ANNUAL FINANCIAL REPORT

OF

VOLUSIA
TRANSPORTATION PLANNING ORGANIZATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

PREPARED BY:

HERBERT M. SEELY
CHIEF FINANCIAL OFFICER

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Daytona Beach, Florida

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BOARD MEMBERS
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VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

Commissioner Robert Gilliland, Chairman
City of Daytona Beach

Vice Mayor Nancy Long, 1st Vice-Chairperson
City of South Daytona

Council Member Pat Northey, 2nd Vice Chairperson
Volusia County

Vacant **
Town of Beverly Beach

Council Member Nick Koval
City of DeBary

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City of Deltona

Commissioner Marshall Shupe
City of Flagler Beach

Commissioner Rick Basso **
City of Lake Helen

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City of Oak Hill

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Council Member Joe Perrone **
Town of Ponce Inlet

County Chair Frank Bruno Jr.
Volusia County

Council Member Andy Kelly
Volusia County

Council Member Joshua Wagner
Volusia County

Mary Schoelzel **
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Volusia County

Council Member Joyce Cusack
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Volusia County School Board

Dan D'Antonio**
CAC Chairman

Darren Lear **
TCC Chairman

** Non-voting members

MANAGEMENT TEAM AND STAFF
June 30, 2012
VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

Lois Bollenback
Interim Executive Director

Herbert M. Seely
Chief Financial Officer

Stephan Harris
Bicycle/Pedestrian Coordinator

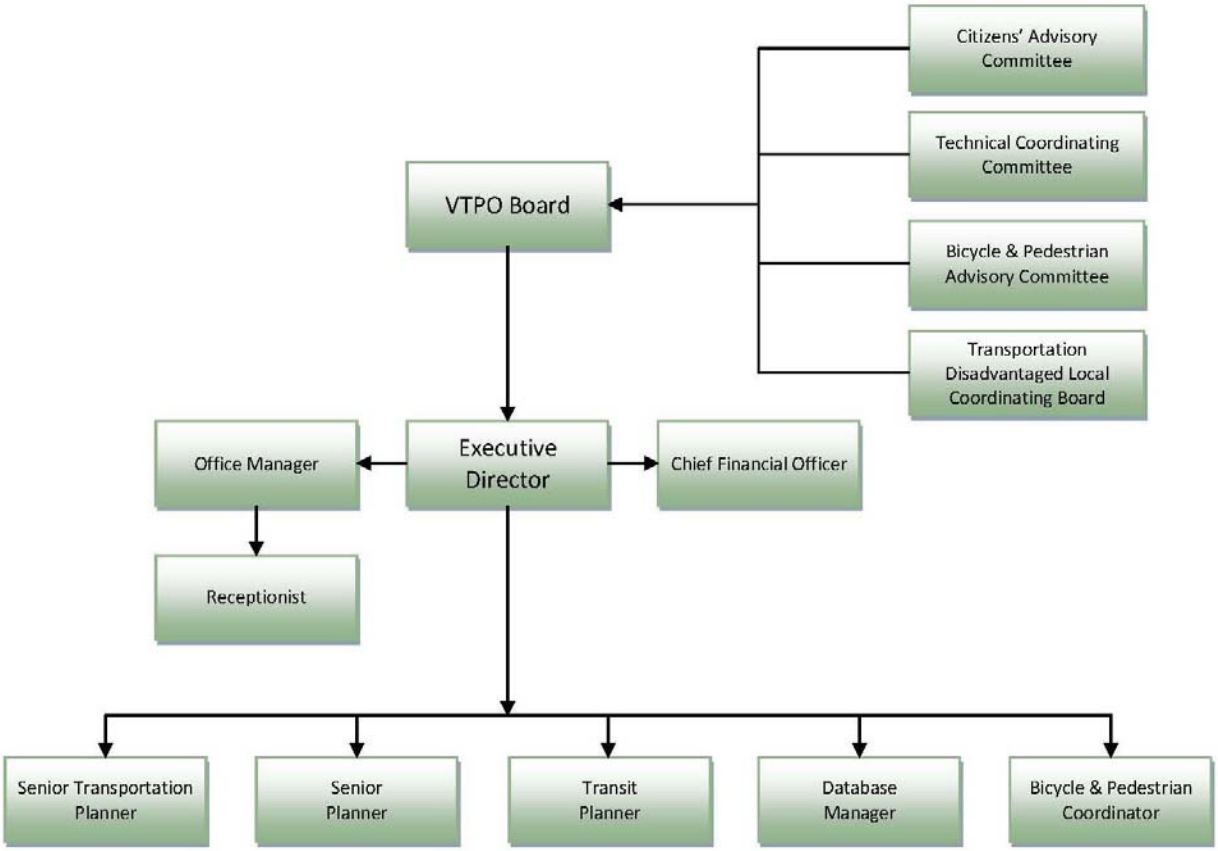
Jean Parlow
Transportation Database Manager

Bob Keeth, AICP
Senior Planner

Carole Hinkley
Transit Planner

Pamela Blankenship
Office Manager

ORGANIZATION CHART
June 30, 2012
VOLUSIA TRANSPORTATION PLANNING ORGANIZATION



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VOLUSIA TPO
TRANSPORTATION PLANNING ORGANIZATION
VISION - PLAN - IMPLEMENT

LBL 2012-09

September 27, 2012

Re: Transmittal of FY 2011/12 Volusia TPO Audit

Dear TPO Board Members:

The report included with this letter of transmittal is on the financial status of the Volusia TPO for the fiscal year from July of 2011 to June of 2012. 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 more than $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 TPO staff will continue to strive to ensure that we meet and exceed our fiduciary responsibilities.

Respectfully submitted,

Lois Bollenback
Interim Executive Director, Volusia TPO

cc: Volusia TPO 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, 2012, 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, 2012, 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.

As discussed in Note 17 to the financial statements, the VTPO changed its method of accounting for compensated absences liabilities in its governmental fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2012, 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.

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MEMBER: American Institute of Certified Public Accountants and AICPA Private Companies Practice Section

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 17 through 21 and 30 through 31be 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 Millikan & Co., P.A.

September 25, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2012. 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 $1,393,564 for the year ended June 30, 2012. This represents an increase of 9.6% compared to the prior year with a total income of $1,271,047.

- The assets of the VTPO exceeded its liabilities at the close of the year by $556,608 (net assets). Of this amount, $538,460 (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 $21,824 during the year ended June 30, 2012, compared to $39,508 for the period ended June 30, 2011.

- As of the close of the year ended June 30, 2012, the VTPO governmental funds reported an ending fund balance of $552,450, an increase of $1,172 from the prior period.

- Unreserved, undesignated fund balance for the general fund was $545,182, or 346% 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 pages 27 and 29. 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, 2012 and 2011:

Net Assets

	2012	2011
Assets:		
Current and other assets	$ 604,242	$ 600,944
Capital assets, net	74,626	46,642
Total assets	678,868	647,586
Liabilities:		
Current liabilites	25,589	49,666
Compensated absences obligation	40,193	40,851
Long-term debt outstanding	56,478	22,285
Total liabilities	122,260	112,802
Net assets:		
Invested in capital assets, net of related debt	18,148	24,357
Unrestricted	538,460	510,427
Total net assets	$ 556,608	$ 534,784

Assets exceeded liabilities by $556,608 at the close of the most recent period. This represents an increase of $21,824 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 $18,148 at the end of the year. The unrestricted net assets of $538,460 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 increased from $46,642 at the end of the prior period to $74,626 this year, primarily as the result of the addition of two replacement copiers acquired during the period. The Organization's cash reserves experienced a decrease (from $170,427 in 2011 to $62,318 in 2012). The amounts due from other government units increased $95,440 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 $18,092 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 $7,156 represented 1.3% of the VTPO's total liabilities at the end of the period. Of this amount, $6,779 was for expenditures related to operating grant programs which will be reimbursed to the Organization after June 30, 2012 through grant reimbursements. Accrued liabilities for of $16,238 were for salaries earned but not paid till the following year. Unearned revenue totaled $26,203 that included $13,838 for copier payoff and $12,365 local match for FTA Grants. There is also a refundable deposit of $2,195 from VCOG for estimated last month expenses. Long-term debt totaled $40,193, which represents the estimated future cost of compensated absences for employees that is recognized as a liability in the entity-wide financial statements at the time it is earned.

The following is a summary of changes in net assets for the years ended June 30, 2012 and 2011:

Change in Net Assets

	Year ended 2012	Year ended 2011
Revenues:		
Program revenues:		
Charges for services	$ 135,842	$ 110,552
Operating grants/other	1,254,038	1,158,183
General revenues:		
Investment earnings (losses)	722	2,070
Miscellaneous	2,962	242
Total revenues	1,393,564	1,271,047
Expenses:		
General government	112,672	72,229
Transportation	1,257,210	1,156,760
Interest on long-term debt	1,858	2,550
Total expenses	1,371,740	1,231,539
Increase (decrease) in net assets	21,824	39,508
Net assets, beginning of year	534,784	495,276
Net assets, end of year	$ 556,608	$ 534,784

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 $21,824 in 2012, 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 $545,182. 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 92% 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 $135,842 and $110,552 for 2012 and 2011, respectively. Operating grant revenues of $1,254,038 were up 8.3% this year from $1,158,183 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 $486,081 in 2012 from $350,705 in 2011. Cash and cash equivalents decreased to $62,318 during 2012, compared to $170,427 the prior year. Interest earnings for 2012 were $722, a decrease from the prior year's amount of $2,070.

The VTPO's general fund expenditures for the year ended June 30, 2012 were $157,658 and $44,336 more than revenues in the general fund resulting in an increase in fund balance of $1,172, which is $39,781 less than the prior year. General fund personal services expenditures for this period totaled $38,141, compared to $0 in the prior period and expenditures for materials and services was $60,837 and $61,435, in 2012 and 2011 respectively. Capital outlay for 2012 was $48,833, compared to $708 in 2011. However, these capital costs were funded from amounts totaling $45,508 received in the form of proceeds on a capital lease in 2012. Debt service expenditures in 2012 totaled $13,172, compared to $9,768 one year earlier. This increase was attributable to the addition of two new copiers acquired in 2012.

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, 2012. 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 **Statement 1**

June 30, 2012

VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

Assets:		
Cash and cash equivalents	$ 62,318	
Investments	22,418	
Due from other governments	501,414	
Prepaids	11,592	
Refundable deposits	6,500	
Capital assets, net of accumulated depreciation	74,626	
Total assets		678,868
Liabilities:		
Accounts payable	7,156	
Accrued liabilities	16,238	
Refundable deposit	2,195	
Compensated absences	40,193	
Long-term liabilities:		
Portion due or payable within one year	17,417	
Portion due or payable after one year	39,061	
Total liabilities		122,260
Net Assets:		
Invested in capital assets, net of related debt	18,148	
Unrestricted	538,460	
Total net assets		$ 556,608

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

STATEMENT OF ACTIVITIES **Statement 2**

For the Year Ended June 30, 2012

VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

Functions/Programs	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants Contributions	Program Revenues: Capital Grants Contributions	Net (Expense) Revenue
Governmental Activities:					
General government	$ 112,672	135,842	-	-	23,170
Transportation	1,257,210	-	1,254,038	-	(3,172)
Interest on long-term debt	1,858	-	-	-	(1,858)
Total governmental activities	1,371,740	135,842	1,254,038	-	18,140

General revenues:	
Investment earnings	722
Miscellaneous	2,962
Change in net assets	21,824
Net assets, beginning	534,784
Net assets, ending	$ 556,608

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

BALANCE SHEET **Statement 3**
GOVERNMENTAL FUNDS
June 30, 2012
VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

	General Fund	Special Revenue Fund	Total
Assets:			
Cash and cash equivalents	$ 62,318	-	62,318
Investments	22,418	-	22,418
Due from other governments	4,340	497,074	501,414
Due from other funds	486,081	-	486,081
Prepaids	768	10,824	11,592
Refundable deposits	6,500	-	6,500
Total assets	582,425	507,898	1,090,323
Liabilities:			
Accounts payable	377	6,779	7,156
Accrued liabilities	1,200	15,038	16,238
Unearned revenue	26,203	-	26,203
Refundable deposit	2,195	-	2,195
Due to other funds	-	486,081	486,081
Total liabilities	29,975	507,898	537,873
Fund Balances:			
Nonspendable:			
Prepaid expenses	768	-	768
Refundable deposits	6,500	-	6,500
Unassigned	545,182	-	545,182
Total fund balance	552,450	-	552,450
Total liabilities and fund balance	$ 582,425	507,898	

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	74,626
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	26,203
Capital lease obligation	(56,478)
Compensated absences	(40,193)
Net assets of governmental activities	$ 556,608

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, 2012

VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

	General Fund	Special Revenue Fund	Total
Revenues:			
Intergovernmental	$ -	1,254,038	1,254,038
Charges for services	109,638	-	109,638
Investment earnings	722	-	722
Miscellaneous	2,962	-	2,962
Total revenues	113,322	1,254,038	1,367,360
Expenditures:			
Current:			
General Government:			
Personal services	38,141	-	38,141
Materials and services	60,837	-	60,837
Capital outlay	45,508	-	45,508
	144,486	-	144,486
Transportation:			
Personal services	-	580,394	580,394
Materials and services	-	670,319	670,319
Capital outlay	-	3,325	3,325
	-	1,254,038	1,254,038
Debt Service:			
Principal retirement	11,314	-	11,314
Interest and other	1,858	-	1,858
	13,172	-	13,172
Total expenditures	157,658	1,254,038	1,411,696
Excess (deficit) of revenues over (under) expenditures	(44,336)	-	(44,336)
Other Financing Sources (Uses):			
Capital lease proceeds	45,508	-	45,508
Net change in fund balances	1,172	-	1,172
Fund balances, beginning of year, previously reported	510,427	-	510,427
Adjustment for compensated absences	40,851	-	40,851
Fund balances, beginning of year, restated	551,278	-	551,278
Fund balances, end of year	$ 552,450	-	552,450

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, 2012

VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

Net change in fund balances - total governmental funds		$ 1,172
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……	48,833	
Depreciation expense……	(20,849)	27,984
Repayment of principal on debt obligations, including capital leases, is an expenditure in the governmental funds, but the repayment reduces long-term liabilties in the statement of net assets:		
Principal paid on capital leases.....		11,314
Proceeds from capital leases.....		(45,508)
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.....		26,204
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 if for the following:		
(Increase) decrease in compensated absences liabilities.....		658
Change in net assets of governmental activities		$ 21,824

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, 2012

VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

	Budget Amounts			
	Original	Final	Actual	Variance
Revenues:				
Charges for services	$ 121,486	121,486	109,638	(11,848)
Investment earnings	500	500	722	222
Miscellaneous	-	-	2,962	2,962
Total revenues	121,986	121,986	113,322	(8,664)
Expenditures:				
Current:				
General Government:				
Personal services	-	37,483	38,141	(658)
Materials and services	121,986	84,503	60,837	23,666
Capital outlay	-	-	45,508	(45,508)
	121,986	121,986	144,486	(22,500)
Debt Service:				
Principal retirement	-	-	11,314	(11,314)
Interest and other	-	-	1,858	(1,858)
	-	-	13,172	(13,172)
Total expenditures	121,986	121,986	157,658	(35,672)
Excess (deficit) of revenues over (under) expenditures	-	-	(44,336)	(44,336)
Other Financing Sources (Uses):				
Capital lease proceeds	-	-	45,508	45,508
Total other financing sources (uses)	-	-	45,508	45,508
Net change in fund balance	-	-	1,172	1,172
Fund balances, beginning of year-previously reported	510,427	510,427	510,427	-
Adjustment for compensated absences	-	-	40,851	40,851
Fund balances, beginning of year, restated	510,427	510,427	551,278	40,851
Fund balance, end of year	$ 510,427	510,427	552,450	42,023

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 **Statement 6**

For the Year Ended June 30, 2012

VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

	Budget Amounts			
	Original	Final	Actual	Variance
Revenues:				
Intergovernmental	$ 1,441,207	1,738,362	1,254,038	(484,324)
Total revenues	1,441,207	1,738,362	1,254,038	(484,324)
Expenditures:				
Current:				
Transportation:				
Personal services	666,646	675,928	580,394	95,534
Materials and services	764,561	1,052,434	670,319	382,115
Capital outlay	10,000	10,000	3,325	6,675
Total expenditures	1,441,207	1,738,362	1,254,038	484,324
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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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

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.

The VTPO's accounts are organized on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The focus of the governmental fund financial statements is on major funds, as defined and determined based on criteria established under Governmental Accounting Standards Boards Statement No. 34.

The VTPO reports the following major governmental funds:

> The General Fund is the VTPO's primary operating fund. It accounts for all financial resources of the organization, except those required to be accounted for in another fund.
>
> The Special Revenue Fund is used to account for the financial resources related to the planning and programming activities of the organization. Funds are provided from the Florida Department of Transportation, the Federal Highway Administration, and the Federal Transit Administration.

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 the current fiscal year end.

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:

Years of Eligible Service	PTO Hours Bi-weekly	PTO Days Annually
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. 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).

L. Long-term Obligations

In the government-wide financial statements, long-term obligations (capital leases) are reported as liabilities in the governmental activities statement of net assets.

M. Fund Equity

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the VTPO is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash such as prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e. when the government to assesses, levies, charges, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Committed - Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the VTPO Board are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the VTPO Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned - Fund balance amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance, except for stabilization arrangements.

Unassigned - Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The VTPO would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

N. 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.

O. 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

A. 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.

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.

B. Excess of Expenditures over Appropriations

During the year ended June 30, 2012, expenditures exceeded budgetary appropriations in the General Fund (major) – actual expenditures ($157,658) exceeded budgetary appropriations ($121,986) by $35,672. This amount is primarily the result of acquiring capital assets under a capital lease, the proceeds of which were used to fund the acquisition in its entirety.

NOTE 4 - CASH DEPOSITS AND INVESTMENTS

Deposits. At June 30, 2012, the carrying value of VTPO's cash deposit accounts was $62,218, while the bank balance totaled $99,980. 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 reported in the financial statements include $100 in cash funds on hand at the end of the fiscal year.

Investments. As of June 30, 2012, VTPO had the following investments and maturities:

		Investment Maturities (Years)		
Investment Type	Fair Value	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	$ 16,820	16,820	-	-
Fund B	5,598	-	-	5,598
Totals	$ 22,418	16,820	-	5,598

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.

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, 2012. The fair value of the original remaining investment in Fund B is $5,598 as of June 30, 2012, based on the fair value factor of 0.83481105 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, 2012, the WAM of the Florida PRIME is 38 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, 2012, is estimated at 5.73 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, 2012; 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.

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, 2012, the carrying amount of VTPO's deposits in the Local Government Surplus Funds Trust Fund was $22,418, 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, 2012, is as follows:

Type	Balance	Total
Due from other governments:		
General Fund:		
Due from VCOG	$ 4,340	
Special Revenue Fund:		
Due from Florida Department of Transportation	497,074	
Total		$ 501,414

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, 2012, are comprised of the following:

Fund	Interfund Receivables	Interfund Payables
General Fund	$ 486,081	-
Special Revenue Fund	-	486,081
Totals	$ 486,081	486,081

NOTE 7 - CAPITAL ASSETS

The following is a summary of changes in capital assets during the year ended June 30, 2012:

Function/Source	Balances 6/30/2011	Additions	Deletions	Balances 6/30/2012
Office furniture, fixtures, and equipment....	$ 121,923	48,833	-	170,756
Less: accumulated depreciation.....	(75,281)	(20,849)	-	(96,130)
Total capital assets, net of accumulated depreciation.....	$ 46,642	27,984	-	74,626

Depreciation expense for the year totaled $20,849 and was allocated as follows: general government, $13,694; and transportation, $7,155.

NOTE 8 - OPERATING LEASES

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 its pro-rata share of contingent charges (specified common area maintenance and taxes) which are currently billed $2,434 per month. At the end of each annual rental year, all actual contingent facilities common area costs are recalculated by the lessor to determine a pro-rata true-up adjustment which is billed (or refunded) to VTPO at the start of each annual rental cycle. 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. Actual net lease expense for the year ended June 30, 2012 totaled $104,569, of which $22,890 was reimbursed by VCOG, Inc.

The future minimum lease payments (including estimated contingent rentals) under this agreement are as follows:

Year ending June 30,	Total Amount	To Be Paid By Others
2013.....	$ 109,211	23,902
2014.....	116,202	25,432
2015.....	116,202	25,432
2016.....	118,532	25,942
2017.....	125,523	27,472
2018.....	94,142	20,604
Totals.....	$ 679,812	148,784

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 (approximately 22%). 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. Expense reimbursements for the year ended June 30, 2012, totaled $22,890 for facilities rental and $14,120 for other administrative charges.

NOTE 10 – LONG-TERM DEBT

The Organization's long-term debt outstanding at June 30, 2012, is as follows:

	Balance Due	Current Maturities
Capital Lease Obligations:		
$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 $11,590 as of 06/30/2012	$ 13,848	9,065
$45,508 capital lease for office equipment, dated 02/21/2012, payable in monthly installments of $851 through 02/20/2017, stated interest rate of 4.90%, secured with office equipment with a book value of $42,474 as of 06/30/2012	42,630	8,352
Total-capital lease obligations	56,478	17,417
Compensated absences	40,851	6,128
Totals	$ 97,329	$ 23,545

A summary of changes in the Organization's long-term debt for the year ended June 30, 2012, is as follows:

	Balance 6/30/2011	Additions	Deletions	Balance 6/30/2012
Capital lease obligations	$ 22,285	45,508	(11,315)	56,478
Compensated absences	40,851	-	(658)	40,193
Totals	$ 63,136	45,508	(11,973)	96,671

The following presents future minimum lease payments as of June 30, 2012:

Fiscal Year	Capital Leases
June 30, 2013	$ 19,980
June 30, 2014	15,096
June 30, 2015	10,212
June 30, 2016	10,212
June 30, 2017	6,808
Total requirements	62,308
Less: interest	(5,830)
Present value of minimum lease payments	$ 56,478

Leased equipment under capital leases in capital assets at June 30, 2012, included the following:

Office furniture, fixtures, and equipment	$ 86,412
Less: accumulated depreciation	(32,348)
Net assets held under capital lease	$ 54,064

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

NOTE 11 - STATE FINANCIAL ASSISTANCE

During the year ended June 30, 2012, VTPO received funds from the State of Florida in the form of State Financial Assistance ($27,325), as well as additional funds representing the state's pro-rata portion of matching funds ($18,564) required as the state's matching funds for federal contracts received under its Unified Planning Work Program for Fiscal Year 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, 2012, this funding is summarized as follows:

State Agency/Project	Contract	Total Expenditures
State Financial Assistance:		
Florida Department of Transportation:		
Commission for the Transportation Disadvantaged (2012)	AQB69	$ 27,325
Total		$ 27,325
Funding provided in the form of state matching of federal grants:		
Florida Department of Transportation:		
Transit Technical Studies Grant:		
Fiscal Year 2009-10	APU36	$ 1,161
Fiscal Year 2010-11	APU39	5,717
Fiscal Year 2011-12	AQI75	11,686
Total		$ 18,564

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, 2012, 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 1 year of employment. Annual employer contributions are 9.85% of employees' earnings. During the year ended June 30, 2012, employer and employee contributions to the plan were $23,980 and $-0-, respectively. The current period payroll for employees covered under the plan was $243,450.

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.

The VTPO's contributions to the plan for the fiscal year ended June 30, 2012, 2011 and 2010 (the first year of enrollment) totaled $7,564, $15,049 and $11,171, respectively. There were no employee contributions made during 2011 or 2010. The following is a summary of employer and employee contribution percentages for qualifying compensation paid to general participants in effect during the past three fiscal years (rates specified below include an additional 1.11% for the VTPO's option to include the health insurance subsidy contribution):

	Employer	Employee
From July 1, 2009 to June 30, 2010.....	9.85%	-
From July 1, 2010 to June 30, 2011.....	10.77%	-
From July 1, 2011 to June 30, 2012.....	4.91%	3.00%

NOTE 13 -DEFERRED EMPLOYEE BENEFITS

The previous Executive Director of the VTPO was employed for one year under a negotiated contract and was not covered by the employee pension plan. This employee was covered by a prototype IRC 457 plan administered by the International City Manager's Association Retirement Corporation. All benefits vested with the employee at the time of contribution. Each year the previous Executive Director negotiated the amount of employer contributions to be contributed on his behalf, as a part of the contract negation. During the year ended June 30, 2012, employer and employee contributions to the plan were $7,919 and $2,202, respectively. The current period payroll for employees covered under the plan was $80,392.

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 – OTHER POST EMPLOYMENT BENEFITS

Plan Description - The Volusia County Council (Council) administers a single employer defined benefit healthcare plan (the "Plan"), under which the VTPO employees are covered. The Plan provides health care benefits including medical coverage and prescription drug benefits to both active and eligible retired employees and their dependents. Florida Statutes require local governments to offer the same health and hospitalization insurance coverage to retirees and their eligible dependents as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. For the retired employees and their eligible dependents, the cost of any such continued participation may be paid by the employer or by the retired employees. Full time employees of the VTPO are eligible to participate in the Plan. Employees who are active participants in the plan at the time of retirement and are either age 62 with completion of six years of service or have 30 years of service are also eligible to participate. The Plan does not issue a publicly available financial report.

The Council may amend the plan design, with changes to the benefits, premiums and/or levels of participant contribution at any time. On at least an annual basis and prior to the enrollment process, the Council approves the rates for the coming year for the retiree, employee and County contributions.

As of June 30, 2012, the membership of the VTPO's medical plan consisted of seven active employees.

Annual OPEB Costs and Net OPEB Obligation – The VTPO's OPEB liability continues to be rolled into the liability reported under the Council for the most current reporting period and were not separately calculated for VTPO for disclosure in the financial statements of VTPO. Due to the multiple variables that go into developing these numbers and the disclosure of employees in the GASB 45 Report reflecting total employees under Volusia County rather than by agency, the VTPO was unable to determine costs directly allocable to VTPO employees.

NOTE 15 - 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. There have been no significant reductions in insurance coverage during the last fiscal year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 16 - 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 17 – CHANGE IN ACCOUNTING FOR COMPENSATED ABSENCES

The VTPO provides 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. Pursuant to the cost provisions outlined in OMB Circular A-87 Revised, the VTPO can no longer recognize the accrued leave as an expense for its federal awards and state financial assistance programs at the time it is earned in its individual governmental funds. Instead, the cost of leave time must be recognized in the period that the leave is taken and paid for. However, the same full amount of accrued compensatory time being removed for governmental fund reporting must be recognized as a current period liability in entity-wide financial statements. Since it has historically been included and reported in the entity-wide financial statements, no monetary adjustment will be recognized in the entity-wide financial statements as a result of this change.

The VTPO's compensated absences liabilities at the beginning and ending of the current fiscal year totaled $40,851 and $40,193, respectively. As a result of a net decrease in the liability for the year ended June 30, 2012, there was no significant effect of this change recognized in the current period's operations. As a result of the change, the opening fund balance and compensated absence liability balance previously reported in the general (governmental) fund financial statements were restated with an increase and decrease, respectively, of $40,851 to reflect the transfer of this liability to the VTPO's general long-term

debt account group. No financial statement change was required to be made to the entity-wide financial statements as a result of this change in accounting for compensated absences.

NOTE 18 – SUBSEQUENT EVENTS

In preparing these financial statements, the VTPO has evaluated events and transactions for potential recognition for disclosure through September 25, 2012, 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, 2012
VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

		Highway Planning and Construction Cluster			
	Section 112 A5067	Bicycle/ Pedestrian Feasibility Study AON10	Bicycle/ Pedestrian Safety Study AOC55	Traffic Operations Project Study APO52	Safe Routes To School Safety Media AQC38
Revenues:					
Intergovernmental:					
Federal grants	$ 706,827	52,241	2,613	54,428	24,814
State grants	-	-	-	-	-
State matching	-	-	-	-	-
Local matching	4,217	3,725	-	1,703	-
Total grant revenues	711,044	55,966	2,613	56,131	24,814
Expenses:					
Salaries	358,039	331	-	5,989	-
Fringe benefits	57,047	53	-	955	-
Office supplies	2,709	-	-	-	-
Postage	1,637	-	-	-	-
Office expense	5,100	-	-	-	-
Advertising	2,529	-	-	-	-
Printing	8,558	-	-	-	-
Fees	17,530	-	-	-	-
Publications	795	-	-	-	-
Copy expense	17,081	-	-	-	-
Travel expense	25	-	-	-	-
Conference fees	1,025	-	-	-	-
Professional fees	17,591	-	-	2,538	-
Legal fees	2,022	-	-	-	-
Awards and promotion	7,324	-	-	-	-
Special studies	50,420	55,450	2,613	44,266	24,814
Repairs	622	-	-	-	-
Capital outlay	3,325	-	-	-	-
Software	1,350	-	-	-	-
Network costs	16,557	-	-	-	-
Telephone	1,115	-	-	-	-
Indirect pass-through expenses	138,643	132	-	2,383	-
Total expenses	711,044	55,966	2,613	56,131	24,814
Total revenue over expenses	-	-	-	-	-
Fund balance - beginning of year	-	-	-	-	-
Fund balance - beginning of year	$ -	-	-	-	-

		Highway Safety Cluster	Federal Transit Administration			
Corridor Improvement Feasibility Study AQG75	Washington Avenue Sidewalk AQE93	Pedestrian Safety Improvement Program AQK25	Section 5303 2009-2010 APU36	Section 5303 2010-2011 APU39	Section 5303 2011-2012 AQI75	Total-Federal
154,669	19,465	13,500	9,282	45,736	93,484	1,177,059
-	-	-	-	-	-	-
-	-	-	1,161	5,717	11,686	18,564
2,881	-	-	1,161	5,717	11,686	31,090
157,550	19,465	13,500	11,604	57,170	116,856	1,226,713
11,763	-	-	-	33,446	74,123	483,691
1,876	-	-	-	5,327	11,821	77,079
-	-	-	434	498	117	3,758
-	-	-	-	84	292	2,013
-	-	-	-	-	-	5,100
-	-	-	-	266	-	2,795
-	-	-	-	43	-	8,601
-	-	-	-	175	-	17,705
-	-	-	-	-	163	958
-	-	-	298	1,761	553	19,693
-	-	-	-	-	-	25
-	-	-	-	-	460	1,485
-	-	-	40	950	-	21,119
-	-	-	25	66	-	2,113
-	-	-	-	-	-	7,324
139,230	19,465	13,500	10,807	1,400	-	361,965
-	-	-	-	-	-	622
-	-	-	-	-	-	3,325
-	-	-	-	-	-	1,350
-	-	-	-	300	-	16,857
-	-	-	-	-	-	1,115
4,681	-	-	-	12,854	29,327	188,020
157,550	19,465	13,500	11,604	57,170	116,856	1,226,713
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-

OTHER SUPPLEMENTARY INFORMATION **Continued**

SCHEDULE OF PROJECT REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUND

For the Year Ended June 30, 2012

VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

	FDOT	
	Transportation Disadvantaged AQB69	Total- All Sources
Revenues:		
Intergovernmental:		
Federal grants	$ -	1,177,059
State grants	27,325	27,325
State matching	-	18,564
Local matching	-	31,090
Total grant revenues	27,325	1,254,038
Expenses:		
Salaries	16,925	500,616
Fringe benefits	2,699	79,778
Office supplies	-	3,758
Postage	1	2,014
Office expense	-	5,100
Advertising	-	2,795
Printing	-	8,601
Fees	-	17,705
Publications	-	958
Copy expense	521	20,214
Travel expense	-	25
Conference fees	460	1,945
Professional fees	-	21,119
Legal fees	-	2,113
Awards and promotion	-	7,324
Special studies	-	361,965
Repairs	-	622
Capital outlay	-	3,325
Software	-	1,350
Network costs	-	16,857
Telephone	-	1,115
Indirect pass-through expenses	6,719	194,739
Total expenses	27,325	1,254,038
Total revenue over expenses	-	-
Fund balance - beginning of year	-	-
Fund balance - beginning of year	$ -	-

COMPLIANCE SECTION

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2012
VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

Federal Agency Pass-through Entity Program or Cluster Title	CFDA/ CSFA Number	Grant Identification Number	Agency or Pass-through Grant Number	Expenditures
Federal Awards:				
Highway Planning and Construction Cluster:				
Department of Transportation Pass-Through Programs				
From Highway Planning and Construction:				
Florida Department of Transportation (FDOT):				
Section 112 (fiscal year 2010-2011)	20.205	A-5067	FMN 417962-1-14-02	$ 51,601
Section 112 (fiscal year 2011-2012)	20.205	A-5067	FMN 417962-1-14-02	655,226
Bicycle/Pedestrian Feasibility Study	20.205	AON 10	FPN 421724-1-28-01	52,241
Bicycle/Pedestrian Safety Study	20.205	AOC 55	FPN 420995-1-14-01	2,613
Traffic Operations Project Study	20.205	APO 52	FPN 421725-1-28-01	54,428
Safe Routes to School B/P Safety Media Project	20.205	AQC 38	FMN 430511-1-84-01	24,814
Corridor Improvement Program/Feasibility Study	20.205	AQG 75	FPN 421725-2-28-01	154,669
Washington Avenue Sidewalk	20.205	AQE 93	FPN 430182-1-38-02	19,465
Total Highway Planning and Construction				1,015,057
Highway Safety Cluster:				
Department of Transportation Pass-Through Programs				
From State and Community Highway Safety:				
Florida Department of Transportation (FDOT):				
Pedestrian Safety Improvement Program	20.600	AQK 25	PS-12-08-06	13,500
Total State and Community Highway Safety				13,500
Other Programs				
Department of Transportation Pass-Through Programs				
From Metropolitan Transportation Planning:				
Florida Department of Transportation (FDOT):				
Section 5303 (fiscal year 2009-2010)	20.505	APU 36	FMN 420639-1-14-19	9,283
Section 5303 (fiscal year 2010-2011)	20.505	APU 36	FMN 420639-1-14-20	45,736
Section 5303 (fiscal year 2011-2012)	20.505	AQI 75	FMN 422431-1-14-21	93,484
Total Metropolitan Transportation Planning				148,503
Total Department of Transportation				$ 1,177,060
Total Expenditures of Federal Awards				$ 1,177,060
State Financial Assistance:				
Florida Department of Transportation:				
Transportation Disadvantaged Commission:				
Planning Grant 2011-2012	55.002	AQB 69	FPN 24854121401	$ 27,325
Total Florida Department of Transportation				$ 27,325
Total Expenditures of State Financial Assistance				$ 27,325

The preceding schedule of expenditures of federal awards and state financial assistance is presented on the modified accrual basis of accounting. Under the modified accrual basis, revenue is recognized if it is measurable and available for use during the fiscal year. Expenditures are recognized in the period liabilities are incurred, if measurable. Amounts reported in the schedule have been reconciled to, and are in material agreement with, amounts recorded in the accounting records from which the basic financial statements were prepared.

No sub-recipient payments were made by Volusia County Metropolitan Planning Organization during the year ended June 30, 2012.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012
VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

Part I — Summary of Auditor's Results

Financial statements section

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

Federal awards section

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

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

Federal Programs or Clusters:	Federal CFDA No.
Highway Planning and Construction Cluster	20.205
Metropolitan Transportation Planning	20.505

Dollar threshold used to distinguish between Type A and Type B programs: Federal programs	$300,000	
Auditee qualified as low-risk auditee?	x Yes	_____ no

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 significant 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 significant matters were identified.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND CORRECTIVE ACTION PLAN
Year Ended June 30, 2012
VOLUSIA TRANSPORTATION PLANNING ORGANIZATION

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 significant matters were identified or reported.

Part II – Corrective Action Plan

There are no audit findings for the year ended June 30, 2012 relative to federal programs that require corrective action on the part of the auditee.

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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, 2012. 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, 2012.

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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 Millikan & Co., P.A.

September 25, 2012

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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, 2012, which collectively comprise the VTPO's basic financial statements and have issued our report thereon dated September 25, 2012. 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.

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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 September 25, 2012.

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 Millikan & Co., P.A.

September 25, 2012

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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, 2012, and have issued our report thereon dated September 25, 2012.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's 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 September 25, 2012, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below under the heading Prior Year Findings and Recommendations.

- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the VTPO complied with Section 218.415, Florida Statutes.

- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have stated our recommendations as noted below under the heading Current Year Matters.

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

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, we have stated our recommendations as noted below under the heading Current Year Matters.

- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements.

- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the VTPO did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the VTPO for the fiscal year ended June 30, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended June 30, 2012. In connection with our audit, we determined that these two reports were in agreement.

- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the VTPO's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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 Millikan & Co., P.A.

September 25, 2012

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we address in the management letter, if not already addressed in the auditor's report on compliance and internal control, whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. All prior year matters have been appropriately resolved, except for the following:

The following table summarizes the status of the prior year management letter findings and responses issued by the external auditor in fiscal year 2011:

	Corrective Action Not Yet Complete	Comment Has Been Addressed Or Is No Longer Relevant	Prior Year Reference Number
Lack of Segregation of Duties in Small Office Environment	x		ML 2010-01 (1)

(1) Indicates that the item was included in the second preceding fiscal year report.

The following is a summary of the status of items for which corrective action is not yet completed:

ML 2010-1 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.

Recommendation: We continue to 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 VTPO is reviewing the individual tasks and functions associated with all of its important fiscal procedures, as well as the availability of staff, to determine what procedures can be effectively and efficiently employed in order to achieve greater independent oversight.

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

CURRENT YEAR MATTERS

Section 10.554(1)(i), Rules of the Auditor General, requires that we address in the management letter, if not already addressed in the auditors' report on compliance and internal control: (1) any recommendations to improve financial management; (2) 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; and (3) based on professional judgment, matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (a) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and (b) control deficiencies that are not significant deficiencies.

The following is a summary of our current year findings and recommendations:

ML 2012-1 Other Post Employment Benefits

GASB Statement 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires employers that provided OPEB benefits to recognize the costs of providing these benefits. VTPO has historically provided these benefits through a mutual arrangement with the County of Volusia, Florida, who provides VTPO access to its employee group insurance plans under a premium reimbursement basis. However, the VTPO's OPEB liability continues to be rolled into the liability reported under the County of Volusia for the most current reporting period and was not separately calculated for VTPO for disclosure in its financial statements. As a result, the VTPO's total noncurrent liabilities are understated and total net assets are overstated by the value of unrecorded other postemployment benefits.

Due to the multiple variables that go into developing these numbers and the disclosure of employees in the GASB45 Report reflecting total employees under Volusia County rather than by agency, it is not readily possible to accurately split the VTPO group out from Volusia County.

Recommendation: We recommend that the VTPO obtain an actuarial valuation of Other Postemployment Benefits separately for reporting in their financial statements for fiscal year ending June 30, 2013.

Auditee Response: The VTPO will coordinate with Volusia County's Risk Management team to determine if it is possible to separate and exclusively compute the actuarial valuation of Other Postemployment Benefits for VTPO employees. If this is not an acceptable alternative, the VTPO will obtain a separate actuarial valuation of its OPEB obligation.

ML 2012-2 Liquidity Measures

Throughout the year, the VTPO typically has access to reasonable cash balances. However, at certain times of the year, the VTPO must invest a significant portion of its cash funds in its own operational costs and activities. While the majority of these funds will ultimately be reimbursed through grant drawdowns processed after these costs are incurred, the overall timing of the draw requests has a significant impact on the VTPO's liquidity, or its ability to pay its short-term debt obligations. Our review of the individual month-end cash balances and related activity indicated that management may be able to more effectively control and manage cash which would result in an improved utilization of your cash funds and earnings from this practice.

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

Recommendation: To improve your liquidity and related monitoring capabilities for managing your surplus cash funds, we suggest that you consider developing a prospective cash-flow analysis that should be prepared and reviewed periodically by management. We also suggest that the VTPO's immediate and long-term cash needs should be forecasted and updated periodically based upon management's review and changing conditions to ensure that strong liquidity is maintained during the known periods of time that delays occur in receiving reimbursements on pending draw requests.

Auditee Response: The VTPO financial officer will monitor cash funds on a continuing basis to insure adequate cash balances are maintained. The timing of draws downs will be completed at least every 60 days for all active grants. The procedures will also be reviewed and any needed adjustments will be made. Cash flow analysis will be prepared and reviewed by management.

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