

# **COUNTY OF VOLUSIA, FLORIDA**

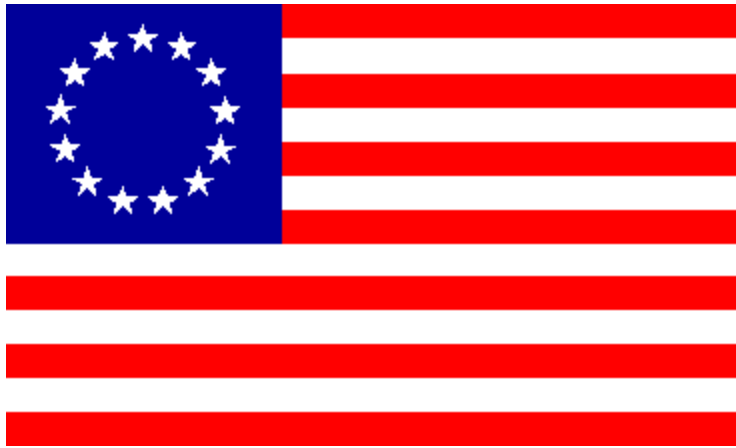
## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FISCAL YEAR ENDED  
SEPTEMBER 30, 2001

Prepared By:

CHARLENE WEAVER, CPA  
CHIEF FINANCIAL OFFICER

DOUGLAS A. GROSS, CPA  
ACCOUNTING DIRECTOR



13 Stars - Betsy Ross Flag - 1777-1795  
Original 13 States: Connecticut, Delaware, Georgia, Maryland,  
Massachusetts, New Hampshire, New Jersey, New York,  
North Carolina, Pennsylvania, Rhode Island, South Carolina, and Virginia

**COUNTY OF VOLUSIA, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2001**

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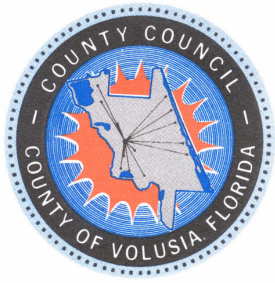
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# County of Volusia

FINANCIAL AND ADMINISTRATIVE SERVICES  
Office of Chief Financial Officer

123 West Indiana Avenue • Room 300 • DeLand, FL 32720  
(386)943-7054 Fax (386)822-5780  
www.volusia.org

March 21, 2002

The Honorable Members of the County Council,  
County Manager, and Citizens of Volusia County:

Volusia County Home Rule Charter and Florida Statutes require that all general-purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby submit the comprehensive annual financial report of the County of Volusia, Florida (County) for the fiscal year ended September 30, 2001. For the reporting year, the County elected early implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. In conjunction with this statement, the County also implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*.

The report consists of management’s representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County’s financial statements in conformity with GAAP. Because the costs of internal controls should not outweigh their benefits, the County’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County’s financial statements have been audited by an independent firm of certified public accountants, Harris, Cotherman, O’Keefe and Associates. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended September 30, 2001, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County’s financial statements for the fiscal year ended September 30, 2001, are fairly presented in conformity with GAAP. The report of independent accountants is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal and state grantor agencies. The

standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited County's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are in the compliance section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent accountants.

## **Profile of the County of Volusia, Florida**

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 30<sup>th</sup> 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. Five council members are elected by voters of their respective districts and serve two-year terms; two members are elected at-large and serve staggered four-year terms.

The County provides a full range of services, including public protection; the construction and maintenance of highways, streets, and other infrastructure; 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, and a garbage and refuse disposal activity. The legally separate Clerk of the Circuit Court, Volusia County Law Library, and Emergency Medical Foundation, Inc. are reported separately within the County's financial statements as discretely presented component units. Additional information on all three of these legally separate entities can be found in Note 1.A.1. of the Notes to the Financial Statements.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

### **Local Economy**

As the County closes its financial records for the fiscal year ending September 30, 2001, we are just beginning to deal with the aftermath and impact the September 11, 2001 terrorist acts will have on the national, state, and local economy. Even prior to the attacks, economic slowdown was evident through a falling stock market and layoffs in major companies. The federal government responded by lowering the federal discount interest rate, passing a limited tax rebate program, and implementing



other tax cuts. The state and local governments are keeping a watchful eye on economic indicators and reflecting reduced revenue growth projections for the upcoming fiscal year.

After the September 11, 2001 attacks, public confidence was further eroded, as evidenced by a nationwide drop in tourism and travel, particularly airline travel. Because the state and local economies are heavily dependent on tourism, both levels of government responded accordingly. The State Legislature completed a second special session in early December, 2001 to balance the State budget in the face of a projected \$1.3 billion revenue shortfall. About \$800 million in actual cuts were made primarily in education and health and human services programs. The balance of the projected shortfall was made up through the use of non-recurring revenue reserves. In addition to the cuts, the State Legislature also implemented a \$1 billion economic stimulus program. This initiative accelerated the road construction program, increased spending for construction at schools, colleges, and universities, and enhanced tourist marketing efforts.

Locally, the County Council requested monthly briefings of key economic indicators for the County, comparing current month to prior year month and year-to-date to prior year-to-date. In recognition that revenue collections may lag behind budget estimates, the County Manager asked Department Directors to submit contingency budgets targeting those expenditures that could be reduced or eliminated in order to activate an overall cut of 10%. The most recent County Council report shows mixed economic indicators. Sales tax collections for the first three months of fiscal year 2001-02 are up 7.8% over fiscal year 2000-01. Utility taxes are up about 1%, but do not reflect increased collections anticipated from the new simplified communications service tax, which the County started receiving in January, 2002. Although fuel prices are 20% lower than this time last year, gas tax collections are down 4.5% which is attributed to the decreased travel locally and nationwide following the September 11, 2001 terrorist attacks. Airport landing fees are up 22%, but deplanements and enplanements are down 27% and 20%, respectively. Finally, lower interest rates have kept building activity strong with a 17% increase in residential building permits issued, and a 15% increase in residential construction value.

Those indicators which are lagging budget estimates, such as gas taxes and airport revenues, may require either the use of reserves, or a delay in capital construction programs. The General Fund primarily relies upon property tax revenues (65%) as a source of funding. This revenue is typically not affected by economic conditions. Residential and commercial real estate taxable values in the County have been strong in both fiscal years 2001 and 2002, with growth rates of 6.4% and 7.9%, respectively. This compares with a 3.8% average growth rate over the past five years.

Sales tax revenues generate about \$15.8 million annually, of which \$8.7 million is earmarked for debt service payments, and \$3.3 million and \$3.8 million is allocated to the General and Municipal Service District funds, respectively. A shortfall in these revenues may result in the use of reserves, or require the implementation of the contingency budget reductions mentioned earlier. The monthly economic indicator report shows sales tax revenues up 7.8% year-to-date over last year.

Most forecasters project an economic recovery in the second half of 2002, spurred in part by higher levels of federal spending, tax cuts, and interest rate cuts.

The economy of the County is dominated by government, service, and trade employment, especially tourism. In April 2001, the County Council voted to sever ties with Enterprise Volusia, the non-profit organization that marketed new and existing business expansion in Volusia County. The County's economic development program will be administered by County government in fiscal year 2002 through a model that integrates the strategies of business expansion and recruitment, workforce

development, and tourism. A strategic marketing plan for economic development is being developed which will include community input from business leaders, municipalities, and elected officials to ensure the vision of the community is captured and the structure of the program is reflective of the assets and needs of Volusia County.

Quality of life is an important part of Volusia County's local economy. Excerpts from a marketing strategy report prepared by the Taratec Corporation and Winterset Development are as follows:

- **Housing** – A generally good and improving variety of housing choices is available in settings that range from rural to urban (and coastal).
- **Health Care** – Seven hospitals in the County provide a total of over 1,450 beds, 24-hour emergency services, and a good range of general and specialized medical services.
- **Safety Services** – Public safety services are good to excellent, with local police and fire protection services provided in each community, and good emergency medical services. In addition to local police departments, the County Sheriff's Department provides a number of services. Public fire and safety services are dependable, well regarded, and professional.
- **Recreational and Cultural Resources** – Recreational and outdoor activities are excellent. The Daytona Beach Metropolitan Area ranked 9<sup>th</sup> out of 20 Florida Metropolitan Areas with respect to recreation, and 47<sup>th</sup> out of 343 Metropolitan Areas in the U.S. and Canada ("Places Rated Almanac"), based on such attributes as restaurants, golf courses, spectator sports, recreational areas, and ocean coastline. Amenities include over 30 golf courses; including the LPGA national headquarters and championship course, a new Florida Section U.S. Tennis Association headquarters, a large number of parks and recreational areas, the Museum of Arts and Sciences, other museums and historical sites, theaters, galleries, numerous festivals and events, a good public library system, and events and facilities of area colleges and universities.
- Volusia County has an employed work force of approximately 163,400, which is anticipated to grow at the rate of 1% over the next two years. Major employers include: Volusia County Schools, Halifax Medical Center, Volusia County Government, Memorial Health Systems, City of Daytona Beach, Embry Riddle Aeronautical University, Atlantic Medical Center, The News-Journal, Sherwood-Davis & Geck, and Daytona Beach Community College.
- Major industries include printing and publishing, lumber and wood products, industrial machinery and equipment, and fabricated metal products.

## **Long-Term Financial Planning**

### **Courthouse Construction**

The new Volusia County Courthouse opened on December 15, 2001. The 237,610 square foot, four-story structure includes a 656-space parking garage and is expected to come in on budget for a total project cost of \$45.5 million. The courthouse has eight jury courtrooms, ten judge's chambers, and will house approximately 400 employees of the court system, the Clerk of the Court, State Attorney, Public Defender, and Sheriff's Office. The facility operating expenses are projected at \$1.2 million for fiscal year 2002. Five new positions, totaling \$140,413, will provide on-going maintenance and security. Utility costs account for half the operating expenses and are projected at \$555,000 annually. The balance of the operating budget will cover the cost of service contracts, janitorial services, and lawn maintenance. The budget increase is offset in part by a decrease of \$111,000 in rental costs for

office space associated with the State Attorney and Public Defender offices. Once the Historic Old Courthouse is vacated, interior renovations will begin. The spatial needs study about to be undertaken by the County will help determine the best use of the office space in the Historic Old Courthouse and other County facilities.

### **Land Information Systems**

In accordance with the long-term Information Technology Plan, the County will begin replacing legacy computer applications, many of which are over 15 years old. Phase one of the Property Appraisal system replacement, which includes the residential and tax roll generation portion of the system, will be completed in the second quarter of fiscal year 2002. The second phase, programmed for fiscal year 2002, includes the development of the commercial assessment, tangible personal property, and timeshare modules. Project costs for the two phases are estimated to total \$1,443,000.

In conjunction with the Property Appraisal system replacement project, the legacy Growth Management system (land development, permitting, reviews, inspections, and code enforcement) will be replaced in two phases beginning in fiscal year 2002. The business functions associated with the system will utilize new technologies, such as imaging and wireless, and include web-based permit applications capability. The estimated cost for the two phases is \$760,000.

The Property Appraisal and Growth Management systems together with the County Geographic Information System (GIS) will form the foundation of a comprehensive land information system.

### **Criminal Justice Information System (CJIS)**

The exchange of information between Volusia County's criminal justice agencies, as well as other local, state, and federal agencies will be streamlined and further automated through the use of new technology. The ability to access and retrieve information (documents, video, voice, pictures, and data) in a timely manner will dramatically improve service delivery. In fiscal year 2001, the CJIS Council assisted the County of Volusia in developing a conceptual design for a new criminal justice information system and will be used in fiscal year 2002 to develop and issue a Request for Proposal from vendors and begin implementation. The fiscal year 2002 budget includes \$1 million for this project.

### **Marine Science Center / Ocean Front Parks**

Building construction has been completed on the County's Marine Science Center located in Lighthouse Point Park in Ponce Inlet. Interior exhibits are being developed which will provide residents and visitors an opportunity to learn about Volusia's marine environment in a natural setting. The \$1.9 million, 4,500 square foot center is scheduled to open in April 2002, with an estimated annual operating budget of \$74,637.

Two other ocean front parks are under construction and are scheduled to open in fiscal year 2002. Tom Rennick Park is located on a 1.7-acre site south of the County lifeguard station in Ormond-By-The-Sea. The other project is the expansion of Frank Rendon Park, located on a 2.3-acre site in Daytona Beach Shores. The cost of each facility is about \$700,000 and each park will have picnic and playground areas, restrooms, parking spaces, and handicapped access to the beach. Annual operating costs for each of these parks is budgeted at \$22,200.

### **PFC Emory Bennett Memorial Park**

Construction on a new memorial park located in Orange City is scheduled to begin the first quarter of 2002. Development of approximately 27 acres of the 210-acre park site is expected to cost \$1.7 million. The completed park will include multi-purpose ball fields, restrooms, lighting, handicap

ramps, sidewalks, and a playground area. The grounds will also be home to over 300 species of trees and 680 types of shrubs. The park is named in honor of PFC Emory Bennett who died in battle during the Korean War and is Volusia County's only Congressional Medal of Honor recipient. Annual operating costs for the park are budgeted at \$47,740.

### **VOLUSIA FOREVER and VOLUSIA ECHO**

Two new initiatives approved by the voters of the County of Volusia in November 2001 have established a 20-year funding source for eligible projects that will improve and enhance the quality of life in our County. VOLUSIA FOREVER will fund the purchase and improvement of environmentally sensitive, water resource protection, and outdoor recreation lands. VOLUSIA ECHO will fund Environmental, Cultural, Historic, and Outdoor recreation capital projects. Over the next 20 years, each initiative is expected to raise approximately \$80 million. In addition, each of these programs will leverage matching funds from other government and local sources to maximize the impact of the programs.

At this time, it is difficult to project the future impact of the VOLUSIA FOREVER and VOLUSIA ECHO projects on the County's operating budget. The development of VOLUSIA ECHO projects could add ongoing costs involving staff, operations, and maintenance of new facilities. Initially, to the extent possible, operational costs will be absorbed into the County's operating budget.

### **Capital Outlay**

Currently, an average of \$2.7 million is expended annually for capital outlay items. On the horizon are several major system replacements. During the next five years, \$3.5 million annually is estimated to fund the following:

- replacement of the financial/human resource system (\$5,285,000)
- replacement of the revenue collection system (\$500,000)
- replacement of the Sheriff's Office computer aided dispatch system and records management system (\$1,400,000)
- replacement of the County telephone system (\$2,800,000)

### **Cash Management Policies and Practices**

Cash balances of all County funds are pooled and invested pursuant to the following criteria: term, liquidity, yield, and safety. The County's formal investment policy allows the County to invest in the State of Florida Local Government Surplus Funds Trust Fund; Florida Counties Investment Trust; negotiable direct obligations which are unconditionally guaranteed by the United States Government; bonds, debentures, notes, and other indebtedness guaranteed by United States Government agencies; money market mutual funds regulated by the Securities and Exchange Commission; Bankers Acceptances; Commercial Paper; non-negotiable interest-bearing time certificates of deposit or saving accounts; repurchase agreements; and state and/or local government taxable and tax-exempt debt. Additionally, the County may invest Volunteer Firefighters Pension funds in equities.

During fiscal year 2001, the County's cash resources were primarily invested in the State of Florida Local Government Surplus Funds Trust Fund, U.S. Treasury and Agency issues, and repurchase agreements. The County did not invest in any derivatives or similar debt and investment instruments. The interest rates received by the County for the fiscal year ranged from 3.49% to 7.52% and yielded \$9,161,954 of interest income. For additional information concerning the investment of surplus funds, refer to Note 5 of the Notes to the Financial Statements.

## **Risk Management**

Risk Management manages the self-insurance and loss-control programs of the County. The County self-insures its workers compensation, general liability, and physical damage risks. To meet the potential losses related to these risks, funding is generated from user charges to the various funds that participate in the program. These funds are accumulated in the Insurance Fund. In addition, Risk Management sponsors a loss-control program requiring frequent inspections of County buildings to identify hazards and on-going loss prevention training classes to lessen the frequency and severity of accident-related losses. At September 30, 2001, the Insurance Fund had a deficit in its net assets of \$7,886,372. This deficit has been reduced by \$1,340,843 from the prior year's deficit of \$9,227,215. Initiatives have been put in place to ensure that all costs are recaptured including an additional annual funding amount of \$500,000 over the next five years to further reduce the deficit. For additional information, refer to Note 16 of the Notes to the Financial Statements that explains the nature of this deficit.

## **Group Insurance**

The County provides medical, dental, pharmaceutical, and behavioral health services to its employees and their dependants through a self-insured program called the Health Partnership Plan. Funding to pay claims associated with the plan comes from both the County and the employee. The County contributes 100% of premium costs for the employee. The employee pays dependent premium costs. The premiums are accumulated in the Group Insurance Fund. The plan's goal is to provide quality services at the lowest price. The County has contracted with various hospital, pharmaceutical, and health networks to meet this goal. In addition, the plan's design is regularly reviewed to find ways to improve efficiency and lower or stabilize costs. For additional information concerning the Group Insurance Fund, refer to Note 18 of the Notes to the Financial Statements.

## **Pension Plan**

The County contributes to the Volunteer Firefighters Pension Plan, a single employer defined benefit plan. Each year, an independent actuary, engaged by the pension plan, calculates the amount of the annual contribution that the County must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees. As a matter of policy, the County fully funds each year's annual required contribution to the pension plan as determined by the actuary. As a result of its funding policy, the County has succeeded as of September 30, 2001, in funding 116 percent of the present value of the projected benefits earned by employees. The overfunded amount is being systematically amortized over a 21-year period as part of the annual required contribution calculated by the actuary.

## **Awards and Acknowledgements**

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2000.

The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for presentation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently

The Honorable Members of the  
County Council and County Manager  
March 21, 2002

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organized comprehensive annual financial report whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report conforms to the Certificate of Achievement Program requirements, and it will be submitted to the GFOA to determine its eligibility for another certificate.

### **Acknowledgements**

A Comprehensive Annual Financial Report of this nature could not have been prepared without the dedicated efforts of the Accounting staff. I would like to express my sincere appreciation to the Accounting Director and to each member of the Accounting Division who assisted and contributed in the preparation of this report. I would also like to thank the County Manager and the Chair and members of the County Council for their leadership and support in planning the financial operations of the County in a responsible and progressive manner.

Sincerely,

Charlene Weaver, CPA  
Chief Financial Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Volusia,  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Imelda Arce*  
President

*Jeffrey L. Esser*  
Executive Director

**COUNTY OF VOLUSIA, FLORIDA  
PRINCIPAL COUNTY OFFICIALS**

**September 30, 2001**

**COUNTY COUNCIL**

Dwight D. Lewis, Chair  
District No. 1

Ann McFall, Vice-Chair  
James E. Ward  
Frank T. Bruno, Jr.  
Joseph C. Jaynes  
Big John  
Patricia Northey

District No. 5  
District No. 2  
District No. 3  
District No. 4  
Council Member At-Large  
Council Member At-Large

**ELECTED COUNTY OFFICIALS**

Ben F. Johnson  
Deanie Lowe  
Morgan B. Gilreath, Jr.  
Diane Matousek

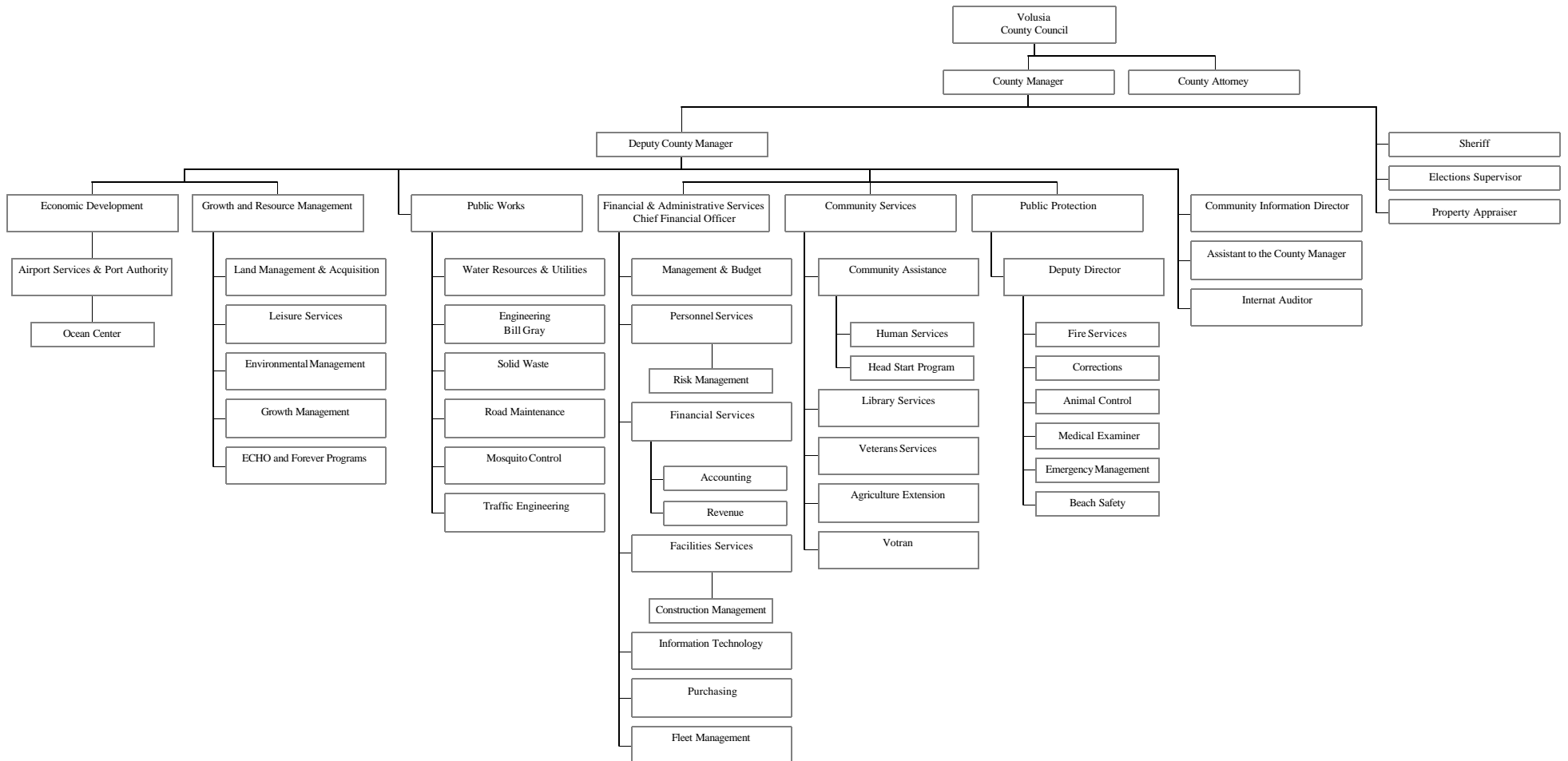
Sheriff  
Supervisor of Elections  
Property Appraiser  
Clerk of the Circuit Court

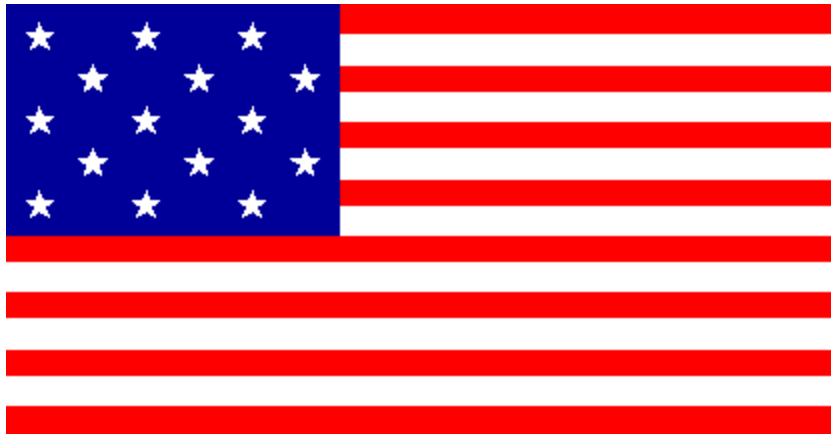
**COUNTY MANAGER**

Cynthia A. Coto



# Volusia County Government





15 Star Flag - 1795-1818  
Star Spangled Banner