

# **FINANCIAL REPORT**

**OF**

## **VOLUSIA TRANSPORTATION PLANNING ORGANIZATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**PREPARED BY:**

**HERBERT M. SEELY  
CHIEF FINANCIAL OFFICER**

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June 30, 2011

VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

Daytona Beach, Florida

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**BOARD MEMBERS**

June 30, 2011

**VOLUSIA TRANSPORTATION PLANNING ORGANIZATION**

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**Commissioner Leigh Matusick, Chairperson**  
City of DeLand

**Councilman Ted Cooper, 1<sup>st</sup> Vice-Chairman**  
City of Edgewater

**Vice Mayor Nancy Long, 2<sup>nd</sup> Vice Chairman**  
City of South Daytona

**Commissioner John McDonald \*\***  
Town of Beverly Beach

**Commissioner Robert Gilliland**  
City of Daytona Beach

**Mayor Harry Jennings \*\***  
City of Daytona Beach Shores

**Council Member Jack Lenzen**  
City of DeBary

**Commissioner Herb Zischkau**  
City of Deltona

**Commissioner John Feind**  
City of Flagler Beach

**Commissioner Liz Patton**  
City of Holly Hill

**Commissioner Rick Basso**  
City of Lake Helen

**Commissioner Lynne Plaskett**  
City of New Smyrna Beach

**Commissioner Ron Engele \*\***  
City of Oak Hill

**Vice Mayor Jeff Allebach \*\***  
City of Orange City

**Mayor Ed Kelley**  
City of Ormond Beach

**Mayor James Sowell \*\***  
Town of Pierson

**Council Member Don Romanik**  
Town of Ponce Inlet

**Council Member Bob Ford**  
City of Port Orange

**Council Member Joie Alexander**  
Volusia County

**County Chair Frank Bruno Jr.**  
Volusia County

**Council Member Joyce Cusack**  
Volusia County

**Council Member Andy Kelly**  
Volusia County

**Council Member Pat Northey**  
Volusia County

**Council Member Joshua Wagner**  
Volusia County

**Diane J. Smith, Board Member \*\***  
Volusia County School Board

**Steve Friedel \*\***  
FDOT District V

**Peter C. Hauser \*\***  
CAC Chairman

**A.J. Devies \*\***  
BPAC Chairman

**Bill McCord \*\***  
TCC Chairman

\*\* Non-voting members

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**MANAGEMENT TEAM**

June 30, 2011

VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

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**Karl D. Welzenbach**

Executive Director

**Lois Bollenback**

Senior Transportation Planner

**Herbert M. Seely**

Chief Financial Officer

**Stephan Harris**

Bicycle/Pedestrian Coordinator

**Jean Parlow**

Transportation Database Manager

**Bob Keeth, AICP**

Senior Planner

**Carole Hinkley**

Transit Planner

**Pamela Blankenship**

Office Manager

**Karen Roch**

Receptionist

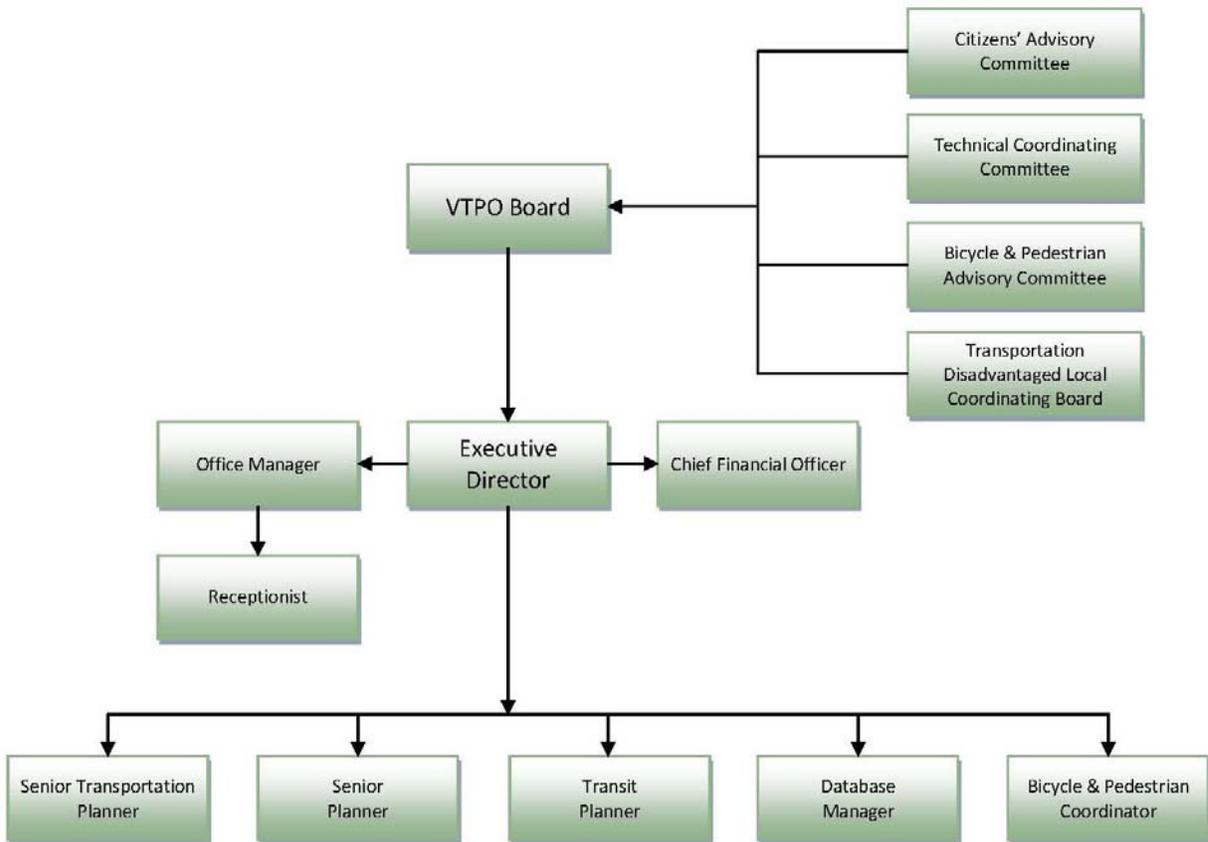
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# ORGANIZATION CHART

June 30, 2011

## VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

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KDWL-2011-45

Dear Members:

The report included with this letter of transmittal is on the financial status of the TPO for fiscal year from July of 2010 to June of 2011. As a standard practice, the Volusia TPO undergoes an independent audit each year and provides the results of the audit to the TPO Board.

As noted in the "Management's Discussion and Analysis" (MD&A) the Volusia TPO ended the fiscal year on stable financial ground. The TPO's assets exceed liabilities by over \$500,000 and we maintain a healthy general fund amount. The TPO maintains a significant general fund to cover the "up front" costs of its activities since all of the TPO's federal funds are on a reimbursement basis only.

The MPO staff will continue to strive to ensure that we meet and exceed our fiduciary responsibilities.

Respectfully submitted,

Karl D. Welzenbach,  
Executive Director, VTPO

cc: VTPO Board Members

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***INDEPENDENT AUDITORS' REPORT***

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# BM&C

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

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Volusia Transportation Planning Organization (the "VTPO") as of and for the year ended June 30, 2011, which collectively comprise the VTPO's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of VTPO'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 respective financial position of the governmental activities and each major fund of the VTPO as of June 30, 2011, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund and Special Revenue Fund 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 October 11, 2011, on our consideration of VTPO's internal control over financial reporting and on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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 any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the VTPO's financial statements as a whole. The introductory section and other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance 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 also not a required part of the financial statements. The schedule of expenditures of federal awards and state financial assistance 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 as a whole. The introductory and other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

October 11, 2011

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

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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As financial management of Volusia Transportation Planning Organization (hereinafter referred to as "VTPO"), we offer readers of these basic financial statements this narrative overview and analysis of the financial activities of VTPO for the year ended June 30, 2011. 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 VTPO was \$1,271,047 for the year ended June 30, 2011. This represents an increase of 3.5% compared to the prior year with a total income of \$1,227,513.
- The assets of the VTPO exceeded its liabilities at the close of the year by \$534,784 (net assets). Of this amount, \$510,427 (unrestricted net assets) may be used to meet the organization's ongoing obligations to its member partners and citizens.
- VTPO's total net assets increased by \$39,508 during the year ended June 30, 2011, compared to \$51,208 for the period ended June 30, 2010.
- As of the close of the year ended June 30, 2011, the VTPO governmental funds reported an ending fund balance of \$510,427, an increase of \$40,953 from the prior period.
- Unreserved, undesignated fund balance for the general fund was \$503,180, or 700% of the total general fund expenditures, which include only those amounts that are not allocable to grant activities recognized in the special revenue fund.

### Overview of Financial Statements

The VTPO'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 VTPO'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 VTPO's financial and operational activities, all of which are governmental activities. These statements report information about the VTPO using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the VTPO'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 VTPO 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 VTPO'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 VTPO'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 VTPO'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 VTPO'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 VTPO'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 VTPO 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 29 and 31. All of the VTPO's special revenue programs are shown combined, as all are Federal and State reimbursable operating grants.

### **Financial Analysis**

The VTPO'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 VTPO'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 June 30, 2011 and 2010:

**Net Assets**

	<u>2011</u>	<u>2010</u>
<b>Assets:</b>		
Current and other assets.....	\$ 600,944	\$ 565,151
Capital assets, net.....	<u>46,642</u>	<u>55,305</u>
Total assets.....	<u>647,586</u>	<u>620,456</u>
<b>Liabilities:</b>		
Current liabilities.....	49,666	60,780
Compensated absences obligation.....	40,851	34,897
Long-term debt outstanding.....	<u>22,285</u>	<u>29,503</u>
Total liabilities.....	<u>112,802</u>	<u>125,180</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt.....	24,357	25,802
Unrestricted.....	<u>510,427</u>	<u>469,474</u>
Total net assets.....	<u>\$ 534,784</u>	<u>\$ 495,276</u>

Assets exceeded liabilities by \$534,784 at the close of the most recent period. This represents an increase of \$39,508 over the prior period, all of which is attributable to operations. The VTPO’s investment in capital assets (net assets not available for future spending) totaled \$24,357 at the end of the year. The unrestricted net assets of \$510,427 are available to meet the VTPO’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 VTPO’s investment in capital assets decreased from \$55,305 at the end of the prior period to \$46,642 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 \$252,183 in 2010 to \$170,427 in 2011). The amounts due from other government units increased \$110,358 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 \$18,174 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 \$25,490 represented 22.6% of the VTPO’s total liabilities at the end of the period. Of this amount, \$21,858 was for expenditures related to operating grant programs which will be reimbursed to the Organization after June 30, 2011 through grant reimbursements. Deferred revenue consists of: \$2,195 for VCOG, Inc. expense deposits; and \$1,161 of grant local matching funds received in advance from another local government, which will be recognized as revenue in next year’s operations. The VTPO’s only long-term debt totaled \$40,851, which represents the estimated future cost of compensated absences for employees that is recognized as a liability at the time it is earned.

The following is a summary of changes in net assets for the years ended June 30, 2011 and 2010:

### Change in Net Assets

	<u>Year ended</u> <u>2011</u>	<u>Year ended</u> <u>2010</u>
Revenues:		
Program revenues:		
Charges for services.....	\$ 110,552	\$ 125,632
Operating grants/other.....	1,158,183	1,103,438
General revenues:		
Investment earnings (losses).....	2,070	3,578
Gain (loss) on disposition of capital assets.....	-	(5,384)
Miscellaneous.....	<u>242</u>	<u>249</u>
Total revenues.....	<u>1,271,047</u>	<u>1,227,513</u>
Expenses:		
General government.....	72,229	83,799
Transportation.....	1,156,760	1,090,089
Interest on long-term debt.....	<u>2,550</u>	<u>2,417</u>
Total expenses.....	<u>1,231,539</u>	<u>1,176,305</u>
Increase (decrease) in net assets.....	39,508	51,208
Net assets, beginning of year.....	<u>495,276</u>	<u>444,068</u>
Net assets, end of year.....	<u>\$ 534,784</u>	<u>\$ 495,276</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 VTPO's net assets increased \$39,508 in 2011, 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 VTPO. At the end of the current period, the unreserved fund balance was \$503,180. 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 700% 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 91% of entity-wide revenues, required advance funding before reimbursement.

While the statement of net assets and governmental balance sheet shows a snapshot of the VTPO'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 \$110,552 and \$125,632 for 2011 and 2010, respectively. Operating grant revenues of \$1,158,183 were up 5.0% this year from \$1,103,438 reported during the prior period. The pace at which the VTPO'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 \$350,705 in 2011 from \$243,946 in 2010. Cash and cash equivalents decreased to \$170,427 during 2011, compared to \$252,183 the prior year. Interest earnings for 2011 were \$2,070, a decrease from the prior year's amount of \$3,578.

The VTPO's general fund expenditures for the year ended June 30, 2011 were \$71,911 and \$40,953 less than revenues in the general fund resulting in an increase in fund balance of \$40,953, which is \$5,821 less than the prior year. General fund personal services expenditures for this period totaled \$0.00, compared to \$696 in the prior period and expenditures for materials and services was \$61,435 and \$72,092, in 2011 and 2010 respectively. Capital outlay for the period was \$708. Debt service expenditures in 2011 totaled \$9,768 and represent the payments made on capital leasing of equipment during the year.

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

The overall financial position and results of operations for the VTPO improved for the period ended June 30, 2011. The VTPO 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 VTPO 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.

### **Requests for Information**

This financial report is designed to provide a general overview of the VTPO'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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## ***BASIC FINANCIAL STATEMENTS***

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**STATEMENT OF NET ASSETS**

June 30, 2011

VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

**Statement 1**

## Assets:

---

Cash and cash equivalents.....	\$	170,427	
Investments.....		6,369	
Due from other governments.....		405,974	
Prepays.....		11,674	
Refundable deposits.....		6,500	
Capital assets, net of accumulated depreciation.....		<u>46,642</u>	
Total assets.....			<u>647,586</u>

## Liabilities:

Bank overdraft.....		20,060	
Accounts payable.....		25,490	
Accrued liabilities.....		761	
Deferred revenue.....		3,355	
Compensated absences.....		40,851	
Long-term liabilities:			
Portion due or payable within one year.....		8,437	
Portion due or payable after one year.....		<u>13,848</u>	
Total liabilities.....			<u>112,802</u>

## Net Assets:

Invested in capital assets, net of related debt.....		24,357	
Unrestricted.....		<u>510,427</u>	
Total net assets.....			<u>\$ 534,784</u>

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

**STATEMENT OF ACTIVITIES****Statement 2**

For the Year Ended June 30, 2011

**VOLUSIA TRANSPORTATION PLANNING ORGANIZATION**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Service	Operating Grants Contributions	Capital Grants Contributions	
Governmental Activities:					
General government.....	\$ 72,229	110,552	-	-	38,323
Transportation.....	1,156,760	-	1,158,183	-	1,423
Interest on long-term debt.....	<u>2,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,550)</u>
Total governmental activities.....	<u>1,231,539</u>	<u>110,552</u>	<u>1,158,183</u>	<u>-</u>	37,196
General revenues:					
Investment earnings.....					2,070
Miscellaneous.....					<u>242</u>
Change in net assets.....					39,508
Net assets, beginning.....					<u>495,276</u>
Net assets, ending.....					<u>\$ 534,784</u>

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**Statement 3**

June 30, 2011

VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

	General Fund	Special Revenue Fund	Total
<b>Assets:</b>			
Cash and cash equivalents.....	\$ 170,427	-	170,427
Investments.....	6,369	-	6,369
Due from other governments.....	3,487	402,487	405,974
Due from other funds.....	350,705	-	350,705
Prepays.....	747	10,927	11,674
Refundable deposits.....	<u>6,500</u>	<u>-</u>	<u>6,500</u>
<b>Total assets.....</b>	<b><u>538,235</u></b>	<b><u>413,414</u></b>	<b><u>951,649</u></b>
<b>Liabilities:</b>			
Bank overdraft.....	20,060	-	20,060
Accounts payable.....	3,632	21,858	25,490
Accrued liabilities.....	761	-	761
Deferred revenue.....	3,355	40,851	44,206
Due to other funds.....	<u>-</u>	<u>350,705</u>	<u>350,705</u>
<b>Total liabilities.....</b>	<b><u>27,808</u></b>	<b><u>413,414</u></b>	<b><u>441,222</u></b>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Prepaid expenses.....	747	-	747
Refundable deposits.....	6,500	-	6,500
Unassigned.....	<u>503,180</u>	<u>-</u>	<u>503,180</u>
<b>Total fund balance.....</b>	<b><u>510,427</u></b>	<b><u>-</u></b>	<b><u>510,427</u></b>
<b>Total liabilities and fund balance.....</b>	<b><u>\$ 538,235</u></b>	<b><u>413,414</u></b>	

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.....	46,642
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds. These liabilities and other debt related deferred charges consist of the following:	
Deferred revenues.....	40,851
Capital lease obligation.....	(22,285)
Compensated absences.....	<u>(40,851)</u>
Net assets of governmental activities .....	<b><u>\$ 534,784</u></b>

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

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

**Statement 4**

For the Year Ended June 30, 2011

VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

	General Fund	Special Revenue Fund	Total
<b>Revenues:</b>			
Intergovernmental.....	\$ -	1,152,229	1,152,229
Charges for services.....	110,552	-	110,552
Investment earnings.....	2,070	-	2,070
Miscellaneous.....	<u>242</u>	<u>-</u>	<u>242</u>
<b>Total revenues.....</b>	<b><u>112,864</u></b>	<b><u>1,152,229</u></b>	<b><u>1,265,093</u></b>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>General Government:</b>			
Materials and services.....	61,435	-	61,435
Capital outlay.....	<u>708</u>	<u>-</u>	<u>708</u>
	<u>62,143</u>	<u>-</u>	<u>62,143</u>
<b>Transportation:</b>			
Personal services.....	-	633,203	633,203
Materials and services.....	-	510,251	510,251
Capital outlay.....	<u>-</u>	<u>8,775</u>	<u>8,775</u>
	<u>-</u>	<u>1,152,229</u>	<u>1,152,229</u>
<b>Debt Service:</b>			
Principal retirement.....	7,218	-	7,218
Interest and other.....	<u>2,550</u>	<u>-</u>	<u>2,550</u>
	<u>9,768</u>	<u>-</u>	<u>9,768</u>
<b>Total expenditures.....</b>	<b><u>71,911</u></b>	<b><u>1,152,229</u></b>	<b><u>1,224,140</u></b>
Excess (deficit) of revenues over (under) expenditures.....	40,953	-	40,953
Fund balances, beginning of year.....	<u>469,474</u>	<u>-</u>	<u>469,474</u>
Fund balances, end of year.....	<u>\$ 510,427</u>	<u>-</u>	<u>510,427</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, 2011

VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

Net change in fund balances - total governmental funds.....	\$	40,953
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.....	9,483	
Depreciation expense.....	<u>(18,146)</u>	(8,663)
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>7,218</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:		
Deferred grant revenues.....		5,954
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment is for the following:		
(Increase) decrease in compensated absences liabilities.....		<u>(5,954)</u>
Change in net assets of governmental activities.....	\$	<u>39,508</u>

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

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

**Statement 5**

For the Year Ended June 30, 2011

VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

	Budget Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Charges for services.....	\$ 115,194	115,194	110,552	(4,642)
Investment earnings.....	600	600	2,070	1,470
Miscellaneous.....	-	-	242	242
Total revenues.....	<u>115,794</u>	<u>115,794</u>	<u>112,864</u>	<u>(2,930)</u>
<b>Expenditures:</b>				
Current:				
General Government:				
Materials and services.....	115,044	115,044	61,435	53,609
Capital outlay.....	<u>750</u>	<u>750</u>	<u>708</u>	<u>42</u>
	<u>115,794</u>	<u>115,794</u>	<u>62,143</u>	<u>53,651</u>
Debt Service:				
Principal retirement.....	-	-	7,218	(7,218)
Interest and other.....	-	-	2,550	(2,550)
	-	-	<u>9,768</u>	<u>(9,768)</u>
Total expenditures.....	<u>115,794</u>	<u>115,794</u>	<u>71,911</u>	<u>43,883</u>
Excess (deficit) of revenues over (under) expenditures.....	-	-	40,953	40,953
Fund balance, beginning of year.....	<u>469,474</u>	<u>469,474</u>	<u>469,474</u>	<u>-</u>
Fund balance, end of year.....	<u>\$ 469,474</u>	<u>469,474</u>	<u>510,427</u>	<u>40,953</u>

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

**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
 SPECIAL REVENUE FUND**  
 For the Year Ended June 30, 2011  
 VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

**Statement 6**

	Budget Amounts		Actual	Variance
	Original	Final		
Revenues:				
Intergovernmental.....	\$ 1,508,019	1,508,019	1,152,229	(355,790)
Total revenues.....	1,508,019	1,508,019	1,152,229	(355,790)
Expenditures:				
Current:				
Transportation:				
Personal services.....	653,942	653,942	633,203	20,739
Materials and services.....	844,827	844,827	510,251	334,576
Capital outlay.....	9,250	9,250	8,775	475
Total expenditures.....	1,508,019	1,508,019	1,152,229	355,790
Excess (deficit) of revenues over (under) expenditures.....	-	-	-	-
Fund balance, beginning of year.....	-	-	-	-
Fund balance, end of year.....	\$ -	-	-	-

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

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***NOTES TO THE FINANCIAL STATEMENTS***

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## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

### VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

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

The financial statements of Volusia Transportation Planning Organization (“VTPO”) 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**

VTPO 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, Flagler Beach, and Beverly Beach, Florida. Members are appointed by the governing bodies of the participating local government units. The VTPO was originally created on May 6, 1977, as the Volusia County Metropolitan Planning Organization and operates under interlocal agreements established pursuant to Chapter 163.01, Florida Statutes, among the various participating governmental entities. As of July 1, 2010, Volusia County Metropolitan Planning Organization officially changed its name to Volusia Transportation Planning Organization.

The accompanying financial statements present the financial position and results of operations of the applicable funds controlled by or dependent on VTPO. In evaluating VTPO 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 VTPO’s financial statements. No component units exist which would require inclusion in VTPO’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 VTPO. The effect of interfund activities, when applicable, has been removed from these statements. All of VTPO’s activities are governmental activities which are supported from population-based service fee assessments to its government-member organizations. VTPO 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 VTPO’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

## **NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

June 30, 2011

### **VOLUSIA TRANSPORTATION PLANNING ORGANIZATION**

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

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, VTPO 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 long-term lease agreements 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.

#### **D. Budgets and Budgetary Accounting**

On or before July 1 of each year, the VTPO adopts an annual budget on a generally accepted accounting principles (GAAP) basis sufficient to support the anticipated Unified Planning Work Program (UPWP) for the year. The budget is adopted at the fund level and includes combined revenues from all sources, including federal, state, local and private grants-in-aid, contracts, fees, and such other funding sources legitimately available to the VTPO. The level of budget control is at the UPWP task level

#### **E. Deposits and Investments**

VTPO'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.

VTPO'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.

#### **F. Receivables**

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

#### **G. Prepaids**

Prepaids represent payments made to vendors for services that will benefit beyond June 30, 2011.

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

June 30, 2011

**VOLUSIA TRANSPORTATION PLANNING ORGANIZATION**

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**H. Capital Assets**

Capital assets, which include office furniture, fixtures and equipment, are reported in the government-wide financial statements. Capital assets are defined by VTPO 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.

**I. Compensated Absences**

It is VTPO's policy to grant employees personal leave based upon the number of years of employment with the VTPO. Employees are permitted 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>	<u>PTO Hours    PTO Days</u>	
	<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

VTPO'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). Since a GAAP liability exists when employee leave is earned, VTPO recognizes the accrued leave as an expense for its federal awards and state financial assistance programs at the time it is earned. Upon termination, employees will be paid for all accumulated paid time off credits.

**J. 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 VTPO has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

**K. Grants**

Revenues received or used from grants for governmental funds are recognized as current revenues when they become subject to accrual, that is both measurable and available (modified accrual basis).

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

June 30, 2011

VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

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**L. Indirect Costs**

Certain administrative costs are recorded in the General Fund as indirect costs in the VTPO's accounting system and are allocated to the Special Revenue Fund based upon an indirect cost rate appropriate in the circumstances. The rate is based upon direct salary and fringe benefit costs and is calculated using actual indirect costs.

**M. 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.

**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 VTPO'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 Directors for review. The Board 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. The legal level of budgetary control is at the departmental level.

During the current period, the Executive Board transferred budgetary appropriations in the special revenue fund to reflect additional awards and promotion activities incurred during the year.

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

June 30, 2011

**VOLUSIA TRANSPORTATION PLANNING ORGANIZATION**

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

**NOTE 4 - CASH DEPOSITS AND INVESTMENTS**

**Deposits.** At June 30, 2011, the carrying value of VTPO’s cash deposit accounts was reported as an overdraft of \$20,060, while the bank balance totaled \$37,431. This account overdraft is reported as a current liability in the accompanying financial statements. The cash deposits are held by a bank that qualifies as public depository 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.

**Overdraft.** On June 10, 2011, the VTPO’s existing customer account with Wachovia Bank, NA, was closed and transferred to a newly established customer account with Wells Fargo Bank, NA pursuant to a merger succession agreement between the banks. Immediately subsequent to the change of this customer account, on June 14, 2011 the VTPO initiated a routine wire transfer in the amount of \$40,000 from its State Board of Administration (short-term investment) account to its active Wells Fargo Bank, NA demand deposit account to fund outstanding checks expected to be presented for payment on the account. On the very same day, and immediately subsequent to the confirmed receipt of this \$40,000 deposit, Wells Fargo Bank, NA bank erroneously returned the \$40,000 in funds, without customer authorization, to the sending bank (SBA). This resulted in an erroneous chargeback to the VTPO account in the amount of \$40,000. As a result of this bank error, the VTPO experienced a credit (overdraft) in its cash and cash equivalents balance of \$20,060 reported in its financial statements at June 30, 2011. Subsequent to the discovery of this bank error, on July 20, 2011 the VTPO initiated a second wire transfer in the amount of \$40,000 from the SBA account to the Wells Fargo Bank, NA account to fully restore its cash balance and to eliminate the resultant overdraft.

**Investments.** As of June 30, 2011, VTPO 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 (cash equivalent).	\$ 170,327	170,327	-	-
Fund B.....	6,369	-	-	6,369
Totals.....	\$ 176,696	170,327	-	6,369

The VTPO’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, VTPO invests in a pool of investments whereby VTPO owns a share of the respective pool, not the underlying securities. The assets held in Fund B are presently restricted and VTPO is prohibited from withdrawing any amounts from the pool.

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

June 30, 2011

### VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

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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 the account balance should also be considered the fair value of the 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, 2011. The fair value of the original remaining investment in Fund B is \$6,369 as of June 30, 2011, based on the fair value factor of 0.78965331 reported by the trustees of Fund B.

**Interest Rate Risk.** VTPO 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 governed by state statutes. Generally, all of VTPO’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, 2011, the WAM of the Florida PRIME is 31 days. 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, 2011, is estimated at 7.16 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

**Credit Risk.** VTPO’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, 2011; Fund B is not rated by any nationally recognized statistical rating agency.

**Concentrations of Credit Risk.** VTPO 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, VTPO’s deposits may not be returned to it. VTPO does not have a deposit policy for custodial risk.

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

June 30, 2011

**VOLUSIA TRANSPORTATION PLANNING ORGANIZATION**

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.

At June 30, 2011, the carrying amount of VTPO’s deposits in the Local Government Surplus Funds Trust Fund was \$176,696, all of which was covered by federal depository insurance and the statutory provisions of the Act.

**NOTE 5 - RECEIVABLES**

A summary of VTPO’s receivables at June 30, 2011, is as follows:

<u>Type</u>	<u>Balance</u>	<u>Total</u>
Due from other governments:		
General Fund:		
Due from VCOG.....	\$ 3,487	
Special Revenue Fund:		
Due from Florida Department of Transportation.....	390,938	
Due from VOTRAN.....	<u>11,549</u>	
Total.....		<u>\$ 405,974</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 VTPO 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, 2011, are comprised of the following:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund.....	\$ 350,705	-
Special Revenue Fund.....	<u>-</u>	<u>350,705</u>
Totals.....	<u>\$ 350,705</u>	<u>350,705</u>

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

June 30, 2011

VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

**NOTE 7 - CAPITAL ASSETS**

The following is a summary of changes in capital assets during the year ended June 30, 2011:

Function/Source	Balances 6/30/2010	Additions	Deletions	Balances 6/30/2011
Office furniture, fixtures, and equipment....	\$ 112,440	9,483	-	121,923
Less: accumulated depreciation.....	(57,135)	(18,146)	-	(75,281)
 Total capital assets, net of accumulated depreciation.....	 <u>\$ 55,305</u>	 <u>(8,663)</u>	 <u>-</u>	 <u>46,642</u>

Depreciation expense for the year totaled \$18,146 and was allocated as follows: general government, \$10,794; and transportation, \$7,352.

**NOTE 8 - OPERATING LEASES**

VTPO leased office equipment under a noncancelable operating lease which expired August 31, 2010. The total cost for this lease for the year ended June 30, 2011, was \$1,358. This lease was accounted for as an operating lease and contained options to be cancelled in the event annual appropriations were not authorized. At June 30, 2011, there were no minimum future rental payments remaining under the abovementioned operating lease.

VTPO leases building and office facilities under a non-cancelable operating lease that was signed on July 1, 2010. While the VTPO is the primary lessee, a portion of the leased facilities are shared with VCOG, Inc. under a separate agreement. Under the leasing arrangement with VCOG, Inc., the VTPO is reimbursed for this entity's pro-rata share (21.89%) of annual rental expense. The lease is payable in equal monthly base rent installments of \$6,473 during the first 3 years of the agreement, after which time it will increase to \$7,250 per month for the next 3 years, and to \$8,026 per month for the remaining two years of the agreement. In addition to the monthly base rent, the lease provides that the lessee will reimburse the lessor for specified maintenance and taxes (currently \$2,537 per month), all of which are determined annually and billed on a calendar year basis. The total costs for this lease for the year ended June 30, 2011, were \$111,541, of which \$24,415 was reimbursed by VCOG, Inc. 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 future minimum lease payments under this agreement are as follows:

Year ending June 30,	Total Amount	To Be Paid By Others
2012.....	\$ 108,124	23,664
2013.....	110,454	24,174
2014.....	117,445	25,704
2015.....	117,445	25,704
2016.....	119,775	26,214
2017-2018.....	<u>221,840</u>	<u>48,552</u>
 Totals.....	 <u>\$ 795,083</u>	 <u>174,012</u>

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

June 30, 2011

**VOLUSIA TRANSPORTATION PLANNING ORGANIZATION**

**NOTE 9 – EXPENSE REIMBURSEMENTS**

VCOG, Inc. shares the building and office facilities mentioned in Note 8 with VTPO. The VTPO bills the pro-rata share of rent and related utilities to this entity based upon the respective square footage occupied. Similarly, the VTPO is primarily responsible for the office equipment (e.g., copiers, data server, postage machine, etc.) and related repairs and maintenance. The pro-rata share of this expense is also billed to VCOG, Inc. and is based upon actual monthly usage.

**NOTE 10 – LONG-TERM DEBT**

The Organization’s long-term debt outstanding at June 30, 2011, 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 \$19,770 as of 06/30/2011.....	\$ 22,285	8,437
Compensated absences.....	<u>40,851</u>	<u>6,128</u>
Totals.....	<u>\$ 63,136</u>	<u>14,565</u>

A summary of changes in the Organization’s long-term debt for the year ended June 30, 2011, is as follows:

	<u>Balance 6/30/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2011</u>
Capital lease obligation.....	\$ 29,503	-	(7,218)	22,285
Compensated absences.....	<u>34,897</u>	<u>5,954</u>	<u>-</u>	<u>40,851</u>
Totals.....	<u>\$ 64,400</u>	<u>5,954</u>	<u>(7,218)</u>	<u>63,136</u>

The following presents future minimum lease payments as of June 30, 2011:

<u>Fiscal Year</u>	<u>Capital Lease</u>
June 30, 2012.....	\$ 9,768
June 30, 2013.....	9,768
June 30, 2014.....	<u>4,884</u>
Total requirements.....	24,420
Less: interest.....	<u>(2,135)</u>
Present value of minimum lease payments.....	<u>\$ 22,285</u>

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

June 30, 2011

**VOLUSIA TRANSPORTATION PLANNING ORGANIZATION**

Leased equipment under capital leases in capital assets at June 30, 2011, included the following:

Office furniture, fixtures, and equipment.....	\$	40,904
Less: accumulated depreciation.....		<u>(21,134)</u>
Net assets held under capital lease.....	\$	<u>19,770</u>

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

**NOTE 11 - STATE FINANCIAL ASSISTANCE**

During the year ended June 30, 2011, VTPO received funds from the State of Florida in the form of State Financial Assistance (\$27,353), as well as additional funds representing the state’s pro-rata portion of matching funds (\$31,978) required as the state’s matching funds for federal contracts received under its Unified Planning Work Program for Fiscal Years 2010/11 and 2011/12 adopted April 27, 2010 and amended on June 6, 2011. 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. During the year ended June 30, 2011, this funding is summarized as follows:

State Agency/Project	Contract	Total Expenditures
State Financial Assistance:		
Florida Department of Transportation:		
Commission for the Transportation Disadvantaged (2011).....	AQO53	\$ <u>27,353</u>
Total.....		<u>\$ 27,353</u>
Funding provided in the form of state matching of federal grants:		
Florida Department of Transportation:		
Transit Technical Studies Grant:		
Fiscal Year 2008-09.....	AGG45	\$ 2,496
Fiscal Year 2009-10.....	APU36	16,084
Fiscal Year 2010-11.....	APU39	10,974
Highway Planning and Construction:		
Bicycle/Pedestrian Feasibility Study.....	AOC55	<u>2,424</u>
Total.....		<u>\$ 31,978</u>

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

June 30, 2011

VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

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### NOTE 12 - EMPLOYEE PENSION PLAN

#### A. Principal Financial Group

The VTPO contributes to a defined contribution pension plan which is fully administered by the Principal Financial Group under a plan originally established by the Board of Directors 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 Board. Employer and plan member contributions are recognized in the period that contributions are due. At June 30, 2011, 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 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 9.85% of employees' earnings. During the year ended June 30, 2011, employer and employee contributions to the plan were \$23,851 and \$-0-, respectively. The current period payroll for employees covered under the plan was \$242,143.

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.

#### B. Florida Retirement System

**Plan Description.** The VTPO 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.

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

June 30, 2011

**VOLUSIA TRANSPORTATION PLANNING ORGANIZATION**

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The VTPO’s contributions to the plan for the fiscal year ended June 30, 2011 and 2010 (the first year of enrollment) totaled \$15,049 and \$11,171, respectively. There were no employee contributions made during these years. 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 two fiscal years (rates specified below include an additional 1.11% for the VTPO’s option to include the health insurance subsidy contribution):

	<u>Regular</u>
From July 1, 2009 to June 30, 2010.....	9.85%
From July 1, 2010 to June 30, 2011.....	10.77%

**NOTE 13 -DEFERRED EMPLOYEE BENEFITS**

The Executive Director of the VTPO 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, 2011, employer and employee contributions to the plan were \$9,024 and \$2,585, respectively. The current period payroll for employees covered under the plan was \$91,613.

The VTPO also provides all their employees with a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The VTPO 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.

**NOTE 14 - RISK MANAGEMENT**

The VTPO 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.

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

June 30, 2011

VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

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**NOTE 15 - COMMITMENTS AND CONTINGENCIES**

The VTPO may from time to time be engaged in routine litigation incidental to the conduct of its corporate affairs. In the opinion of VTPO'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 VTPO has evaluated events and transactions for potential recognition for disclosure through October 11, 2011, the date the financial statements were available to be issued.

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***OTHER SUPPLEMENTARY INFORMATION***

**OTHER SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROJECT REVENUES, EXPENSES, AND**  
**CHANGES IN FUND BALANCES - SPECIAL REVENUE FUND**  
For the Year Ended June 30, 2011  
VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

	<u>Federal Highway Administration</u>		
	Section 112 A5067	Bicycle/ Pedestrian Feasibility Study AOC55	Bicycle/ Pedestrian Safety Study AON10
<b>Revenues:</b>			
Intergovernmental:			
Federal grants.....	\$ 696,784	21,985	111,671
State grants.....	-	-	-
State matching.....	-	2,424	-
Local matching.....	-	2,424	-
Total grant revenues.....	<u>696,784</u>	<u>26,833</u>	<u>111,671</u>
<b>Expenses:</b>			
Salaries.....	335,572	-	-
Fringe benefits.....	63,176	-	-
Office supplies.....	7,160	-	-
Postage.....	6,824	-	1
Office expense.....	3,956	-	-
Advertising.....	2,785	-	-
Printing.....	2,648	-	-
Fees.....	20,975	-	-
Publications.....	670	-	-
Copy expense.....	18,189	-	-
Conference fees.....	1,325	-	-
Professional fees.....	29,633	-	-
Legal fees.....	1,433	-	-
Awards and promotion.....	10,705	-	-
Special studies.....	25,223	26,833	111,670
Repairs.....	276	-	-
Capital outlay.....	3,975	-	-
Software.....	1,745	-	-
Network costs.....	14,271	-	-
Telephone.....	1,279	-	-
Education.....	584	-	-
Indirect pass-through expenses.....	<u>144,380</u>	-	-
Total expenses.....	<u>696,784</u>	<u>26,833</u>	<u>111,671</u>
Total revenue over expenses.....	-	-	-
Fund balance - beginning of year.....	-	-	-
Fund balance - beginning of year.....	<u>\$ -</u>	<u>-</u>	<u>-</u>

<u>Federal Transit Administration</u>			<u>FDOT</u>	
Section 5303 2008-2009 AGG45	Section 5303 2009-2010 APU36	Section 5303 2010-2011 APU39	Transportation Disadvantaged AQO53	Total- All Sources
19,972	128,673	87,789	-	1,066,874
-	-	-	27,353	27,353
2,496	16,084	10,974	-	31,978
<u>2,496</u>	<u>16,084</u>	<u>10,974</u>	<u>-</u>	<u>31,978</u>
<u>24,964</u>	<u>160,841</u>	<u>109,737</u>	<u>27,353</u>	<u>1,158,183</u>
-	55,896	64,116	16,740	472,324
-	10,387	12,238	3,195	88,996
-	156	-	-	7,316
-	2,246	43	115	9,229
-	805	-	-	4,761
-	274	125	-	3,184
-	277	-	-	2,925
-	300	-	-	21,275
-	277	-	-	947
-	1,567	95	-	19,851
-	-	-	-	1,325
20,000	2,302	-	-	51,935
-	-	351	-	1,784
-	3,370	-	-	14,075
4,964	57,577	1,200	-	227,467
-	662	-	-	938
-	1,000	3,600	-	8,575
-	-	-	-	1,745
-	-	-	-	14,271
-	8	-	-	1,287
-	-	-	-	584
<u>-</u>	<u>23,737</u>	<u>27,969</u>	<u>7,303</u>	<u>203,389</u>
<u>24,964</u>	<u>160,841</u>	<u>109,737</u>	<u>27,353</u>	<u>1,158,183</u>
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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## ***COMPLIANCE SECTION***

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE**  
For the Fiscal Year Ended June 30, 2011  
VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

Federal Agency Pass-through Entity Federal Program	Agency or Pass-through Grant Number	CFDA/ CSFA Number	Total Program Expenditures
<b>FEDERAL AWARDS:</b>			
U.S. Department of Transportation:			
Federal Highway Administration:			
Passed Through from Florida Department of Transportation:			
Unified Planning Work Program:			
Section 112 (fiscal year 2010-2011)	A5067	20.205	\$ 696,784
Bicycle/Pedestrian Feasibility Study	AOC55	20.205	21,985
Bicycle/Pedestrian Safety Study	AON10	20.205	<u>111,671</u>
Total Federal Highway Administration			<u>830,440</u>
Federal Transit Administration:			
Passed Through from Florida Department of Transportation:			
Unified Planning Work Program:			
Section 5303 - (fiscal year 2008-2009)	AGG45	20.505	19,972
Section 5303 - (fiscal year 2009-2010)	APU36	20.505	128,673
Section 5303 - (fiscal year 2010-2011)	APU39	20.505	<u>87,789</u>
Total Federal Transit Administration			<u>236,433</u>
Total Expenditures of Federal Awards			<u>\$ 1,066,873</u>
<b>STATE FINANCIAL ASSISTANCE:</b>			
Florida Department of Transportation:			
Transportation Disadvantaged Commission:			
Planning Grant 2010-2011	AQ053	55.002	<u>\$ 27,353</u>
Total Expenditures of State Financial Assistance			<u>\$ 27,353</u>

Note:

The above schedule of expenditures of federal awards includes the federal grant activity of Volusia Transportation 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, 2011.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 Year Ended June 30, 2011  
 VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

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**Part I — Summary of Auditor’s Results**

**Financial statements section**

Type of auditor’s report issued:	<u>Unqualified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> no
Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  X  </u> none reported
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> no

**Federal awards section**

Internal control over major programs:		
Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> no
Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  X  </u> none reported
Type of auditor’s report issued on compliance for major programs:	<u>Unqualified</u>	
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133	<u>      </u> Yes	<u>  X  </u> no

The programs/projects tested as major programs/projects included the following:

<u>Federal Programs or Clusters:</u>	<u>Federal CFDA No.</u>
Federal Transit Metropolitan Planning Grants	20.505

Dollar threshold used to distinguish between Type A and Type B programs:	
Federal programs	<u>\$300,000</u>

Auditee qualified as low-risk auditee?	<u>  x  </u> Yes	<u>      </u> no
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**Part II — Financial Statement Findings Section**

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards require reporting in a Circular A-133 audit. No matters were identified.

**Part III — Federal Award Findings and Questioned Costs Section**

This section identifies the audit findings required to be reported by Circular A-133 section .510(a) (for example, material weaknesses, significant deficiencies, and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program. Where practical, findings should be organized by federal agency or pass-through entity. No matters were identified.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
AND CORRECTIVE ACTION PLAN**

Year Ended June 30, 2011

VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

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**Part I - Prior Year Findings and Questioned Costs - Major Federal Programs**

This section reports the status of any audit findings included in the prior audit's schedule of findings and questioned costs relating to federal awards and state financial assistance, if applicable. This section also includes audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected or no longer valid or not warranting further action. No matters were identified or reported.

**Part II – Corrective Action Plan**

There are no audit findings for the year ended June 30, 2011 relative to federal programs that require corrective action on the part of the auditee.

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

## Compliance

We have audited Volusia Transportation Planning Organization's (the "VTPO") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the VTPO's major federal programs for the year ended June 30, 2011. The VTPO's major federal programs are identified in the summary of auditor's 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 the VTPO's management. Our responsibility is to express an opinion on the VTPO'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 the VTPO'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 the VTPO's compliance with those requirements.

In our opinion, the VTPO complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

To the Board of Directors of  
Volusia Transportation Planning Organization

Internal Control over Compliance

The management of the VTPO 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 the VTPO's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 the VTPO's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance 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.

This report is intended solely for the information and use of the Board of Directors, management, others within the VTPO, 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.*

October 11, 2011

# BM&C

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

**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***

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

We have audited the financial statements of the governmental activities and each major fund of the Volusia Transportation Planning Organization (the "VTPO") as of and for the year ended June 30, 2011, which collectively comprise the VTPO's basic financial statements and have issued our report thereon dated October 11, 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 the VTPO'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 the VTPO's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the VTPO'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 Directors of  
Volusia Transportation Planning Organization  
Daytona Beach, Florida

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the VTPO'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 the VTPO in a separate letter dated October 11, 2011.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, the State of Florida Auditor General, and federal and state 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.*

October 11, 2011

# BM&C

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

## MANAGEMENT LETTER

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

We have audited the financial statements of Volusia Transportation Planning Organization (the "VTPO"), as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated October 11, 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 Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditors' Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major Federal Program and On Internal Control Over Compliance In Accordance With OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated October 11, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter of violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In addition, for matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, the following matters are required to be disclosed:

### **Lack of Segregation of Duties in Small Office Environment**

Under current office procedures and staffing, the VTPO's chief financial officer is responsible for virtually all aspects of the entity's accounting functions and financial reporting processes with little or no independent administrative oversight. Based on the current size of the office staff, which is limited due to the diversity of the program responsibilities which have been delegated to each member of VTPO's management and staff, we also noted that this individual is the only staff person that possesses significant knowledge of the Organization's computer systems and other related financial recording and reporting responsibilities and that no backup personnel have been trained to perform, or provide oversight to, this important function.

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

Recommendation: We recognize that the VTPO is limited in the amount of administrative oversight which can be dedicated to the financial function. However, we recommend that steps should be considered to appropriately assess all of the Organization's internal office procedures and that the control and/or oversight 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.*

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 the Board of Directors, management, 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.*

October 11, 2011