



## Financial and Administrative Services

March 17, 2008

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, 2007.

### 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, 2007.

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, 2007, 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, 2007, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

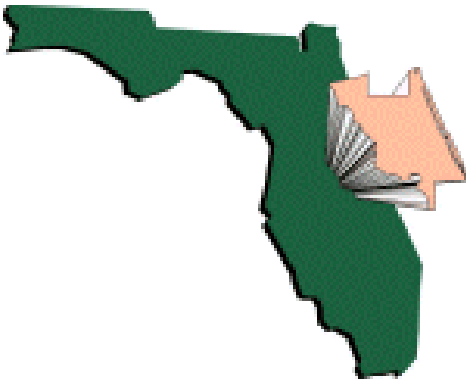
The independent audit of the financial statements of the County was part of a broader, federal and state mandated single audit and passenger facility charge audit designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent 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 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. 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 72.

## **INFORMATION USEFUL IN ASSESSING THE COUNTY'S ECONOMIC CONDITION**

While the Volusia County economy in 2007 attracted thousands of new residents and millions of tourism visitors, the county's economy continued to remain diversified.

Although Volusia County's economy slowed somewhat during 2007, largely due to the pullback in the housing construction market, it remained relatively strong with moderate growth. While most economic indicators continued to post gains over 2006, those gains reflected an overall slowdown being experienced throughout Central Florida.

The moderate cooling in the Volusia County economy should not be seen as a reversal in the overall economic health of the community but rather as an adjustment to the earlier rapid growth experienced during the 2004 and 2005 period. Personal income and the area's gross metropolitan product output continued to post positive gains while employment continued to diversify across the board away from the traditional perception of a community dominated by the hospitality and retail sectors.

### **Population and resident migration trends**

In 2007, Volusia County's population count slowed to 1 percent growth or a total of 508,014 residents. This compared to the 2 percent growth the county experienced in 2006. Early population indicators projected a 2.2 percent increase for 2008. Those estimates have been adjusted to reflect a more moderate growth rate of 1.9 percent projection for the coming year.

Population increases continue to be influenced by the in-migration of new residents. In 2007, the county became home to up to 30,000 new arriving residents. Again, as in previous years just over 20-percent of these new residents were Floridians relocating from the greater Orlando metropolitan market. However, while Floridians remain an important influence on the local population, an estimated 45 percent 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 sharply to a new level of approximately 23,000 residents according to the latest data available from the U.S. Internal Revenue Service. This gap between the number of new individuals arriving and those leaving the county continued to fuel the need for new housing capable of supporting a net gain of approximately 7,000 new residents - down from the earlier levels of 8,500 and 8,800 new residents experienced over the past few years.

### **Capital investment trends in real estate**

Wealth generation through the appreciation of values of land, residential and commercial real estate softened in 2007. 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 fell on average 9 percent from \$217,700 to \$197,300 per home. Statewide the average single-family home resale value fell by an average of 5 percent. This new trend reverses the 7 percent increase that was experienced in 2006.

However, the trend in existing condominium home sales rose by 2 percent in Volusia County, reversing a two year trend of declining values. Condominium sales rose from an average of \$244,500 in 2006 to an average level of \$249,800. The Volusia County trend bucked the statewide trend in existing condominium sales which continued to decline at an average overall rate of 3 percent.

Investments in Volusia County real estate have dominated the market for the past several years. The county had 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 continue to drive the new single-family housing market, the interest on the part of investors and developers continued their 2006 trend downward with declining quarterly measures throughout the year. The fall back in the number of new residential permits issued countywide declined from 3,463 units in 2006 to 1,938 permits issued countywide in 2007 – a drop of approximately 44 percent as compared to permits issued in 2006. The total financial value of new residential permits fell for the second straight year from \$774.74-million generated in 2006 to a 2007 level of \$495.80 million. This

performance was significantly lower than the market's highest level in 2005 when new residential permitting values hit \$1.29-billion.

While residential permitting for new housing softened in 2007, capital investments in new commercial projects countywide reported a steady and consistent level by investors and developers in the long-term investment of capital into the Volusia County market. New permit values posted for industrial and commercial projects countywide in 2007 reported \$334.55-million as compared to \$341.46-million recorded in 2006 and well ahead of the \$231.07-million reported in 2005.

Although not at the robust level of the \$1.524-billion experienced in 2005, the local new construction market still managed to attract a reported \$830.35-million 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.

While the number of construction permits issued for 2007 were down, the number of workers employed within the construction industry remained nearly unchanged at a level of 14,600 – down .07 percent or 100 jobs over 2006 averages. However, the softer market indicated by the level of 2007 permits will most likely carry over well into 2008 and is expected to cause the number of layoffs in the construction trades and related retail areas to increase significantly. This decline will be a direct result of the pullback in the overall residential and commercial markets along with the slowdown in capital projects being bid by local and state government. Construction employment accounts for approximately 8 percent of the county's employed workforce.

#### **Employment and the infusion of personal income**

Volusia County's workforce grew by 4.0 percent in 2007 as compared to 3.1 percent in 2006. The County's workforce has grown by 15.2 percent over the past 5 years as compared to 14.1 percent for the State of Florida and is well outpacing the national trend of only 5.7 percent. The size of the County's workforce grew in 2007 to a new level of 254,388 available workers as compared to 244,648 a year earlier.

Local employment growth slowed to 3,090 new jobs down from the robust growth level of 8,320 new jobs added to the county's economy in 2006. Average annual wages of the Volusia County workforce rose to \$31,200; up over the past 5 years by 17.3 percent.

Influencing much of the county's economic engine is the annual impact of personal income that experienced a dynamic level of growth to 6.8 percent in 2007 producing a fresh infusion of a reported \$15.8-billion into the local market. This trend should continue into 2008 with another 6.6 percent level of growth projected for the year.

The county's workforce of 254,388 generated \$5.9-billion in wages and salaries with the amount of personal income generated from non-waged sources of interest, royalties and other investment vehicles topping \$9.9-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 represent greater influence in financial buying power than those they are replacing. Increased in-migration supports the growth and need for commercial and professional services and 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 outside the immediate market for work. 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 metro Orlando 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 residential and commercial activities from the more urbanized areas of Seminole and Orange counties, located to the southwest of 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 impacted by its own individual strengths and weaknesses.

According to the county's Department of Economic Development, about 55,000 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 the county's daily commuters.

### **Workforce trends and U.S. Government entitlements**

Employment trends continued their upward momentum in 2007 as Volusia County increased its overall average workforce population from 244,648 in 2006 to 254,388 for 2007 according to the LAUS Report issued by the Florida Agency for Workforce Innovation. While the number of new jobs in Volusia County slowed in 2007, more than 35,000 new jobs have been added to the county's economy during the past 5 years.

Unemployment rates reversed their earlier downward trends and began to increase gradually throughout 2007 as the market adjusted to a general slowdown in the regional economy. Volusia County's 3.9 percent average for unemployed workers remained on par with the State of Florida's average of 3.8 percent and well below the U.S. national average of 4.6 percent for the same period.

While unemployment levels rose moderately during 2007, the size of the workforce grew by 4.0 percent. This growth was influenced by the continued in-migration of new workers and their spouses and by first time entrants into the workforce. The number of new jobs created within the market grew by 1.3 percent as compared to 3.6 percent the previous year.

Approximately 21.1 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 2007. According to the Social Security Administration, more than 117,363 Volusia County residents received benefits in 2007, up 4.2 percent over the previous year.

### **Volusia County's Gross Metro Product (GMP)**

The overall Gross Metro Product (GMP) for Volusia County's economy increased in 2007 from \$13.40-billion in 2006 to \$13.80-billion. Although this increase accounted for an additional infusion of \$400-million to the local economy, it grew at a slower pace than the \$709.9-million increase generated the previous year. The GMP is an annual measurement of the total economic output and sales of goods and services provided within the Metropolitan Statistical Area (MSA) that comprises all of Volusia County and its 16 cities.

A GMP of \$13.80-billion represents a significant circulation of new capital resources in an economy populated by just over 508,000 residents. Local consumer confidence and a continued in-migration of an estimated 30,000 new residents, new capital investments for new construction exceeding \$830-million 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. Volusia County's manufacturing sector has grown by 10.4 percent over the past 5 years as compared to a 4.3 percent loss statewide and an 8.0 percent loss nationwide.

The overall number of manufacturers present within the county increased to over 435 in 2007 and accounted for a large portion of the county's GMP. Manufacturing provides the second 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 \$39,135 in 2007, well above the county's average annual wages estimated at \$31,200 for all workers.

### **Economic development related impacts**

The Volusia County economy added 3,090 new jobs in 2007. This moderate growth in new jobs is less than half of the 8,320 jobs added in 2006. The majority of the employment growth came in the healthcare sector with an estimated 1,100 new positions followed by the business and professional services sector with 400. Gains in new employment were offset by losses in the construction, retail, financial services and leisure and hospitality sectors.

The majority of economic development work in 2007 was dedicated to the retention of existing employment. Influences from other states continued to pressure local manufacturers to consider relocating local employment and production activities.

Driven by the acquisition of two new boat manufacturing companies, Brunswick Corporation's Saltwater Boat Group announced just before the first of the year 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.

Edgewater Power Boats located in the City of Edgewater underwent a series of relocation reviews in 2007 influenced by the aggressive marketing efforts of both North and South Carolina. Through a series of local initiatives, the county's economic development team was able to muster economic incentives including employment performance funding and low-interest tax-exempt financing from the county's Industrial Development Authority to combat the impacts being offered by North Carolina. In late 2007, the company committed to remaining and expanding within the community retaining a total of 100 jobs with the plan to expand their employment by 50 percent over the next 3 years. The retention of Edgewater's production facility will generate an additional \$6-million in capital construction to accommodate the company's expansion.

In the spring of 2007, efforts to attract additional manufacturing employment to the southwest area of the county were successful with the recruitment of Nelson LLC, a manufacturer of modular classroom facilities. This project has selected a site for constructing up to 120,000 square feet of production space within the City of DeBary. The company is expected to be in operation by 2009 bringing with it up to 200 new manufacturing jobs and a new capital investment in excess of \$8-million.

Growth of manufacturing within Volusia County has encouraged several expansion projects that are resulting in upwards to \$50-million in new construction to accommodate the demand for additional space. Developments in Daytona Beach, Ormond Beach, DeLand and DeBary have recently been completed or are under way to provide additional manufacturing capacity.

Manufacturing employment, which accounts for over \$403-million in local wages, was also impacted in 2007 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 marine patrol craft from Boston Whaler's Commercial and Government Products Division in Edgewater led the way.

Raydon Corporation's military simulation products exceeded \$25-million in sales to government with 2008 projections estimated at levels beyond \$30-million. Acquisition of Ocean Design Inc. of Daytona Beach by



Teledyne Inc. will further strengthen the role of local Volusia County manufacturers in supplying critical procurement needs for the United States Government.

**Emphasis on future employment centers**

The Volusia County Council has continued to emphasize the importance of future employment centers throughout the county. The DeLand Crossings Industrial Park along I-4 near the S.R. 44 interchange is designed to accommodate up to 300,000 square feet of manufacturing space and is expected to generate a capital investment in excess of \$35-million. DeLand Crossings saw the first of several planned industrial projects break ground in 2007.

The County's economic development team continues to lead development plans for the construction of additional industrial acreage and supporting infrastructure through financial partnerships with area cities. During the summer of 2007, the City of Ormond Beach began the construction of new industrial properties within the city's Airport Industrial Park. Similarly, engineering and permitting of additional industrial acreage continued to be performed by the cities of DeLand, Daytona Beach, Port Orange and others to support the countywide effort to create future permitted "shovel ready" sites to support the growth of manufacturing and technology within the community.

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.

While residential construction was further curtailed in 2007, commercial and industrial permitting and construction continued to attract new capital investments at levels in excess of \$335.5-million.

Work continued in 2007 for planning and designing the future use of nearly 2,000 acres that comprise the lands associated with the Daytona Beach International Airport. Among the more advanced projects, the Airport Corporate Center has been entitled for the future development of up to 312,000 square feet of manufacturing technology based facilities along with 296,000 square feet of technology based offices capable of supporting in excess of 2,000 new jobs. This project alone is expected to attract up to \$100-million in new tax base.

Just to the west of the Daytona Beach International Airport, the County Council approved the construction of a 130-acre industrial park known as the Tomoka Industrial Park. A \$2.4-million construction contract was approved by the County Council in August to build the first of two phases of this project that is expected to provide up to 1,000,000 square feet of additional industrial space in future years.

Creative investment partnerships between 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 improved employment opportunities. In 2007, 100,000 square feet of new production space was completed and commitments have already been made for more than 150,000 square feet of additional manufacturing facilities for 2008.

Similar private-sector partnerships were created in 2007. The County received a contribution of \$1,000,000 in land purchasing credits from the Halifax Plantation LLC to support a joint marketing effort to attract future manufacturers to the company's 55-acre industrial property located along I-95 north of the City of Ormond Beach. The Halifax Plantation Industrial Center is capable of supporting upwards of 750,000 square feet of new production space and attracting more than \$75-million in new capital investments.

The county's Industrial Development Authority (IDA) reported more than \$36,000,000 in new industrial revenue bond financing in 2007 – up nearly 30-percent over 2006. By year's end an additional \$60,000,000 in bonds were being prepared to support both new industrial and qualifying medical and housing projects planned for 2008. The adjustment of interest rates during 2007 supported the improved popularity and

interest in utilizing the County's industrial bond program as a cost effective alternative for project financing.

### **Investments in convention and air passenger services**

Construction of Volusia County's convention facilities continued on schedule and within budget during 2007. This \$76-million capital expansion of the Ocean Center's convention and meeting facility will provide an additional 164,000 square feet of interior exhibit space and 300,000 square feet of exterior exhibit space that will reposition the Ocean Center as the fifth largest convention facilities in the State of Florida.

The expansion of the Ocean Center represents the single largest public works project currently underway by Volusia County government. This \$76-million public works project has encouraged private-sector capital investments in the immediate areas around the convention center. Several new full-service hotels and support facilities are being planned for future construction. The completion of the Ocean Center project is expected to attract several hundred million dollars in new construction and capital investments to meet the future needs of conventioners.

The County has also invested to enhance the market's ability to attract new commercial airline services to Daytona Beach International Airport. During 2007 and the opening months of 2008, the market welcomed the arrival of AirTran Airways and the return of US Airways with daily commercial flights to Atlanta, Charlotte and New York. The county's marketing investment in new air services to Daytona Beach International Airport will strengthen the community's ability to attract a growing number of conventional venues that will compliment the expansion of the County's convention facilities.

In 2007, the growth in air passenger traffic at Daytona Beach International Airport increased by 29.86 percent. Passenger traffic grew from a level of 543,000 in 2006 to over 705,000 by the end of 2007 - the highest level of passenger volume since 1997. The increase in commercial air carriers to the Daytona Beach market has also enhanced the ability of business travelers to access the market. This trend should lead to an enhancement in business related investments.

The market is home to several major "special events" including the world famous Daytona 500 and other premier racing events, two major motorcycle events and spring break venues. Annually, these events attract millions of visitors that infuse an estimated \$2-billion into the local and regional economy.

The County's biggest capital investment project in years was announced in 2007 by the International Speedway Corporation. The project referred to as "Daytona Live" will encompass a 40 acre entertainment complex highlighted by the construction of a new 200,000 square foot corporate headquarters facility for International Speedway Corporation and NASCAR. This project will be surrounded by new hotels, restaurants, retail, entertainment venues and housing and will be a great addition to the community. The project will generate a new capital investment of more than \$480 million.

Volusia County's traditional and eco-tourism markets continue to gain recognition as visiting destinations. Orbitz.com has named Daytona Beach the fastest growing beach winter destination second only to Maui, Hawaii. The ranking is based on percentage growth of hotel bookings during the winter months over the past three years.

Eco-tourism venues along the St. Johns River and throughout Volusia County combined with the importance of more than 50 miles of Atlantic beachfront continue to make Volusia County a diversified tourism destination. Hotel improvements and the future completion of the County's convention facilities will only strengthen the position the community will have as a future tourism and business convention market destination.



## **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.

### **800 MHz**

Our present 800 MHz radio system is based on late 1990's technology, with many components and subsystems no longer in production. Over the next few years, system maintenance will become more difficult because of the industry moving towards newer up-to-date GPS technology. To extend the life of the radio equipment and to continue to provide reliable service to public safety agencies, a major technological upgrade is anticipated. Replacement of the radio system with GPS Simulcast is estimated to cost \$14 million.

### **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: renovation of the current facilities, replacement of the barracks, and a new stand alone facility.

### **Commuter Rail**

Volusia County has been evaluating the possibility of rail service linking Volusia County and the Orlando metropolitan area since 1997. Volusia County has pledged \$12.5 million, which will pay for a train station in DeBary and for a portion of the cost to extend Saxon Boulevard to reach the station. The county has been tentatively approved for a loan from Florida Department of Transportation (FDOT) for \$12.5 million. The state DOT is considering whether to fund local annual operating costs for the first four years.

### **East Side Service Center**

The consolidation of the eastside operations of Mosquito Control, Road and Bridge and Traffic Engineering is on the planning horizon. This \$15 million, 60,000 square foot facility will provide office space, equipment and supply storage, a 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 prepare and advertise a request for proposal (RFP) 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 2007, 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. In November 2007, after the close of the County's fiscal year, the Florida Local Government Surplus Funds Trust Fund held securities in its portfolio that were invested in asset-backed commercial paper that had been downgraded due to the severe down turn in the sub-prime mortgage market. Because the investments no longer met the criteria of safety and liquidity, the County withdrew, on November 21, all funds invested in the trust fund. No further investments will be made in the trust fund until the criteria for safety and liquidity are met. The interest rates received from individual securities for the fiscal year ranged from 2.200 percent to 6.000 percent. For additional information concerning the investment of surplus funds, refer to Notes 5 and 17 of the Notes to the Financial Statements on pages 82 and 112.

### **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 four 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 110.

### **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 15-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, 2006. 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, 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 found on the County's website at <http://www.volusia.org/finance>.

Sincerely,



Charlene Weaver, CPA  
Deputy County Manager/  
Chief Financial Officer