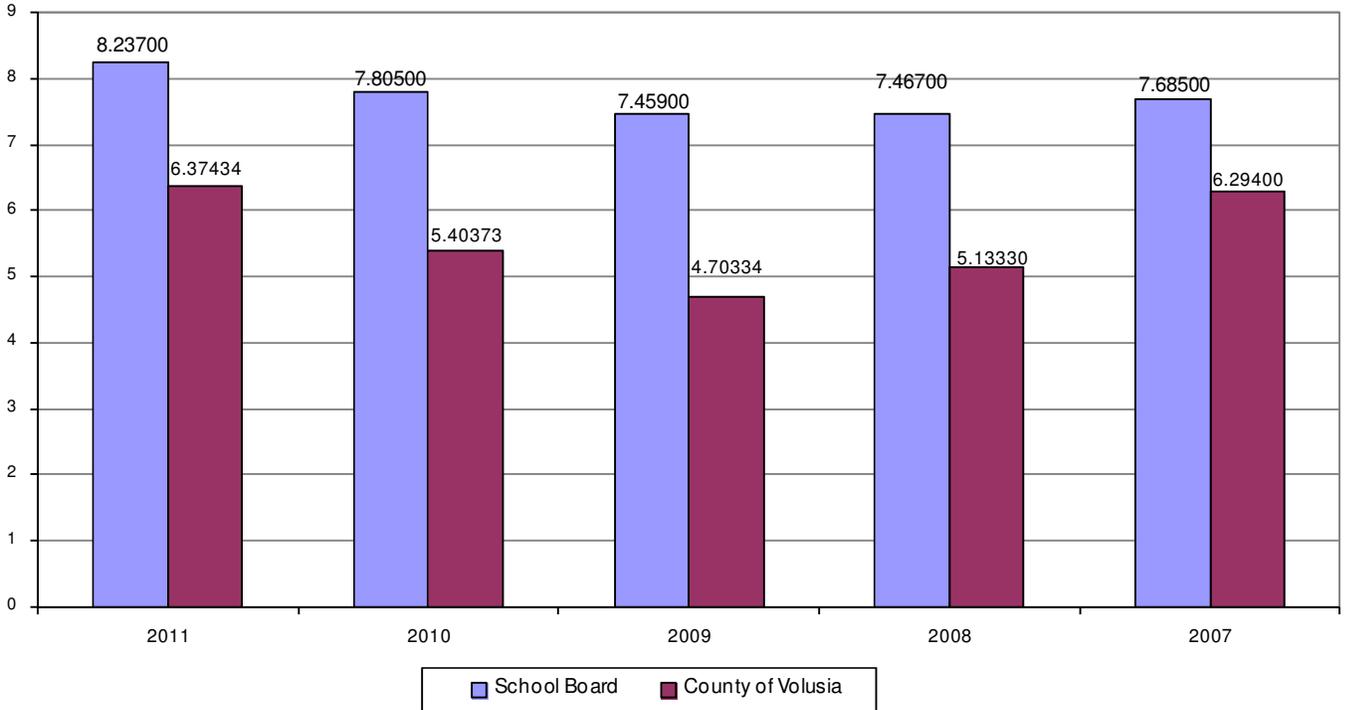
Overall, the County lowered the amount of its outstanding debt by \$15.0 million. The County issued no new bonded debt in fiscal year 2011. Its outstanding bonded debt decreased by \$13.7 million, or 5.2 percent, during fiscal year 2011. The key factors in this decrease were scheduled principal retirements. While overall notes payable decreased by \$2.2 million, the change was the result of a combination of refinancing an installment purchase agreement to take advantage of lowered interest rates; an issuance of \$5.6 million note to finance the County's portion of the SunRail project; entering into a \$2.2 million loan agreement with the State of Florida to finance an expansion to a water reclamation facility; and a \$10.0 million reduction of principal due to scheduled payments.

A comparison of the amount of long-term debt owed at the end of fiscal year 2011 to the same time period in 2010 is presented below.

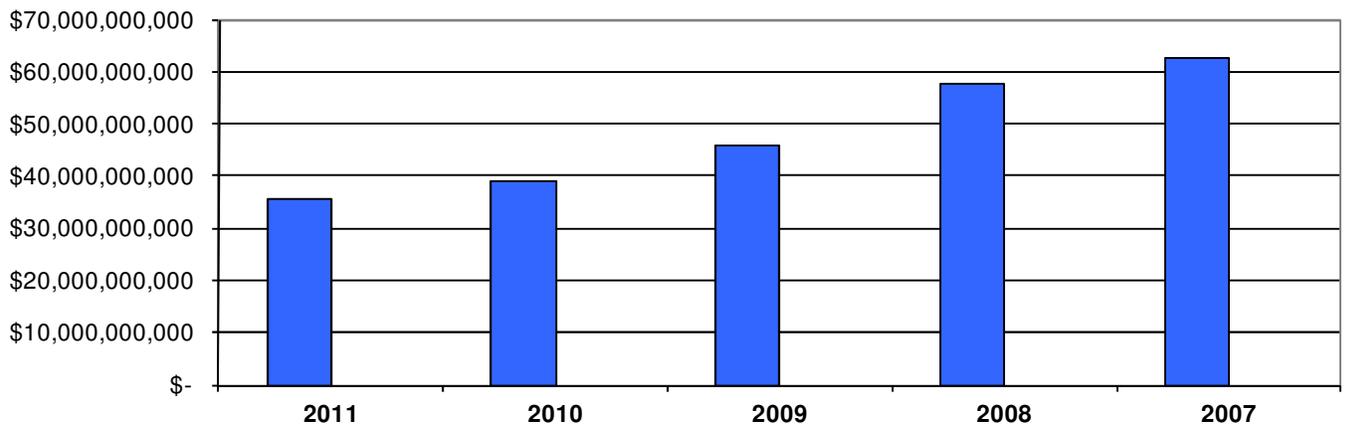
(Amounts in Millions)	Fiscal Year 2011	Fiscal Year 2010	Increase (Decrease)
Bonds payable:			
Revenue bonds	\$ 222	\$ 234	\$ (12)
General obligation bonds	30	32	(2)
Deferred amounts (plus issuance premiums, less discounts and costs)	(8)	(9)	1
Total bonds payable	244	257	(13)
Notes payable	38	40	(2)
Total long-term liabilities	\$ 282	\$ 297	\$ (15)

Property Taxes and Assessed Value

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

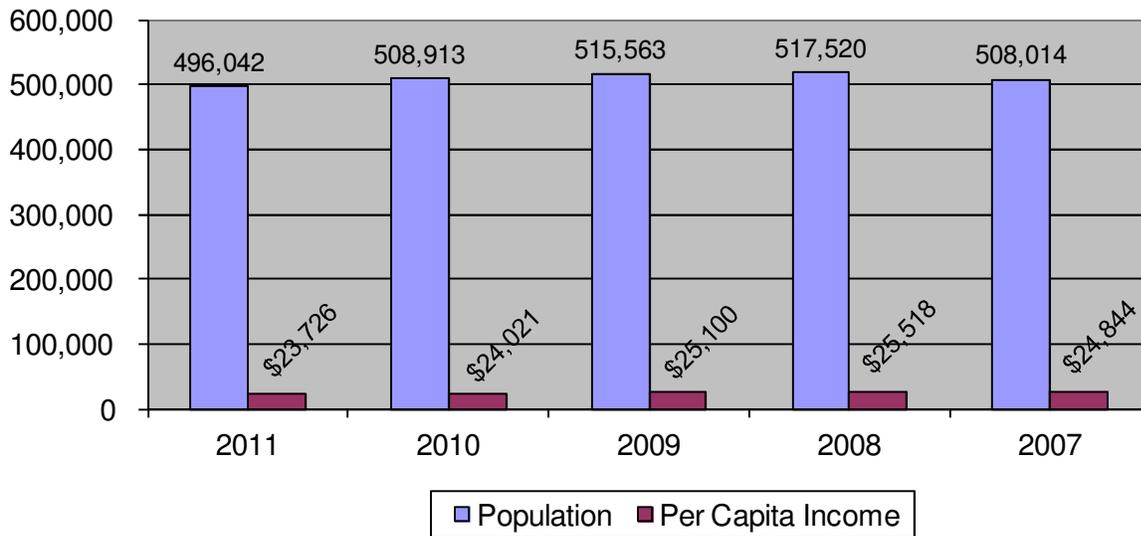


Total Assessed Value of Taxable Property



Demographics

Comparison of Population and Per Capita Income Last Five Fiscal Years



Ten Largest Employers in Fiscal Year 2011

Employer	Number of Employees	Percent of Total Employment
Volusia County School Board	8,211	3.20
Florida Hospital - All Divisions	4,248	1.66
Halifax Health	3,957	1.54
Wal-Mart Stores Incorporated	3,160	1.23
County of Volusia	3,100	1.21
Publix Supermarkets Incorporated	2,486	0.97
State of Florida	2,361	0.92
Daytona State College	1,797	0.70
U.S. Government	1,422	0.55
Embry Riddle Aeronautical University	1,176	0.46
Total	31,918	12.44%

Interesting Facts

Did you know.....

- ☉ Volusia County has 2 state parks located in the western area of the county (Blue Springs and DeLeon Springs) that have swimming and recreation in and around fresh water springs
- ☉ Volusia County is home to the world-famous Daytona 500 NASCAR race
- ☉ Volusia County is headquarters of the Ladies Professional Golf Association (LPGA)
- ☉ Volusia County is the official American home of the London Symphony Orchestra
- ☉ Volusia County has 47 miles of beaches on the Atlantic Ocean
- ☉ Volusia County has 54 county parks that total 11,220 acres
- ☉ The County has acquired nearly 40,000 acres through its Forever and other land acquisition programs to be set aside as preservation areas
- ☉ Volusia County is one of the few places you are able to drive on the beach
- ☉ Volusia County has a Marine Science Center that includes rehabilitation services for sea turtles and birds along with offering tours and educational opportunities for all ages
- ☉ The Ocean Center located in Daytona Beach, 400 feet from the Atlantic Ocean, includes 164,000 square feet of interior exhibit space and a 9,600 seat, 42,000 square foot arena
- ☉ Volusia County has 984 miles of paved roads and 284 miles of bike paths and sidewalks
- ☉ 486,305 tons of solid waste were processed last year at the County's landfill
- ☉ Daytona Beach International Airport had 3,058 scheduled flights last year

