

# **FINANCIAL REPORT**

**OF**

## **VOLUSIA COUNTY METROPOLITAN PLANNING ORGANIZATION**

(SUCCEEDED BY VOLUSIA TRANSPORTATION PLANNING ORGANIZATION AS OF JULY 1, 2010)

**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

PREPARED BY:

**HERBERT M. SEELY**  
CHIEF FINANCIAL OFFICER

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June 30, 2010  
VOLUSIA COUNTY  
METROPOLITAN PLANNING ORGANIZATION  
Daytona Beach, Florida

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**VOLUSIA COUNTY  
METROPOLITAN PLANNING ORGANIZATION  
LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2010**

**Board Members:**

Council Member Joie Alexander, Chairperson  
Commissioner Ron Vath, Vice Chairman  
Commissioner Leigh Matusick, Secretary/Treasurer

Commissioner John McDonald  
Commissioner Robert Gilliland  
Mayor Greg Northrup  
Council Member Jack Lenzen  
Commissioner Janet Deyette  
Councilman Ted Cooper  
Commissioner Liz Towsley  
Commissioner Rick Basso  
Commissioner Lynne Plaskett  
Commissioner Bill Marcello  
Vice-Mayor Jeff Allebach  
Mayor Fred Costello  
Mayor James Sowell  
Vice-Mayor Kris Derr  
Vice-Mayor Mary Martin  
Councilman George Locke  
Council Chairman Frank Bruno, Jr.  
Council Member Jack Hayman  
Council Member Andy Kelly  
Council Member Pat Northey  
Council Member Joshua Wagner

Mike Chuvén  
P. J. Arvidson  
Doug Gutierrez  
Diane J. Smith  
Mary Schoelzel

**Representing:**

Volusia County  
Flagler Beach  
DeLand  
  
Beverly Beach  
Daytona Beach  
Daytona Beach Shores  
DeBary  
Deltona  
Edgewater  
Holly Hill  
Lake Helen  
New Smyrna Beach  
Oak Hill  
Orange City  
Ormond Beach  
Pierson  
Ponce Inlet  
Port Orange  
South Daytona  
Volusia County  
Volusia County  
Volusia County  
Volusia County  
Volusia County  
  
BPAC Chairman  
CAC Chairperson  
TCC Chairman  
Volusia County School Board  
FDOT District V

**Attorney**

Charles Cino, Esq.

**Executive Director**

Karl D. Welzenbach

**Chief Financial Officer**

Herbert M. Seely

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***LETTER OF TRANSMITTAL***

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**File:** KDWL-2011-02

January 5, 2011

Members, Board of Representatives  
Volusia Transportation Planning Organization

**Subject:** 2010 Annual Financial Report

Dear Members:

The report included with this letter of transmittal is the Official Annual Financial Report for the Fiscal Year ending June 30, 2010.

This will be the last report issued in the name of the Volusia County Metropolitan Planning Organization which changed its name to the Volusia Transportation Planning Organization effective July 1, 2010. The TPO finds itself in strong financial shape at the beginning of its new fiscal year. Included in the audit report is the Management's Discussion and Analysis which provides a brief summary of the TPO's financial status.

The TPO staff will continue to strive to ensure that we meet and exceed our financial responsibilities.

Respectfully submitted,

Karl D. Welzenbach  
Executive Director,  
Volusia County Metropolitan Planning Organization

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# ***FINANCIAL SECTION***

***THIS SECTION CONTAINS THE FOLLOWING SUBSECTIONS:***

***INDEPENDENT AUDITORS' REPORT***

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

***BASIC FINANCIAL STATEMENTS***

***REQUIRED SUPPLEMENTARY INFORMATION***

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# BM&C

**BRENT MILLIKAN & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Representatives of  
Volusia Transportation Planning Organization  
Daytona Beach, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Volusia County Metropolitan Planning Organization (succeeded by Volusia Transportation Planning Organization as of July 1, 2010) as of and for the year ended June 30, 2010, which collectively comprise the entity's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Volusia County Metropolitan Planning Organization's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Volusia County Metropolitan Planning Organization as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2011, on our consideration of Volusia County Metropolitan Planning Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Representatives of  
Volusia Transportation Planning Organization  
Page 2 of 2

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 15 through 19 and 39 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

*Brent Milliken & Co., P.A.*

January 5, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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As financial management of Volusia County Metropolitan Planning Organization (hereinafter referred to as "MPO"), we offer readers of these basic financial statements this narrative overview and analysis of the financial activities of MPO for the year ended June 30, 2010. This discussion and analysis is designed to assist readers in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the transmittal letter at the front of this report and with the financial statements, which follow this section, taken as a whole.

### Financial Highlights

- Income from all sources for the MPO was \$1,227,513 for the year ended June 30, 2010. This represents an increase of 39% compared to the nine month period audited the prior year with a total income of \$883,172.
- The assets of the MPO exceeded its liabilities at the close of the year by \$495,276 (net assets). Of this amount, \$469,474 (unrestricted net assets) may be used to meet the organization's ongoing obligations to its member partners and citizens.
- MPO's total net assets increased by \$51,208 during the year ended June 30, 2010, compared to \$26,219 during the nine month period ended June 30, 2009.
- As of the close of the year ended June 30, 2010, the MPO governmental funds reported an ending fund balance of \$469,474, an increase of \$46,774 from the prior period.
- Unreserved, undesignated fund balance for the general fund was \$461,874, or 560% of the total general fund expenditures, which include only those amounts that are not allocable to grant activities recognized in the special revenue fund on page 24.

### Overview of Financial Statements

The MPO's basic financial statements are comprised of three parts: 1) management's discussion and analysis, 2) the basic financial statements, including notes to financial statements, and 3) supplementary schedules presenting details of required supplemental financial data.

Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the MPO's financial condition and financial performance as a whole. Summary financial statement data, key financial and operational indicators used in the strategic plan, budget and other management tools were used for this analysis.

The basic financial statements consist of entity-wide and fund financial statements that are combined for this annual report. These financial statements provide both the short and long-term financial information about the MPO's financial and operational activities, all of which are governmental activities. These statements report information about the MPO using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the MPO's assets and liabilities, both financial and capital, and short and long-term debt are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid, are reported.

The basic financial statements of the MPO include a statement of net assets and governmental fund balance sheet, statement of activities and governmental fund revenues, expenditures and changes in fund balances and notes to the financial statements, which are described as follows:

- A statement of net assets and governmental fund balance sheet presents information on all of the MPO's assets and liabilities at the end of its fiscal year, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the MPO's financial position is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net assets, which indicates an improved financial condition.
- The statement of activities and governmental fund revenues, expenditures and changes in fund balances present the results of business operations over the course of the fiscal year and information as to how the MPO's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., grant drawdowns receivable). These governmental activities are primarily supported by member assessments and operating grants from the Federal, State, and other governments.
- The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the MPO's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the MPO's comparisons of budget to actual revenue and expenses and summaries of detailed financial data that is aggregated for financial presentation purposes.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The MPO uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Reconciliation of the government-wide and fund financial statements accompany the fund financial statements found on page 23 and 25. All of the MPO's special revenue programs are shown combined, as all are Federal and State reimbursable operating grants.

## **Financial Analysis**

The MPO's basic financial statements report its net assets and how they have changed over the reporting period. While increases or decreases over time in net assets (the difference between assets and liabilities) may serve as a useful indicator of the MPO's financial position, one also needs to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed governmental legislation to adequately assess its overall health.



The following is a summary of net assets at year end:

**Net Assets**

	<u>6/30/2010</u>	<u>6/30/2009</u>
<b>Assets:</b>		
Current and other assets.....	\$ 565,151	549,578
Capital assets, net.....	<u>55,305</u>	<u>58,222</u>
Total assets.....	<u>620,456</u>	<u>607,800</u>
<b>Liabilities:</b>		
Long-term debt outstanding.....	29,503	36,854
Other liabilities.....	<u>95,677</u>	<u>126,878</u>
Total liabilities.....	<u>125,180</u>	<u>163,732</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt.....	25,802	21,368
Unrestricted.....	<u>469,474</u>	<u>422,700</u>
Total net assets.....	<u>\$ 495,276</u>	<u>444,068</u>

Assets exceeded liabilities by \$495,276 at the close of the most recent period. This represents an increase of \$51,208 over the prior period, all of which is attributable to operations. The MPO's investment in capital assets (net assets not available for future spending) totaled \$25,802 at the end of the year. The unrestricted net assets of \$469,474 are available to meet the MPO's obligations to its member partners and citizens. Conversion to GASB Statement No. 34 does not allow the reporting of net assets as "reserved" unless there are external legal restrictions on how they may be used. Thus, while there may be long-term management plans for unrestricted net assets, they must be reported as unrestricted until such external restrictions occur.

The MPO's investment in capital assets decreased from \$58,222 at the end of the prior period to \$55,305 this year, primarily as the result of an increase in depreciation on equipment acquired during the prior period. The Organization's cash reserves experienced a decrease (from \$288,189 in 2009 to \$252,183 in 2010). The amounts due from other government units increased \$52,455 during the most recent period. These receivables consisted primarily of amounts due from the Federal and State governments for reimbursements of expenses under operating grants. Prepaid expense/deposits of \$17,352 are for expenses for liability insurance, rent and postage that will be expensed in next year's operations, along with rent and utility deposits.

Accounts payable totaling \$23,822 represented 19% of the MPO's total liabilities at the end of the period. Of this amount, \$23,065 was for expenditures related to operating grant programs which will be reimbursed to the Organization after June 30, 2010 through grant reimbursements. Deferred revenue consists of: \$2,195 for VCOG, Inc. expense deposits; and \$18,797 of grant local matching funds received in advance from another local government, which will be recognized as revenue in next year's operations.

The following is a summary of changes in net assets for the periods ended June 30, 2010 and 2009:

### Change in Net Assets

	Year ended <u>6/30/2010</u>	Nine Months ended <u>6/30/2009</u>
Revenues:		
Program revenues:		
Charges for services.....	\$ 125,632	136,688
Operating grants/other.....	1,103,438	751,209
General revenues:		
Investment earnings (losses).....	3,578	(5,113)
Gain (loss) on disposition of capital assets.....	(5,384)	-
Miscellaneous.....	<u>249</u>	<u>388</u>
Total revenues.....	<u>1,227,513</u>	<u>883,172</u>
Expenses:		
General government.....	83,799	97,181
Transportation.....	1,090,089	758,124
Interest on long-term debt.....	<u>2,417</u>	<u>1,648</u>
Total expenses.....	<u>1,176,305</u>	<u>856,953</u>
Increase (decrease) in net assets.....	51,208	26,219
Net assets, beginning of year.....	<u>444,068</u>	<u>417,849</u>
Net assets, end of year.....	<u>\$ 495,276</u>	<u>444,068</u>

Governmental funds provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Organization's financing requirements. The MPO's net assets increased \$51,208 in 2010, as a result of operations. This was a planned financial objective, as it is the Organization's desire to improve its equity in order to alleviate the necessity to depend on supplemental financial support from its member governments.

The general fund is the chief operating fund of the MPO. At the end of the current period, the unreserved fund balance was \$461,874. As a measure of general fund liquidity, it may be useful to compare unreserved fund balance to the total fund expenditures. The unreserved fund balance represented 560% of total general fund expenditures at the end of the current period. It is important to note that all special revenue fund revenues, which represent 90% of entity-wide revenues, required advance funding before reimbursement.

While the statement of net assets and governmental balance sheet shows a snapshot of the MPO's financial position at the beginning and ending of the periods, the statement of activities and governmental fund revenues, expenditures and changes in fund balances provides answers as to the nature and source of these changes. Revenues from membership dues and charges were \$125,632 and \$136,688 for 2010 and 2009, respectively. Operating grant revenues of \$1,103,438 were up 47% this year from \$751,209 reported during the prior period, due to the presentation of a full year instead of nine months, as reported during the prior period. The pace at which the MPO's grants, which cross fiscal years, were spent, (therefore, they are eligible for reimbursement from grantor agencies), was accelerated during the year. As a result, advances from the general fund were required to finance these costs until the resulting reimbursements were subsequently collected; these increased to \$243,946 in 2010 from \$166,967 in 2009. Cash and cash equivalents decreased to \$252,183 during 2010, while interest earnings on these surplus funds increased to earnings of \$3,578, compared to a balance of \$288,189 and a loss of \$(5,113) during 2009.

The MPO's general fund expenditures for the year ended June 30, 2010 were \$82,556 and \$46,774 less than revenues in the general fund resulting in an increase in fund balance of \$46,774, which is \$15,989 more than the prior year. General fund personal services expenditures for this period totaled \$696, compared to \$8,121 in the prior period and expenditures for materials and services was \$72,092 and \$81,748, in 2010 and 2009 respectively.

### **Economic Factors and Next Year's Budgets and Rates**

The overall financial position and results of operations for the MPO improved for the period ended June 30, 2010. The MPO operated within its internal budget constraints and operating reserves to help meet planned future contractual obligations, except for the recognition of the capital outlay under a capital lease obligation. It is expected that the Organization's net assets will remain stable for the remainder of the next year.

Many factors are considered each year by the MPO in its efforts to establish an operating budget, to evaluate its personnel needs and to develop uniform membership and user fees that are reasonable and, more importantly, capable of cost recovery. Some of the major factors considered in this process are the local economy, civilian labor force, unemployment rates and inflation rates.

Inflationary trends for Volusia County compare favorably with those trends experienced at the State and national levels.

As of July 1, 2010, Volusia County Metropolitan Planning Organization Board changed its name to Volusia Transportation Planning Organization.

### **Requests for Information**

This financial report is designed to provide a general overview of the MPO's finances for all those who have expressed an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Volusia Transportation Planning Organization, 2570 W. International Drive, Suite 100, Daytona Beach, Florida 32114.

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**STATEMENT OF NET ASSETS**  
 June 30, 2010  
 VOLUSIA COUNTY  
 METROPOLITAN PLANNING ORGANIZATION

**Statement 1**

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Assets:		
Cash and cash equivalents.....	\$	252,183
Due from other governments.....		295,616
Prepays.....		9,752
Refundable deposits.....		7,600
Capital assets, net of accumulated depreciation.....		<u>55,305</u>
Total assets.....		<u>620,456</u>
Liabilities:		
Accounts payable.....		23,822
Accrued liabilities.....		50,863
Deferred revenue.....		20,992
Long-term liabilities:		
Portion due or payable within one year.....		7,218
Portion due or payable after one year.....		<u>22,285</u>
Total liabilities.....		<u>125,180</u>
Net Assets:		
Invested in capital assets, net of related debt.....		25,802
Unrestricted.....		<u>469,474</u>
Total net assets.....	\$	<u>495,276</u>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2010  
VOLUSIA COUNTY  
METROPOLITAN PLANNING ORGANIZATION

**Statement 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Service	Operating Grants Contributions	Capital Grants Contributions	
Governmental Activities:					
General government.....	\$ 83,799	125,503	-	-	41,704
Transportation.....	1,090,089	129	1,103,438	-	13,478
Interest on long-term debt.....	2,417	-	-	-	(2,417)
Total governmental activities.....	<u>1,176,305</u>	<u>125,632</u>	<u>1,103,438</u>	<u>-</u>	52,765
General revenues:					
Investment earnings.....					3,578
Gain (loss) on disposition of capital assets.....					(5,384)
Miscellaneous.....					<u>249</u>
Change in net assets.....					51,208
Net assets, beginning.....					<u>444,068</u>
Net assets, ending.....					<u>\$ 495,276</u>

The accompanying notes are an integral part of the financial statements.

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2010  
VOLUSIA COUNTY  
METROPOLITAN PLANNING ORGANIZATION

**Statement 3**

	General Fund	Special Revenue Fund	Total
<b>Assets:</b>			
Cash and cash equivalents.....	\$ 252,183	-	252,183
Due from other governments.....	4,464	291,152	295,616
Due from other funds.....	243,946	-	243,946
Prepays.....	-	9,752	9,752
Refundable deposits.....	<u>7,600</u>	<u>-</u>	<u>7,600</u>
Total assets.....	<u>508,193</u>	<u>300,904</u>	<u>809,097</u>
<b>Liabilities:</b>			
Accounts payable.....	757	23,065	23,822
Accrued liabilities.....	35,767	15,096	50,863
Deferred revenue.....	2,195	18,797	20,992
Due to other funds.....	<u>-</u>	<u>243,946</u>	<u>243,946</u>
Total liabilities.....	<u>38,719</u>	<u>300,904</u>	<u>339,623</u>
<b>Fund Balances:</b>			
Reserved for prepaids/deposits.....	7,600	-	7,600
Unreserved, undesignated.....	<u>461,874</u>	<u>-</u>	<u>461,874</u>
Total fund balance.....	<u>469,474</u>	<u>-</u>	<u>469,474</u>
Total liabilities and fund balance.....	<u>\$ 508,193</u>	<u>300,904</u>	

Amounts reported for governmental activities in the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.....	55,305
Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported in the funds.....	<u>(29,503)</u>
Net assets of governmental activities.....	<u>\$ 495,276</u>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES**  
For the Year Ended June 30, 2010  
VOLUSIA COUNTY  
METROPOLITAN PLANNING ORGANIZATION

**Statement 4**

	General Fund	Special Revenue Fund	Total
<b>Revenues:</b>			
Intergovernmental.....	\$ -	1,103,438	1,103,438
Charges for services.....	125,503	129	125,632
Investment earnings.....	3,578	-	3,578
Miscellaneous.....	<u>249</u>	<u>-</u>	<u>249</u>
<b>Total revenues.....</b>	<b><u>129,330</u></b>	<b><u>1,103,567</u></b>	<b><u>1,232,897</u></b>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>General Government:</b>			
Personal services.....	696	-	696
Materials and services.....	<u>72,092</u>	<u>-</u>	<u>72,092</u>
	<u>72,788</u>	<u>-</u>	<u>72,788</u>
<b>Transportation:</b>			
Personal services.....	-	620,052	620,052
Materials and services.....	-	461,422	461,422
Capital outlay.....	<u>-</u>	<u>26,557</u>	<u>26,557</u>
	<u>-</u>	<u>1,108,031</u>	<u>1,108,031</u>
<b>Debt Service:</b>			
Principal retirement.....	7,351	-	7,351
Interest and other.....	<u>2,417</u>	<u>-</u>	<u>2,417</u>
	<u>9,768</u>	<u>-</u>	<u>9,768</u>
<b>Total expenditures.....</b>	<b><u>82,556</u></b>	<b><u>1,108,031</u></b>	<b><u>1,190,587</u></b>
Excess (deficit) of revenues over (under) expenditures.....	46,774	(4,464)	42,310
<b>Other Financing Sources (Uses):</b>			
Insurance recoveries.....	<u>-</u>	<u>4,464</u>	<u>4,464</u>
<b>Net change in fund balances.....</b>	<b>46,774</b>	<b>-</b>	<b>46,774</b>
Fund balances, beginning of year.....	<u>422,700</u>	<u>-</u>	<u>422,700</u>
Fund balances, end of year.....	<u>\$ 469,474</u>	<u>-</u>	<u>469,474</u>

The accompanying notes are an integral part of the financial statements.



**RECONCILIATION OF THE STATEMENT OF GOVERNMENTAL FUND  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES**

**Statement 4  
(Continued)**

For the Year Ended June 30, 2010  
VOLUSIA COUNTY  
METROPOLITAN PLANNING ORGANIZATION

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Net change in fund balances - total governmental funds.....		\$ 46,774
Amounts reported for governmental activities in the statement of activities are different because of the following:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period:		
Capital outlay expenditures.....	26,557	
Depreciation expense.....	<u>(19,626)</u>	6,931
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:		
Gain (loss) on disposition of capital assets.....		(9,848)
Repayment of principal on debt obligations, including capital leases, is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.....		
		<u>7,351</u>
Change in net assets of governmental activities.....		<u>\$ 51,208</u>

The accompanying notes are an integral part of the financial statements.

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## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

### VOLUSIA COUNTY METROPOLITAN PLANNING ORGANIZATION

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Volusia County Metropolitan Planning Organization (“MPO”) have been prepared in conformance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body promulgating governmental accounting and financial reporting principles. The following is a summary of its significant accounting policies:

##### **A. Reporting Entity**

MPO is a voluntary association of local government units organized under the authority of Chapter 339.175, Florida Statutes, in accordance with the 1962 Federal Aid Highway Act. Its primary purpose is to provide leadership in the initiation and development of transportation plans and programs and the establishment of transportation priorities and strategies in Volusia County, Florida. Members are appointed by the governing bodies of the participating local government units. MPO was created on May 6, 1977, and operates under interlocal agreements established pursuant to Chapter 163.01, Florida Statutes, among the various governmental entities within Volusia County. As of July 1, 2010, Volusia County Metropolitan Planning Organization officially changed its name to Volusia Transportation Planning Organization, as approved by the Board of Representatives through the adoption of Resolution Number 2010-05.

The accompanying financial statements present the financial position and results of operations of the applicable funds controlled by or dependent on MPO. In evaluating MPO as a reporting entity, management has addressed all potential component units for which the entity may or may not be financially accountable and, as such, be includable within MPO’s financial statements. No component units exist which would require inclusion in MPO’s financial statements.

##### **B. Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the financial activities of MPO. The effect of interfund activities, when applicable, has been removed from these statements. All of MPO’s activities are governmental activities which are supported from population-based service fee assessments to its government-member organizations. MPO does not engage in any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) intergovernmental revenues, which includes operating grants and financial assistance received from federal, state, and local government units, 2) charges for services, which includes member assessments and reimbursements for program costs incurred to conduct specialized program studies, and 3) miscellaneous revenues. General revenues include interest earnings. Fund financial statements are presented for MPO’s general and special revenue funds. Both funds are considered to be “major” funds.

##### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded as earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Charges for services are recognized as revenue in

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

June 30, 2010

### VOLUSIA COUNTY METROPOLITAN PLANNING ORGANIZATION

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the year for which they are assessed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, MPO considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, when applicable, are recorded only when payment is due.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is MPO's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **D. Assets, Liabilities, and Net Assets or Equity**

##### *1. Deposits and Investments*

MPO's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

MPO's corporate charter authorizes investments in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Board of Administration Local Government Surplus Trust Fund Pool.

Investments are reported at fair value. Securities traded on national exchanges are valued at the last reported sales price. The reported value of investments in the State Board of Administration Local Government Surplus Trust Fund Pool is the same as the fair value of pool shares.

##### *2. Receivables*

All trade receivables and amounts due from other governments are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends.

##### *3. Capital Assets*

Capital assets, which include office furniture, fixtures and equipment, are reported in the government-wide financial statements. Capital assets are defined by MPO as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation has been provided on capital assets as a direct charge using the straight-line method over the estimated useful lives of the various classes of depreciable assets, which range from 3-7 years.

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

June 30, 2010

**VOLUSIA COUNTY METROPOLITAN PLANNING ORGANIZATION**

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4. *Compensated Absences*

The portion of payroll costs paid subsequent to year-end attributable to services performed prior to year-end are recorded and recognized as a liability in the governmental funds. It is MPO's policy to permit employees to accumulate earned paid time off (PTO) credits for unused vacation, illness or injury, and personal leave benefits. The amount of paid time off available to employees increases with the length of employment as follows:

<u>Years of Eligible Service</u>	PTO Hours	PTO Days
	<u>Bi-weekly</u>	<u>Annually</u>
Upon initial eligibility .....	7.38 hrs.	24 days
After 5 years service .....	8.31 hrs.	27 days
After 13 years service .....	9.85 hrs.	32 days
After 20 years service .....	10.15 hrs.	33 days

MPO's employees may accumulate paid time off credits up to a maximum of 520 hours. After an employee has accumulated over 240 hours, the employee may elect to sell back as many as 48 hours of credits at their base rate of pay at the date of the sale (limited to one time per year during the month of September). Upon termination, employees will be paid for all accumulated paid time off credits.

5. *Deferred Revenue*

Deferred revenues are reported when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Organization before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when MPO has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

6. *Use of Estimates*

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

June 30, 2010

VOLUSIA COUNTY METROPOLITAN PLANNING ORGANIZATION

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**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Statement of Net Assets**

Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. A detailed explanation of these differences is provided in this reconciliation.

**B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities**

Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net change in fund balances – total governmental funds and changes in net assets – governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

Individual annual budgets were adopted for MPO's governmental funds. The basis on which the budgets were prepared is consistent with generally accepted accounting principles for the fund. All annual appropriations lapse at fiscal year end.

No later than 60 days prior to fiscal year end, the proposed budget is presented to the Board of Representatives for review. The Board of Representatives holds public meetings and a final budget must be prepared and legally adopted prior to June 30. The annual budget is prepared by department and object. Transfers of appropriations between departments require approval of the Board of Representatives. The legal level of budgetary control is at the departmental level.

During the current period, the Executive Board transferred budgetary appropriations in both the general fund and special revenue fund related to reflect the additional capital outlay and costs associated with relocation of the office during the year.

It is not MPO's policy to use encumbrance accounting, under which, purchases orders, contracts, and other commitments are recorded as an extension of formal budgetary integration.

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

June 30, 2010

**VOLUSIA COUNTY METROPOLITAN PLANNING ORGANIZATION**

**NOTE 4 - CASH DEPOSITS AND INVESTMENTS**

**Deposits.** At June 30, 2010, the carrying value of MPO’s cash deposit accounts was \$77,449 and the bank balance totaled \$164,390. The cash deposits are held by banks that qualify as public depositories under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes and are fully insured. Amounts do not include \$100 in cash funds on hand at the end of the fiscal year.

**Investments.** As of June 30, 2010, MPO had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (Years)		
		Less Than 1	From 1 - 5	From 6 - 10
Local Government Investment Pool:				
State Board of Administration, Local Government Surplus Trust Fund Investment Pool				
Florida PRIME.....	\$ 167,764	167,764	-	-
Fund B.....	6,871	-	-	6,871
Totals.....	\$ 174,635	167,764	-	6,871

The City’s investments consist of amounts invested in the Local Government Surplus Trust Fund managed by the Florida State Board of Administration (SBA). The SBA is part of the Local Government Surplus Trust Fund and is governed by Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Trust Fund. As a Florida PRIME and Fund B pool participant, MPO invests in a pool of investments whereby MPO owns a share of the respective pool, not the underlying securities. The assets held in Fund B are presently restricted and MPO is prohibited from withdrawing any amounts from the pool.

In March 1997, GASB issued Statement 31, titled “Accounting and Financial Reporting for Certain Investments and for External Investment Pools.” GASB 31 applies to the Florida PRIME and Fund B.

GASB 31 outlines the two options for accounting and reporting for money market investment pools as either “2a-7 like” or fluctuating net asset value (NAV). GASB 31 describes a “2a-7 like” pool as an “external investment pool that is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940 (the “1940 Act”). Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant NAV of \$1.00 per share, provided that such funds meet certain conditions.

The SBA’s interpretation of GASB 31 is that the Florida PRIME is currently considered an SEC 2a-7 like fund, thus your account balance should also be considered the fair value of your investment. The SBA’s interpretation in regards to Fund B is that it does not meet the requirements of an SEC 2a-7 like fund; therefore, SBA is providing a fair value factor (i.e. total net asset value of Fund B divided by total participant balances of Fund B) for June 30, 2010. The fair value of the original \$10,201 (at cost) investment in Fund B is \$6,871 as of June 30, 2010, based on the fair value factor of 0.673531 reported by the trustees of Fund B.

**Interest Rate Risk.** MPO does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rates, instead all investments are

## NOTES TO THE FINANCIAL STATEMENTS - (Continued)

June 30, 2010

### VOLUSIA COUNTY METROPOLITAN PLANNING ORGANIZATION

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governed by state statutes. Generally, all of MPO's surplus funds are invested in the Local Government Surplus Trust Fund. Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. GASB 40 requires that interest rate risk be disclosed using one of the five approved methods. The five methods are: segmented time distribution, specific identification, weighted average maturity (WAM), duration, and simulation model. Different methods may be presented for different types of investments.

Interest rate risk disclosures are required for all debt investments as well as investments in mutual funds, external investment pools, and other pooled investments that do not meet the definition of a 2a-7 like pool. At June 30, 2010, the WAM of the Florida PRIME is 46 days. Nest interest rate reset dates for floating rate securities are used in the calculation of the WAM. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB 40 is not available. An estimate of weighted average life (WAL) is available. In the calculation of WAL, the time at which an expected principal amount is to be received (measured in years) is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL (based on expected future cash flows) of Fund B at June 30, 2010, is estimated at 8.05 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

**Credit Risk.** MPO's investment policies are governed by state statutes which allow the government to invest in Local Government Surplus Trust Fund Investment Pool, authorized government investment pools, Securities and Exchange Commission registered money market funds (with rating exceptions), interest bearing time deposits of savings accounts in qualified public depositories, and direct obligations of the U.S. Treasury.

The Florida PRIME is rated by Standard and Poors, with a rating of AAAM as of June 30, 2010; Fund B is not rated by any nationally recognized statistical rating agency.

**Concentrations of Credit Risk.** MPO places no limit on the amounts it invests in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from the concentration of credit risk disclosure requirements.

**Custodial Credit Risk.** Custodial credit risk is the risk that in the event of a failure of a depository, MPO's deposits may not be returned to it. MPO does not have a deposit policy for custodial risk.

Pursuant to the applicable provisions of Chapter 280, Florida Statutes, *The Florida Security for Public Deposits Act* ("the Act"), the State of Florida, Department of Financial Services, Division of Treasury, Bureau of Collateral Management have established specific requirements relative to security and collateralization for public deposits. Accordingly, banks qualifying as a public depository in the State of Florida must adopt the necessary procedures outlined in these statutes and meet all of the requirements of this chapter to be designated by the State's Chief Financial Officer as eligible to receive deposits from municipal depositors. Collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance is required to be pledged or deposited with the State's Chief Financial Officer to secure such deposits. Additional collateral, up to a maximum of 125% may be required if deemed necessary under the conditions set forth in the Act. Securities eligible to be pledged as collateral are generally limited to obligations of the United States government and any state thereof and are held in the name of the State Chief Financial Officer's office. Compliance with the provisions of Chapter 280, Florida Statutes, is monitored by a Qualified Public Depository Oversight Board with members appointed by the State Chief Financial Officer.



**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

June 30, 2010

**VOLUSIA COUNTY METROPOLITAN PLANNING ORGANIZATION**

At June 30, 2010, the carrying amount of MPO's deposits in the Local Government Surplus Funds Trust Fund was \$174,635, all of which was covered by collateral securities in accordance with the Act. All remaining deposits were adequately covered by federal depository insurance and the statutory provisions of the Act.

**NOTE 5 - RECEIVABLES**

A summary of MPO's receivables at June 30, 2010, is as follows:

<u>Type</u>	<u>Balance</u>	<u>Total</u>
Due from other governments:		
General Fund:		
Due from member governments.....	\$ 153	
Due from related party.....	4,311	
Special Revenue Fund:		
Due from Florida Department of Transportation.....	<u>291,152</u>	
Total.....		<u>\$ 295,616</u>

**NOTE 6 – INTERFUND BALANCES**

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur and when the MPO is actually reimbursed by grantor agencies. As a result, advances from the general fund are required to finance these costs until reimbursement is received. Individual fund interfund receivables and payables at June 30, 2010, are comprised of the following:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund.....	\$ 243,946	-
Special Revenue Fund.....	-	<u>243,946</u>
Totals.....	<u>\$ 243,946</u>	<u>243,946</u>

**NOTE 7 - CAPITAL ASSETS**

The following is a summary of changes in capital assets during the year ended June 30, 2010:

<u>Function/Source</u>	<u>Balances 6/30/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances 6/30/2010</u>
Office furniture, fixtures, and equipment..	\$ 111,464	26,557	(25,581)	112,440
Less: accumulated depreciation.....	<u>(53,242)</u>	<u>(19,626)</u>	<u>15,733</u>	<u>(57,135)</u>
Total capital assets, net of accumulated depreciation.....	<u>\$ 58,222</u>	<u>6,931</u>	<u>(9,848)</u>	<u>55,305</u>

Depreciation expense for the year totaled \$19,626 and was allocated as follows: general government, \$11,011; and transportation, \$8,615.

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

June 30, 2010

**VOLUSIA COUNTY METROPOLITAN PLANNING ORGANIZATION**

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**NOTE 8 - OPERATING LEASES**

MPO leases office equipment under a non-cancellable operating lease which expires August 31, 2010. Total costs for this lease for the year ended June 30, 2010, was \$9,506. This lease is accounted for as an operating lease and contains options to be cancelled in the event annual appropriations are not authorized. At June 30, 2010, there are no minimum future rental payments remaining under the abovementioned operating lease due to the early payment of the remaining \$1,358 schedule payments occurring after year end.

MPO leases building and office facilities under a non-cancellable operating lease. MPO is the primary lessee; however, the facilities were shared with two other entities for a portion of the year, and as of yearend are shared with one other entity. MPO is reimbursed for these entities pro-rata share of rental expense. Total cost for this lease for the year ended June 30, 2010, was \$89,488 of which \$26,605 was reimbursed by the other entities. This lease is accounted for as an operating lease and contains an option to be cancelled in the event annual appropriations are not authorized. This lease expires April 1, 2018.

The minimum future rentals under this agreement are as follows:

Year ending June 30,	Total Amount	To Be Paid By Others
2011.....	\$ 111,541	24,416
2012.....	108,124	23,668
2013.....	110,454	24,178
2014.....	117,445	25,709
2015.....	117,445	25,709
2016 - 2018.....	<u>341,614</u>	<u>74,780</u>
Totals.....	<u>\$ 906,623</u>	<u>198,460</u>

**NOTE 9 - RELATED PARTY TRANSACTIONS**

VCOG, Inc. and the Water Authority of Volusia (WAV) shared the building and office facilities mentioned in Note 8 with MPO; however, due to the dissolution of WAV as of September 30, 2009, VCOG, Inc. is the only entity sharing the facilities as of yearend. The MPO bills the pro-rata share of rent and related utilities to these entities based upon square footage occupied. Similarly, the MPO is responsible for the office equipment (e.g., copiers, data server, postage machine, etc.) and related repairs and maintenance. These expenses are also billed to these entities based upon actual usage and number of users. The amounts presented in Note 8 reflect this dissolution.

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**  
 June 30, 2010  
 VOLUSIA COUNTY METROPOLITAN PLANNING ORGANIZATION

**NOTE 10 – CAPITAL LEASE OBLIGATION**

The Organization’s long-term debt outstanding at June 30, 2010, is as follows:

	<u>Balance Due</u>	<u>Current Maturities</u>
Capital Lease Obligation:		
\$40,904 capital lease for office equipment, dated 12/05/2008, payable in monthly installments of \$814 through 12/05/2013, stated interest rate of 7.21%, secured with office equipment with a book value of \$27,951 as of 06/30/2010.....	<u>\$ 29,503</u>	<u>7,218</u>

A summary of changes in the Organization’s long-term debt for the year ended June 30, 2009, is as follows:

	<u>Balance 6/30/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2010</u>
Capital Lease Obligation:				
\$40,904 capital lease, dated 12/05/2008....	<u>\$ 36,854</u>	<u>-</u>	<u>(7,351)</u>	<u>29,503</u>

The following presents future minimum lease payments as of June 30, 2010:

<u>Fiscal Year</u>	<u>Capital Lease dated 12/05/2008</u>
June 30, 2011.....	\$ 8,954
June 30, 2012.....	9,768
June 30, 2013.....	9,768
June 30, 2014.....	<u>4,884</u>
Total requirements.....	33,374
Less: interest.....	<u>(3,871)</u>
Present value of minimum lease payments.....	<u>\$ 29,503</u>

Leased equipment under capital leases in capital assets at June 30, 2010, included the following:

Office furniture, fixtures, and equipment.....	\$ 40,904
Less: accumulated depreciation.....	<u>(12,953)</u>
Net assets held under capital lease.....	<u>\$ 27,951</u>

Amortization of leased equipment under capital assets is included with depreciation expense.

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

June 30, 2010

**VOLUSIA COUNTY METROPOLITAN PLANNING ORGANIZATION**

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**NOTE 11 - STATE FINANCIAL ASSISTANCE**

During the year ended June 30, 2010, MPO expended \$79,003 of funds awarded by state grants. Since the threshold for the Florida Single Audit Act is \$500,000, an audit under the Florida Single Audit Act was not required and was not performed. Inasmuch as there was no Florida Single Audit, no Schedule of State Financial Assistance is included in the *Supplemental Audit Reports* section. During the year ended June 30, 2010 expenditures of state financial assistance were as follows:

<u>State Agency/Project</u>	<u>Total Expenditures</u>
Florida Department of Transportation:	
Transit Technical Studies Grant:	
Fiscal Year 2007-08.....	\$    703
Fiscal Year 2008-09.....	16,080
Fiscal Year 2009-10.....	3,361
Highway Planning and Construction:	
Bicycle/Pedestrian Feasibility Study.....	23,472
Traffic Operations Project Studies.....	8,005
Commission for the Transportation Disadvantaged (2010).....	<u>27,382</u>
Total.....	<u>\$    79,003</u>

**NOTE 12 - EMPLOYEE PENSION PLAN**

**A. Principal Financial Group**

MPO contributes to a multiple employer, defined contribution pension plan which is fully administered by the Principal Financial Group under a plan originally established by the VCOG, Inc. Executive Board in October 1980. The plan provides benefits at retirement to all employees, except those in contract executive positions. Plan provisions and contribution requirements are established and may be amended by the Executive Board. Employer and plan member contributions are recognized in the period that contributions are due. At June 30, 2010, there were four plan members. Investments in the plan consist of common stock, bonds and mortgages, guaranteed interest accounts, and cash and cash equivalents. The plan is a multiple employer, defined contribution plan, in which benefits depend solely on amounts contributed to the plan, plus plan earnings. Employees are fully vested in the plan after 4 years of employment. Annual employer contributions are 9.1% of employees' earnings. During the year ended June 30, 2010, employer and employee contributions to the plan were \$24,480 and \$209, respectively. The current period payroll for employees covered under the plan was \$252,794.

On June 23, 2009, the Board approved Resolution 2009-13, amending the pension plan to allow for the conversion to the Florida Retirement System, effective July 1, 2009. As a result of these actions, three employees opted to withdraw from the above described retirement plan options and convert to the Florida Retirement System. Four employees remained in the original plan. New employees are only eligible to enroll into the Florida Retirement System.

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

June 30, 2010

VOLUSIA COUNTY METROPOLITAN PLANNING ORGANIZATION

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**B. Florida Retirement System**

**Plan Description.** MPO contributes to the Florida Retirement System of the State of Florida, a cost-sharing multiple-employer retirement plan created in December, 1970, that acts as a common investment and administrative agent for municipalities and other qualifying political subdivisions in the State of Florida. The defined benefit pension plan, which is administered by the State of Florida, Department of Management Services, Division of Retirement, provides retirement and disability benefits and death benefits to participating public employees and beneficiaries. Benefit provisions are established under Chapter 121, Florida Statutes, which may be amended by the Florida Legislature. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to Division of Retirement, P.O. Box 9000, Tallahassee, FL 32315-9000, or calling (850) 488-5706.

**Funding Policy.** The funding methods and determination of benefits payable are provided in the various acts of the Florida Legislature, which created the fund, including subsequent amendments thereto. The policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due based upon plan assumptions. Employer contribution rates are established by state law as a level percentage of payroll. Employer contribution rates are determined using the entry-age actuarial cost method. The consulting actuary recommends that rates based on the annual valuation, but actual contribution rates are established by the Florida Legislature. If an unfunded actuarial liability reemerges as a result of future plan benefit changes, assumption changes, or methodology changes, it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount.

MPO's contributions to the plan for the fiscal year ended June 30, 2010 totaled \$11,171; the first year of enrollment. There were no employee contributions made during this year. The following is a summary of employer contribution percentages for qualifying compensation paid to general participants and special risk participants in effect during the past fiscal year (rates specified below include an additional 1.11% for the City's option to include the health insurance subsidy contribution):

	<u>Regular</u>
From July 1, 2009 to June 30, 2010.....	9.85%

**NOTE 13 -DEFERRED EMPLOYEE BENEFITS**

The Executive Director of MPO is employed for one year under a negotiated contract and is not covered by the employee pension plan. This employee is covered by a prototype IRC 457 plan administered by the International City Manager's Association Retirement Corporation. All benefits vest with the employee at the time of contribution. Each year the executive director negotiates the amount of employer contributions to be contributed on his behalf, as a part of the contract negotiation. During the year ended June 30, 2010, employer and employee contributions to the plan were \$8,620 and \$2,489, respectively. The current period payroll for employees covered under the plan was \$88,548.

MPO also provides their employees with a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. MPO does not contribute to this plan. Employee contributions are determined by the employee, subject to the individual limitations contained in Section 457 of the Internal Revenue Code. All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

**NOTES TO THE FINANCIAL STATEMENTS - (Continued)**

June 30, 2010

VOLUSIA COUNTY METROPOLITAN PLANNING ORGANIZATION

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**NOTE 14 - RISK MANAGEMENT**

MPO is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, all of which is satisfactorily insured by general liability insurance. Commercial insurance policies are also obtained for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**NOTE 15 - COMMITMENTS AND CONTINGENCIES**

MPO may from time to time be engaged in routine litigation incidental to the conduct of its corporate affairs. In the opinion of MPO's Counsel, no legal proceedings are pending or threatened which may materially affect the financial condition of the Organization.

Amounts received or receivable from grantor agencies in current and prior years are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although management expects such amounts, if any, to be immaterial.

**NOTE 16 – SUBSEQUENT EVENTS**

In preparing these financial statements, the MPO has evaluated events and transactions for potential recognition for disclosure through January 5, 2011, the date the financial statements were available to be issued. Only those items listed below were found to be of significance:

**A. Official Entity Name Change**

As of July 1, 2010, Volusia County Metropolitan Planning Organization officially changed its name to Volusia Transportation Planning Organization, as approved by the Board of Representatives through the adoption of Resolution Number 2010-05.

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
GENERAL FUND**

**Schedule 1**

For the Year Ended June 30, 2010

VOLUSIA COUNTY

METROPOLITAN PLANNING ORGANIZATION

	Budget Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Charges for services.....	\$ 136,693	136,693	125,503	(11,190)
Investment earnings.....	1,200	1,200	3,578	2,378
Miscellaneous.....	-	-	249	249
Total revenues.....	<u>137,893</u>	<u>137,893</u>	<u>129,330</u>	<u>(8,563)</u>
<b>Expenditures:</b>				
Current:				
General Government:				
Personal services.....	5,000	960	696	264
Materials and services.....	<u>132,893</u>	<u>136,933</u>	<u>72,092</u>	<u>64,841</u>
	<u>137,893</u>	<u>137,893</u>	<u>72,788</u>	<u>65,105</u>
Debt Service:				
Principal retirement.....	-	-	7,351	(7,351)
Interest and other.....	-	-	2,417	(2,417)
	-	-	<u>9,768</u>	<u>(9,768)</u>
Total expenditures.....	<u>137,893</u>	<u>137,893</u>	<u>82,556</u>	<u>55,337</u>
Excess (deficit) of revenues over (under) expenditures.....	-	-	46,774	46,774
Fund balance, beginning of year.....	<u>422,700</u>	<u>422,700</u>	<u>422,700</u>	-
Fund balance, end of year.....	<u>\$ 422,700</u>	<u>422,700</u>	<u>469,474</u>	<u>46,774</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
SPECIAL REVENUE FUND**

**Schedule 2**

For the Year Ended June 30, 2010

VOLUSIA COUNTY

METROPOLITAN PLANNING ORGANIZATION

	Budget Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Intergovernmental.....	\$ 1,511,727	1,511,727	1,103,438	(408,289)
Charges for services.....	-	-	129	129
Total revenues.....	<u>1,511,727</u>	<u>1,511,727</u>	<u>1,103,567</u>	<u>(408,160)</u>
<b>Expenditures:</b>				
Current:				
Transportation:				
Personal services.....	640,385	644,425	620,052	24,373
Materials and services.....	851,342	841,702	461,422	380,280
Capital outlay.....	<u>20,000</u>	<u>25,600</u>	<u>26,557</u>	<u>(957)</u>
Total expenditures.....	<u>1,511,727</u>	<u>1,511,727</u>	<u>1,108,031</u>	<u>403,696</u>
Excess (deficit) of revenues over (under) expenditures.....	-	-	(4,464)	(4,464)
<b>Other Sources (Uses):</b>				
Insurance recoveries.....	-	-	4,464	4,464
Net change in fund balance.....	-	-	-	-
Fund balance, beginning of year.....	-	-	-	-
Fund balance, end of year.....	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>



## ***SUPPLEMENTAL AUDIT REPORTS***

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2010

VOLUSIA COUNTY

METROPOLITAN PLANNING ORGANIZATION

Federal Agency Pass-through Entity Federal Program	Agency or Pass-through Grant Number	CFDA Number	Expenditures
U.S. Department of Transportation:			
Federal Highway Administration:			
Passed Through from Florida Department of Transportation:			
Highway Planning and Construction:			
Section 112:			
(fiscal year 2009-2010)	FMN 416357-1-14-01	20.205	\$ 715,535
Bicycle/Pedestrian Safety Study	FPN 420995-1-14-01	20.205	35,716
Bicycle/Pedestrian Feasibility Study	FPN 421724-1-28-01	20.205	30,910
Traffic Operations Project Studies	FPN 421725-1-28-01	20.205	27,807
Safe Routes to School Program	FMN 422284-2-84-01	20.205	<u>29,769</u>
Total Federal Highway Administration			<u>839,737</u>
Federal Transit Administration:			
Passed Through from Florida Department of Transportation:			
Federal Transit Technical Studies Grant:			
Section 5303			
(fiscal year 2007-2008)	FPN 420639-1-14-17	20.505	5,625
(fiscal year 2008-2009)	FPN 420639-1-14-18	20.505	128,639
(fiscal year 2009-2010)	FPN 420639-1-14-19	20.505	<u>26,890</u>
Total Federal Transit Administration			<u>161,154</u>
Total Federal Awards			<u>\$ 1,000,891</u>

Note:

The above schedule of expenditures of federal awards includes the federal grant activity of Volusia County Metropolitan Planning Organization and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

No sub-recipient payments were made by Volusia County Metropolitan Planning Organization during the year ended June 30, 2010.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
 FEDERAL AWARDS PROGRAMS**  
 Year Ended June 30, 2010  
 VOLUSIA COUNTY METROPOLITAN PLANNING ORGANIZATION

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**A. Summary of Auditors' Results**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Volusia County Metropolitan Planning Organization.
2. No reportable conditions were disclosed during the audit of the financial statements or reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Volusia County Metropolitan Planning Organization were disclosed during the audit.
4. No reportable conditions were disclosed relating to the audit of the major federal program reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal program for Volusia County Metropolitan Planning Organization expresses an unqualified opinion.
6. The audit disclosed no audit findings which are required to be reported.
7. The programs tested as a major program included the following (cluster):

<b>Federal Program:</b>	<b>Federal CFDA No.</b>
U.S. Department of Transportation:	
Federal Highway Administration	
Highway Planning and Construction (\$839,737)	20.205

8. The threshold for distinguishing Type A and Type B programs was \$300,000 for major federal programs.
9. Volusia County Metropolitan Planning Organization was determined to be a low-risk audit pursuant to OMB Circular A-133.

<b>B. Findings - Financial Statements</b>	None
<b>C. Findings and Questioned Costs - Major Federal Programs</b>	None
<b>D. Other Issues</b>	None

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to federal awards programs. No Corrective Action Plan is required because there were no findings required to be reported under the Federal Single Audit Acts.

# BM&C

**BRENT MILLIKAN & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Representatives of  
Volusia Transportation Planning Organization  
Daytona Beach, Florida

## Compliance

We have audited the compliance of Volusia County Metropolitan Planning Organization (succeeded by Volusia Transportation Planning Organization as of July 1, 2010) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Volusia County Metropolitan Planning Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Volusia County Metropolitan Planning Organization's management. Our responsibility is to express an opinion on Volusia County Metropolitan Planning Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Volusia County Metropolitan Planning Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Volusia County Metropolitan Planning Organization's compliance with those requirements.

In our opinion, Volusia County Metropolitan Planning Organization complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

### Internal Control over Compliance

Management of Volusia County Metropolitan Planning Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Volusia County Metropolitan Planning Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Volusia County Metropolitan Planning Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Volusia County Metropolitan Planning Organization as of and for the year ended June 30, 2010, and have issued our report thereon dated January 5, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, Board of Representatives, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Brent Milliken & Co., P.A.*

January 5, 2011

# BM&C

**BRENT MILLIKAN & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Representatives of  
Volusia Transportation Planning Organization  
Daytona Beach, Florida

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Volusia County Metropolitan Planning Organization (succeeded by Volusia Transportation Planning Organization as of July 1, 2010) as of and for the year ended June 30, 2010, which collectively comprise Volusia County Metropolitan Planning Organization's basic financial statements and have issued our report thereon dated January 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered Volusia County Metropolitan Planning Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Volusia County Metropolitan Planning Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Volusia County Metropolitan Planning Organization's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Representatives of  
Volusia Transportation Planning Organization  
Page 2 of 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Volusia County Metropolitan Planning Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Volusia County Metropolitan Planning Organization in a separate letter dated January 5, 2011.

This report is intended solely for the information and use of management, Board of Representatives, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



January 5, 2011



# BM&C

**BRENT MILLIKAN & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

## MANAGEMENT LETTER

To the Board of Representatives of  
Volusia Transportation Planning Organization  
Daytona Beach, Florida

We have audited the financial statements of Volusia County Metropolitan Planning Organization (succeeded by Volusia Transportation Planning Organization as of July 1, 2010) as of and for the year ended June 30, 2010, and have issued our report thereon dated January 5, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to each Major Federal Program and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated January 5, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address the finding and recommendation made in the preceding financial audit report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that Volusia County Metropolitan Planning Organization complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we make the following recommendation related to the current year finding:

**Segregation of Duties**

Under current office procedures and staffing, the CFO is responsible for virtually all aspects of the Organization's accounting functions and financial reporting with little or no independent administrative oversight. We also noted that this individual is the only staff person that possesses significant knowledge of the Organization's computer systems related to financial activities and that presently no backup personnel have been trained to perform all of the CFO's current responsibilities.

Recommendation: We recognize that the Organization is limited to the amount of administrative oversight which can be dedicated to the financial functions, however, we recommend that steps be taken to appropriately assess all of the Organization's internal office procedures and that the control functions associated with these matters be delegated to independent administrative personnel, to the extent possible, to maximize your control over these important functions.

Auditee Response: The TPO is in the process of training and assigning various accounting functions to additional staff in order to achieve greater independent oversight.

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been included therein. There were no component units related to Volusia County Metropolitan Planning Organization at June 30, 2010.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Volusia County Metropolitan Planning Organization did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, Board of Representatives, others within the entity, federal awarding agencies, pass-through entities, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Brent Milliken & Co., P.A.*  
January 5, 2011