



## Financial and Administrative Services

March 6, 2009

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, 2008.

### 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, 2008.

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, 2008, 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, 2008, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

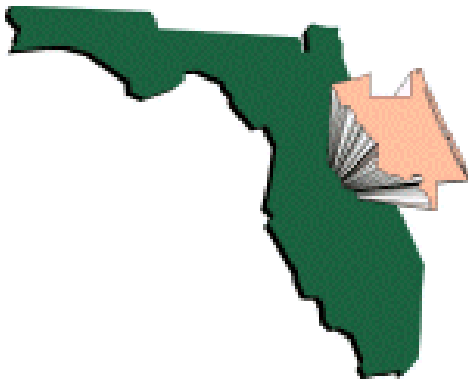
The independent audit of the financial statements of the County was part of a broader, federal and state mandated single audit and passenger facility charge audit designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent 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 parking garage, 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 64.

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

During most of 2008, the Volusia County economy mirrored the weakening regional and national economic trends in housing, construction, employment, and overall growth. The general slow down in construction activity has been exacerbated by a similar decline in in-migration and falling home values.

The number of new residents relocating or migrating to Volusia County has slowed while the number of families leaving has significantly increased. This trend has weakened the demand for new housing. New residential housing permits issued in 2008 fell by just over 40 percent. However, commercial and industrial permit values rose during the same period strengthening the overall anticipated future taxable values.

Volusia County's housing market has also been impacted by a rising number of home foreclosures. This trend has added to the number of residential homes for sale. This trend is not unique to Volusia County or the regional economy and is being experienced nationwide.

Those Volusia County industry sectors that experienced overall declines during 2008 included construction, manufacturing, banking, professional and business services, retail trade, education, and government. The only industry sectors posting positive gains for the year were transportation, wholesale trades, and healthcare.

Unemployment for 2008 rose from a low of under 4.0 percent to a year end level of 7.2 percent. This trend is expected to continue well into 2009 and could exceed 10 percent.

The 2009 year promises to be more of the same. While most trends appeared to be leveling off or even moving upward during the first nine months of 2008, the numbers for housing and employment posted during the October, November and December months suggest downward movement for at least the first half of 2009.

However, several major projects are underway accounting for more than \$600 million in new construction. These projects include Daytona Live: a mixed use corporate office, hotel, retail and entertainment center. When completed, this \$450 million project will be home to an estimated 2,000 jobs. A similar retail development, the Pavilion at Port Orange, is under construction and scheduled to be completed in late 2009 or early 2010. This project will provide nearly 800,000 square feet of new retail, restaurant, and entertainment venues with the potential of creating close to 1,000 new jobs.

Volusia County government's completion of a \$76 million addition to the area's convention center will be fully completed and opened in early 2009. This expanded state-of-the-art facility more than doubles the size of the existing convention and meeting space making the center the fifth largest such facility in the State of Florida capable of servicing conventions of up to 10,000 participants or more. The thrust of this development of convention space will support expanded air passenger services at the Daytona Beach International Airport, area hotels, and hospitality venues beginning in mid 2009. The economic impact of this initiative should have both short and long-term implications to the number of business travelers to the marketplace and the infusion of spendable income to support a wide array of business opportunities.

## **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 and, each year, the County publishes a Five Year Capital Improvement Program (CIP) document. By looking beyond year-to-year budgeting and projecting what, where, when,

and how capital investments should be made, capital programming enables the County to maintain an effective level of service to the present and future population. Financing of the capital program is provided by a number of funding sources. In fiscal year 2008-09, issuances of bonds and loans for major construction projects are the largest source of funding, comprising 26 percent of the CIP budget. User fees fund the next largest percentage at 21 percent, ad valorem taxes at 14 percent, and gas taxes at 12 percent. The remaining budget is funded through a mix of capital project carryover, road and fire impact fees, and federal, state, and local grants.

The largest project on the horizon is the branch jail expansion. The general overcrowding and management of special populations has become increasingly difficult and an expansion is needed. This 100,000 square foot project includes a 500 bed dormitory and is estimated to cost \$43 million.

### **Budgetary System and Controls**

The County maintains budgetary controls which are designed to ensure compliance with legal provisions of the annual budget adopted by County Council. An operating budget is adopted each year for the general, certain special revenue, and debt service funds. The level of legal budget control is by fund.

After adoption of the budget, the Council may make changes, but may not increase the budgets total except in the areas permitted by State law or County ordinance. Throughout the year, the County Council may appropriate additional funds for emergency-related events, grant awards, and other necessary expenditures it deems necessary.

## **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 investment policy permits the County to invest in 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; intergovernmental investment pools that are authorized pursuant to the Florida Interlocal Cooperative Act; 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 2008, the County's cash resources were primarily invested in U.S. Treasury and Agency issues and government money market mutual funds regulated by the Securities and Exchange Commission. 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 2.25 percent to 6.00 percent. For additional information concerning the investment of surplus funds, refer to Notes 5 and 18 of the Notes to the Financial Statements on pages 75 and 109.

### **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 Employee Group Insurance fund. Excess reserves continue to grow within the Employee Group Insurance fund at least equal to two months of claims, as required by Section 112.08 Florida Statutes. Unrestricted net assets have increased in each of the past five fiscal years, ensuring continued coverage of County employees during times of rising medical costs. For additional information concerning the Employee Group Insurance fund, refer to Note 17 of the Notes to the Financial Statements on page 107.

### **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 109 percent. The overfunded amount is being systematically amortized over a 14-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, 2007. 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 Deputy Director, Financial and Administrative Services, 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