



Financial and Administrative Services

February 7, 2007

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

Ladies and Gentlemen:

It is a pleasure to present the Comprehensive Annual Financial Report (CAFR) of the County of Volusia, Florida (the County) for the fiscal year ended September 30, 2006.

FORMAL TRANSMITTAL OF THE CAFR

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 for the fiscal year ended September 30, 2006.

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 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, James Moore & Co., P.L., Certified Public Accountants. 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, 2006, 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, 2006, are fairly presented in conformity with GAAP. The independent auditors' report 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, federal and state mandated single audit and passenger facility charge 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 County's internal controls and compliance with legal requirements, with special emphasis on those 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 independent auditors' report.

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.

Florida



Volusia County



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 Reporting Entity

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 garbage collection program, and a refuse disposal system. 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, page 68.

INFORMATION USEFUL IN ASSESSING THE COUNTY'S ECONOMIC 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 of Volusia operates.

The strength and size of Volusia County's economy continued to grow following the robust market influences experienced during 2005. All market indicators including employment, personal income, and the area's gross metropolitan product output posted positive gains, adding to the overall health of the County's economy. Wealth generation through the appreciable values of land, residential, and commercial real estate, as well as increased local banking deposits, provided an overall higher level of personal equity per household.

Population and migration trends

In 2006, Volusia County's population increased an estimated 2 percent. This trend is expected to continue into 2007 with a projected 2.2 percent increase, slightly outpacing similar trends for the State of Florida.

Population increases continue to be influenced by the in-migration of new residents. In 2006, the county became home to up to 28,800 new residents. Again, as in previous years, approximately 22 percent of these new residents were Floridians relocating from the greater Orlando metropolitan market. However, while Floridians were an important influence on the local population, over two-thirds of all new residents arriving in Volusia County came from other communities outside of Florida.

The county's out-migration of residents, those moving away, rose slightly to a level of approximately 20,000. This increasing gap between the number of new individuals arriving and those leaving the county continued to fuel the need for new housing capable of supporting between 8,500 and 8,800 new residents, annually, and the need for additional commercial capacity.

Capital investment trends in real estate

While the housing industry experienced challenges in the national and regional markets, Volusia County continued to maintain existing home values posting a modest increase for the year. According to the Florida Association of Realtors and the University of Florida's Real Estate Research Center, Volusia County's single family average values for existing single-family homes rose 7 percent from an overall annual average of \$205,500 in 2005 to a new level of \$219,900 for 2006.

However, individual condominium home values fell during the same period by an average of \$30,700 per unit from their high in 2005 at \$248,200 to a more moderate annual average market value of \$217,500 for 2006.

Investments in Volusia County real estate have dominated the market for the past several years. The county has experienced a steady increase in new residential home permits beginning in 2001. The residential market peaked in 2005 with an estimated 6,856 new residential permits issued at a reported value of over \$1.29 billion.

While in-migration of new residents continues to drive the new single-family housing market, the interest on the part of investors and developers faltered in 2006 with quarterly declining measures throughout the year. The fall in the number of new residential permits issued countywide was 3,463 units in 2006, a drop of nearly 50 percent as compared to the number issued in 2005. The total of new residential permit values likewise fell 40 percent from \$1.29 billion in 2005 to a reported level of \$774.7 million in 2006, a decline of \$518.3 million over the previous year.

While residential permitting for new housing softened for the year, capital investments in new commercial projects countywide demonstrated a continued interest by investors in the long-term investment of capital into the Volusia County market. New permit values for industrial and commercial projects countywide in 2006 posted \$340.9 million in value, up 47.5 percent over the 2005 investment level of \$231 million. This represented a \$109.9 million increase in capital investments over the previous year.

Although not at the robust level of \$1.52 billion experienced in 2005, the local new construction market still managed to attract an estimated \$1.12 billion in new permitted values. This level of capital investment for a

community with a population of just over 500,000 is still a significant generator of construction related expenditures and employment for the local economy. An average of 14,700 construction related jobs were in place in 2006 accounting for the annual growth of this job sector by 7.7 percent for the year. However, the softer market in the 2006 numbers may lead to a slight decline in overall construction employment in 2007. Construction employment accounts for approximately 8 percent of the county's employed workforce.

Employment and personal income

Volusia County's workforce grew by 5.1 percent in 2006 from its beginning level of 241,002 to ending the year at 253,299. Meanwhile, worker incomes grew by a healthier pace of 6.1 percent. Local employment grew by 11,355 new jobs during the same period producing an average annual wage of \$32,200, up over the past 5 years by 33.7 percent.

In comparison, Volusia County's 5.1 percent growth in the size of the county's workforce outpaced the State of Florida's rate of growth at 4.7 percent and the U.S. national average of 1.8 percent. The growth of new employment opportunities rose by 4.8 percent in Volusia County as compared to 4.7 percent for the State of Florida and a 2.2 percent growth for the United States as a whole.

Influencing much of the county's economic engine is the annual impact of personal income that experienced 6.1 percent growth in 2006 producing a fresh infusion of a reported \$14.3 billion into the local market. This trend should continue into 2007 with another 6.2 percent level of growth projected for the year.

The county's workforce of 253,299 generated \$5.7 billion in wages and salaries with the amount of personal income generated from non-waged sources of interest, royalties, and other investment vehicles topping \$8.6 billion in new capital.

Evident within the statistical data collected to review Volusia County's migratory patterns is the fact that new arriving residents, statistically on average, had higher annual income levels than those families leaving the community to go elsewhere. As an influencing group, new arrivals to the county are adding a greater influence in financial buying power than those they are replacing. The influence of increased in-migration supports the growth and need for commercial and professional services as well as stimulates continued job opportunities within the market.

While job growth in business and professional services, healthcare, and the service sector continues to influence the creation of new jobs within the Volusia economy, work is being done by the county's economic development efforts to further diversify the local workforce and mitigate the number of workers that are commuting to work outside the immediate market. However, the county is increasingly influenced by its geographical location within the central Florida metropolitan market and rapidly becoming part of and influenced by the growth of the greater Orlando Metropolitan Statistical Area (MSA).

Nearly 22 percent of the county's new residents over the past 5 years have relocated to Volusia County as the result of the out growth of both residential and commercial activities from the more urbanized areas of Seminole and Orange counties located just southwest of the county's western border. There is no doubt that Volusia County has become more integrated as part of a regional metropolitan economy and is now impacted by the economic trends of the region and less and less upon its own individual strengths and weaknesses.

According to the County's Department of Economic Development, about 56,000 Volusia County residents commute to jobs in surrounding counties. Many of these individuals moved to Volusia County as a result of the competitive cost values presented by Volusia County's housing market while maintaining jobs near their former residence. These individuals comprise the bulk of Volusia's daily commuters.

Workforce trends and U.S. Government Entitlements

Employment trends continued their upward momentum in 2006 as Volusia County increased its overall workforce population from 245,645 to 253,299 workers according to the LAUS Report issued by the Florida Agency for Workforce Innovation. Unemployment rates remained steady from 2.8 percent in December of 2005 to 3.0 percent in December 2006. Volusia County's 2.9 percent average for unemployed workers remained on

par with the State of Florida's average of 3.0 percent and well below the U.S. national average of 4.4 percent for the same period.

Although unemployment levels remained low during 2006, the size of the workforce continued to be influenced by the in-migration of new workers and their spouses and by first time entrants into the workforce. The number of new jobs created continued to outpace the growth of the overall workforce for the second year in a row. This trend has lessened the overall dependency of many workers on out-of-market job opportunities and has cut the number of daily commuters from a high of approximately 62,000 workers in 2004 to a current level estimated at 56,000.

Approximately 22.5 percent of Volusia County's population is aged 65 or over. This population is the primary recipient of Federal entitlement payments generated from the U.S. Social Security Administration. Overall Social Security benefits paid to Volusia County residents of all ages topped \$1.47 billion in 2006. The majority, or an estimated \$961.9 million, of these moneys were paid in retirement benefits while \$213.7 million were expended for disability payments. Another \$296.3 million was generated by those individuals receiving SSI and Survivors benefits.

Gross Metro Product (GMP)

The overall Gross Metro Product (GMP) for the Volusia County economy increased in 2006 from \$12.98 billion in 2005 to \$13.69 billion; a \$709.9 million increase. The GMP is an annual measurement of the total economic output and sales of goods and services provided within the MSA that comprises all of Volusia County and its 16 cities.

A GMP of \$13.69 billion represents a significant circulation of new capital resources in an economy populated by just over 500,000 residents. Local consumer confidence and a continued in-migration of an estimated 28,800 new residents, new capital investments for new construction exceeding \$1.11 billion, and the steady growth of professional and healthcare services continued to drive much of the County's economic viability.

Volusia County's manufacturing sector maintained a steady and stable position within the local economy contrary to the declining trends being experienced elsewhere within the State of Florida. The overall number of manufacturers present within the county increased to over 430 in 2006 and accounted for a large portion of the county's GMP. Manufacturing maintains one of the highest of all average wage levels within the county and generates a higher rate of circulation of economic impact than any other business sector that comprises the local economy.

Volusia County's manufacturing sector generated an average annual wage of \$37,632 in 2006, well above the county's average annual wage of \$32,200 for all workers.

Economic development related impacts

More than 11,300 new jobs were added to the county's economy in 2006. These healthy increases in employment were lead by the relocation of major employers such as Frontier Communication Solutions with nearly 500 new jobs into the market and by the successful retention of several major manufacturing employers within the market.

In April, Ocean Design, Inc., a manufacturer of high pressured environment couplers, moved into a new state-of-the-art headquarters and production facility in Daytona Beach with more than 200 high skilled and higher waged jobs. This move ended a three year effort by the company and the community to finalize a location to consolidate the company's multiple production and administrative functions.

Driven by the acquisition of two new boat manufacturing companies, Brunswick Corporation's saltwater boat group announced in December the consolidation of the company's divisional headquarters unit to the greater Edgewater area. This consolidation will include the management, engineering/design and sales personnel from the division's seven manufacturing companies. The move is expected to increase Brunswick's local presence by 65 additional professional positions.

In 2006, Ideal Aluminum Products, continued to add workers to the company's manufacturing operations following their relocation to the DeLand area in 2005 reaching the company's goal of 200 workers nearly a year ahead of schedule. In June, the DeLand area was chosen as the site to locate a customer service divisional headquarters by Stamford, Connecticut based Citizen's Communications. The decision has created a need for 487 new information technology jobs that will bring more than \$14,000,000 in new payroll to the market.

Other manufacturers expanded to the Volusia County market in 2006. TimeMed, Inc. of Illinois acquired New Smyrna based Pharmex, A.B.P. resulting in a commitment by the company to consolidate a portion of their national operations to a new facility to be constructed in Port Orange. In Ormond Beach, local manufacturer, Microflex, Inc. began the process to expand their manufacturing operations due to new contracts with both American and Japanese automakers. The expansion will cost an estimated \$6 million and will add an anticipated 50 new high skilled and higher waged manufacturing jobs to the local market.

Crane Cams, Inc. of Daytona Beach was acquired by Mikronite Technologies, LLC of New Jersey. The acquisition of Crane's automotive components production capacity will result in the strengthening of the company's local presence by an infusion of fresh capital to upgrade the manufacturer's productivity and position within the industry. The move also resulted in a commitment by Mikronite Technologies to relocate the company's manufacturing operations from New Jersey. The move is expected to add an additional 30 to 40 new manufacturing jobs to the Daytona Beach area.

Manufacturing employment, which accounts for nearly \$500 million in local wages, was also impacted in 2006 by a renewed round of federal military procurement opportunities. U.S. Navy contracts with Sparton Electronics of DeLeon Springs, a U.S. Marines contract with parachute maker Complete Parachutes Solutions of DeLand, and government contracts for water filtration equipment and marine patrol craft from manufacturers Miller-Leaman, Inc. of Daytona Beach, and Boston Whaler's commercial and government products division in Edgewater led the way. Acquisition of Ocean Design, Inc. of Daytona Beach by Teledyne, Inc. further strengthens the role of local manufacturers in supplying critical procurement needs of the United States government.

Infrastructure of future employment centers

After two years of planning, design and engineering, the County's economic development team completed the construction of DeLand Crossings industrial park along I-4 near the S.R. 44 interchange. Completion of the park provides industrial acreage to support up to 300,000 square feet of manufacturing space that will generate in excess of \$30 million in new capital investments and provide for an industrial center for up to 300 new high skilled and high waged jobs.

The DeLand Crossings project has attracted two manufacturers that have already acquired acreage within the new park and have begun the necessary work to design and build up to 130,000 square feet of new production space. NSI Intellitec Products, LLC and California based BBK Products, Inc. are investing more than \$12 million in new capital. These projects together will result in the relocation and creation of more than 130 high waged jobs in an area of the county that has been largely dependent upon agriculture and residential activities.

The County's economic development team continues to lead development plans for the construction of additional industrial acreage and infrastructure. In March, the County Council awarded an economic development infrastructure matching grant to the city of DeLand to support the city's effort to provide road access for up to 30 additional acres of industrial land at the DeLand Airport Industrial Park.

A similar action taken in December by the County Council resulted in the award of an economic development infrastructure matching grant to the city of Ormond Beach to support the City's efforts to develop the remaining industrial acreage at the Ormond Beach Airport Industrial Park. The project is designed to open 14 acres of new industrial use for future job creation.

The County's aggressive economic development initiative is leveraging local government resources to maximize the community's ability to provide developed and fully permitted sites to accommodate future employers. This strategic move by the County Council has improved the community's ability to secure competitive projects

resulting in the capture of hundreds of millions of dollars in new capital investment and tax base as well as a growing number of higher skilled and higher waged jobs.

Additional efforts began in 2006 to encourage the development of a new employment center for the city of Port Orange that will comprise an additional 245 acres of industrial parcels capable of supporting well in excess of another 1,000,000 square feet of production space. Preliminary engineering and conceptual site planning have already begun encouraged by a joint development strategy between Volusia County and Port Orange.

In Daytona Beach, further progress has been made in advancing the planning and permitting of the Daytona Beach International Airport's Corporate Technology Center on the south side of the airport's main complex. The Center will accommodate over 600,000 square feet of offices to accommodate information technology based users as well as technology based light manufacturing facilities. Work will continue in 2007 to advance the engineering and coordinated needs of the project between Volusia County and the city of Daytona Beach. Upon completion, the Center will generate in excess of \$80 million in new tax base and will serve as the home to an estimated 1,500 new jobs.

Just west of the Daytona Beach International Airport, the County has finalized the engineering of a 130 acre industrial park known as the Tomoka Industrial Park and has prepared the project for construction in two phases beginning in 2007. The Park will house more intensive industrial users and has been designed to accommodate up to 1,000,000 square feet of additional industrial space.

Earlier investments by Volusia County and Consolidated Tomoka Land Development Company along the Mason Avenue extension in Daytona Beach have continued to encourage the construction of industrial space to accommodate new capital investment and tax base capable of supporting improved employment opportunities. In 2006, up to 200,000 square feet of new production and warehousing space was completed in this area and commitments have already been made for more than 250,000 square feet of additional production facilities.

The County's Industrial Development Authority reported up to \$25,000,000 in new industrial revenue bond financing. By year's end an additional \$14,000,000 in bonds were being prepared to support three new projects for the DeLand and Daytona Beach market.

In 2006, Volusia County began the \$75 million capital expansion of the Ocean Center. The expansion of the County's convention and meeting facility will provide for 164,000 square feet of interior exhibit space and 300,000 square feet of exterior exhibit space advancing the Ocean Center into one of the top 5 largest convention facilities in the State of Florida. The expansion is expected to be completed and open for business in 2008.

This single largest public works project has already begun to influence private-sector capital investments in the immediate area around the Ocean Center with several new full-service hotels and support facilities planned for future construction. The completion of the Ocean Center project is expected to attract several hundred millions in new construction and capital investment to meet the future needs of conventioners.

LONG-TERM FINANCIAL PLANNING

The County takes a planned approach to the management of debt, funding from internally generated capital, where appropriate, and financing when appropriate. Conservative financial strategies and management practices help to minimize exposure to sudden economic shocks or unexpected volatility. Quarterly monitoring and evaluation of factors that can affect the financial condition of the County help to identify any emerging financial concerns. The practice of multi-year forecasting enables management to take corrective action long before budgetary gaps develop into a crisis. The planning process also includes an examination of new capital and/or operating initiatives in relationship to their related impact on the County's financial position. The following is a brief discussion of these projects.

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 CJIS

Council assisted the County of Volusia in developing a conceptual design for a new multi-agency criminal justice information system. The implementation of the detailed design is scheduled to begin in January 2007 and be completed within 22 months. The cost for this entire project is approximately \$22.5 million.

800 MHz Radio System

The 800 MHz radio system is based on early 1990's technology. To extend the life of the radio equipment in place and to continue to provide reliable service to public safety agencies, a major technological upgrade to the 800 MHz radio system is anticipated. The upgrade project is expected to cost \$7 million. The maintenance contract for the current system expires in 2009, and replacement of the system will be required sometime after that. With changing technology in this area, replacement cost is unknown at this time.

Branch Jail Expansion

The Branch Jail, which opened in 1987, has a rated capacity for 1,494 inmates. The average daily inmate population has routinely exceeded this capacity over the past year. To house this ever growing population, expansion is needed. It is anticipated the construction will be completed in three phases at a cost of \$35 million. Phase I includes the addition of approximately 250 beds, a new central services warehouse, and renovation of the existing intake and receiving area.

Commuter Rail

Volusia County has been evaluating the possibility of rail service linking Volusia County and the Orlando metropolitan area since 1997. Volusia County's share of initial capital costs is estimated to be \$20 million, which includes a train station in DeBary and the cost to extend Saxon Boulevard to reach the station. The County included \$1.5 million in next year's budget and has been tentatively approved for two loans from Florida Department of Transportation in the amount of \$10.2 million and \$2.3 million. An additional commercial paper loan will cover the remaining capital expenditures.

Emergency Operations Center (EOC)

The original EOC facility was built in 1976, with an adjacent dispatch center constructed in 1995. This project provides for construction of a new facility that would provide for two major capabilities: integrated law enforcement, fire, and emergency medical dispatching, and an emergency operations center that will provide functional space and equipment for planning, operational, and support personnel. This project is estimated to cost \$20 million.

Sheriff Facilities

In fiscal year 2005-2006, land was purchased to be used as the site for the construction of a combined Sheriff's facility that will house evidence storage and the new District 2 headquarters. It is anticipated this \$18 million project will be financed and constructed in phases, with the first phase being a new evidence processing and storage facility.

Beach

With the increased need for additional off beach parking and the replacement of an aging Beach Patrol Headquarters, two major beach projects are underway, totaling \$11.5 million. With off beach parking at a premium, the County has budgeted \$5.5 million for land acquisition. The new Beach Patrol Headquarters facility will replace the Main Street Lifeguard Station which was demolished and the 50 year old Daytona Beach Shores Lifeguard Station. This \$6 million building will also accommodate public uses, educational exhibits, general office functions, showers/locker rooms, and equipment storage.

East Side Service Center

This \$15 million, 60,000 sq. ft. facility will consolidate eastside operations of Mosquito Control, Road and Bridge and Traffic Engineering. The facility will provide office space, equipment and supply storage, fuel depot, and helicopter hangar. A portion of the facility will serve as an emergency field operations center for eastside field response and recovery teams. Funding for the project is under review. The next step will be to seek approval from council to select an architect to prepare construction documents.

RELEVANT FINANCIAL INFORMATION

Cash Management Policies And Practices

Cash balances of all County funds are pooled and invested pursuant to the following criteria: safety, liquidity, yield, and term. The County's formal investment policy allows the County to invest in the State of Florida Local Government Surplus Funds Trust Fund; 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 2006, 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 from individual securities for the fiscal year ranged from 1.875 percent to 5.875 percent and yielded \$20,851,060 of interest income. For additional information concerning the investment of surplus funds, refer to Note 5 of the Notes to the Financial Statements on page 78.

Risk Management

The Personnel Division manages the self-insurance and loss-control programs of the County. The County self-insures its worker's compensation, general liability, and physical damage risks. To meet potential losses related to these risks, funding is generated from user charges to the various funds that participate in the program. Each year, an actuarial review is conducted to estimate claims costs and funding levels to cover these costs. These funds are accumulated in the Insurance Fund. In addition, the County 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.

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. 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. Funding to pay claims associated with the plan comes from both the County and its employees. Employees pay \$5.00 per pay period towards their own premium costs and the County contributes the remainder. Employees pay their dependent premium costs. Premiums are accumulated in the Group Insurance Fund. Excess reserves continue to grow within the Group Insurance Fund at least equal to 2 months of claims, as required by Section 112.08 Florida Statutes. Unrestricted net assets have increased in each of the past three fiscal years, ensuring continued coverage of County employees during times of rising medical costs. For additional information concerning the Group Insurance Fund, refer to Note 16 of the Notes to the Financial Statements on page 102.

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 the County must make to the pension plan to ensure the plan will be able to fully meet its obligations to retired volunteers. 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 actuarial value of the plan's assets exceeds the accrued value of the projected benefits by 108%. The overfunded amount is being systematically amortized over a 16-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, 2005. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report. 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 continues to meet the Certificate of Achievement Program's 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 Finance staff. I would like to express my sincere appreciation to the Accounting Director, each member of the Accounting Division, the Management and Budget Director, the Economic Development Director, the Operations/Debt Manager, and the Revenue Director who assisted and contributed in the preparation of this report. I would also like to thank the County Manager, the County 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.

USE OF THIS REPORT

This report, and other financial information prepared by the County of Volusia, Department of Financial and Administrative Services, may be accessed on the County's website at <http://www.volusia.org/finance>, using the CFO link. Copies of this report are also available from the County Library system for use of the general public.

Sincerely,

Charlene Weaver, CPA
Chief Financial Officer