NOTE 11. PENSION PLANS

A. Florida Retirement System

Plan Description: The County's employees participate in the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit public employee retirement system, administered by the State of Florida Department of Administration. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Florida Statutes, Chapter 121, as may be amended from time to time by the state legislature, provides the methodology for determining contribution rates for the various membership classes of the FRS. The FRS issues a publicly available financial report that includes financial statements, ten-year historical trend information, and other required supplementary information. That report may be obtained by writing to the:

State of Florida Department of Administration
Division of Retirement
Cedars Executive Center, Building C
2639 North Monroe Street
Tallahassee, Florida 32399-1560

Funding Policy: The FRS has seven classes of membership with descriptions and contribution rates in effect at September 30, 1999 as follows (contribution rates are in agreement with the actuarially determined rates):

Regular Class - Members who do not qualify for other classes.	10.15%
Senior Management Service Class - Members of senior management who do not elect the optional annuity retirement program.	12.13%
Local Annuity Program - Members of senior management who elect the optional annuity retirement program and are not participating in the FRS.	11.19%
Special Risk Class - Members employed as law enforcement officers, firefighters, or correctional officers and who meet the criteria set to qualify for this class.	21.16%
Special Risk Administrative Support Class – Special risk members who are transferred or reassigned to non-special risk and meet the criteria.	12.47%
Elected County Officer's Class - Certain elected county officials.	17.99%
Deferred Retirement Option Program (DROP) – Members who meet the criteria are allowed to defer the receipt of benefits, allowing them to accumulate and earn interest within the FRS Trust Fund, while members continue their employment.	12.50%

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The contribution rate of current year-covered payroll is 18.32 percent. For the years ending September 30, 1999, 1998, and 1997, total contributions were $14,481,576, $15,531,243, and $15,242,331, respectively. The County made 100 percent of its required contributions each year.

B. Volunteer Firefighters Pension Plan

Plan Description and Summary of Benefits: The Volunteer Firefighters Pension Plan is a single-employer defined benefit pension plan administered by the County of Volusia.

Volunteer firefighters who meet minimum County-established standards are eligible to participate in the plan. Minimum standards are based on a system that awards points used to certify years of credited service for completing training courses, attending drills, responding to emergency and non-emergency calls, and participating in other fire emergency related activities. The minimum number of years of active service after the October 1, 1989 implementation date for this program shall be ten years to qualify for retirement. Credit for past service will be given on a year for year basis up to a maximum of ten years. The minimum age for receiving retirement benefits shall be 55 and after the tenth anniversary of plan participation, but not later than the fifth anniversary of plan participation for volunteers 65 or over on October 1, 1989. Vesting occurs after ten years of continuous credited service (five years if volunteer is age 65 or over on October 1, 1989). Pension benefits will not be calculated on credited service exceeding 35 years.

Membership in the plan consisted of the following at October 1, 1999, the date of the latest actuarial valuation update:

Retirees and beneficiaries receiving benefits	15
Terminated plan members entitled to, but not yet receiving benefits	1
Active plan members	
Vested	45
Non-vested	282
TOTAL	**343**
Number of participating employers	1

Basis of Accounting: The Volunteer Firefighter Pension Plan financial statements are prepared using the accrual basis of accounting. County contributions are required when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Fair Value of Investments: Pension funds are invested in the County's investment pool, selected mutual funds, and equities. These investments are reported at fair value.

Funding Policy: Authority to establish and amend benefits rests with the County Council. The contribution requirements to the plan are established during the adoption of the County's annual budget. They are predicated on a defined benefit level of $20 per month for each year of credited service. Volunteers do not contribute to the plan.

Annual Pension Cost and Net Pension Obligation based upon the Actuarial Valuation: The County's annual pension cost and net pension obligation to the pension plan for the current year were as follows:

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Pension Benefit Obligation (Credit):	
Annual required contribution	$144,115
Interest earned on net pension obligation credit	1,359
Annual pension cost	**145,474**
Contributions made	103,289
Increase in net pension obligation	**42,185**
Net pension obligation 09/30/98	19,404
Net pension obligation 09/30/99	**$61,589**

The annual required contribution for the current year was determined as part of the October 1, 1998 actuarial valuation update using the frozen entry age actuarial cost method. The actuarial assumption included a 7.0 percent investment rate of return. Assets are valued at fair value. The unfunded actuarial accrued liability is to be amortized by a series of level payments over a 29 year period. The remaining amortization period at September 30, 1999 is 23 years.

FOUR YEAR TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Benefit Obligations (Credit)
09/30/96	$103,288	118	($18,711)
09/30/97	101,987	101	(20,021)
09/30/98	142,714	72	19,404
09/30/99	145,474	71	61,589

NOTE 12. SPECIAL ASSESSMENT RECEIVABLES

Special assessment receivables at September 30, 1999 consist of the following:

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SPECIAL ASSESSMENT DISTRICT	INTEREST RATE %	PRINCIPAL CURRENT RECEIVABLE	PRINCIPAL DEFERRED RECEIVABLE	INTEREST RECEIVABLE
SPECIAL REVENUE FUNDS:				
Daytona Pines	8.0	$746	$0	$30
Corbin Park	10.0	2,000	0	2,110
Capistrano by the Sea	10.0	344	0	392
South Waterfront Park	10.0	10,726	0	7,313
Mobile Home Village	10.0	77,618	10,222	55,395
Yorkshire Drive	10.0	281	820	28
Corbin Park Unit 3 Napier Hull	8.0	13,734	225,659	18,030
Ocean Aire	8.0	32	164	1
Violet Court	8.0	711	3,946	360
Bethune Beach 6500 Block Atlantic Ave.	8.0	21,229	186,057	9,679
Penn Drive Country Club Estates	8.0	266	3,829	332
TOTAL SPECIAL REVENUE FUNDS		**127,687**	**430,697**	**93,670**
DEBT SERVICE FUNDS:				
Bethune Beach	8.9	228,390	1,153,168	121,888
TOTAL DEBT SERVICE FUNDS		**228,390**	**1,153,168**	**121,888**
TOTAL PRIMARY GOVERNMENT		**$356,077**	**$1,583,865**	**$215,558**

NOTE 13. RESIDUAL EQUITY TRANSFERS

The financial activities have concluded and residual equity transfers were made to the following funds during fiscal year 1999:

IN	OUT	AMOUNTS
County Transportation Trust	County Voted One Cent Gas Tax	$2,419,748
Other Capital Projects	Ponce Inlet Port Authority	84,574
Other Capital Projects	Municipal Service District	268,894
Guaranteed Entitlement Revenue Bonds	800 MHz Communication System	1,276

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NOTE 14. DEFERRED ASSESSMENTS, PASSENGER FACILITY CHARGES

The Daytona Beach International Airport received approval from the Federal Aviation Administration to begin collecting passenger facility charges (PFC) effective July 1, 1993 in the amount of three dollars per enplaning passenger. As of September 30, 1999, changes to deferred assessments are summarized as follows:

Balance as of September 30, 1998	$2,917,191
Passenger Facility Charges Imposed	752,328
Interest Earned	138,976
TOTAL AVAILABLE	**3,808,495**
Less Expenditures	(1,079,668)
Balance as of September 30, 1999	**$2,728,827**

NOTE 15. AIRPORT LEASING ARRANGEMENTS WITH TENANTS AND PROPERTY HELD FOR LEASE

A. Leasing Arrangements

The Airport's leasing operations consist of the leasing of land, buildings, and terminal space to airlines and other tenants. The leases consist of (a) ten-year signatory lease agreements with major airlines, (b) five-to-ten year lease agreements with other major tenants of the terminal, and (c) operating leases which range from one to thirty years for the land and buildings leased at the Airport.

B. Future Rentals

The following is a schedule by years of minimum future rentals to be received on noncancellable operating leases:

MINIMUM FUTURE RENTALS AS OF SEPTEMBER 30, 1999	
2000	$5,920,992
2001	5,468,329
2002	4,649,875
2003	1,471,647
2004	1,484,700
Later Years	22,079,723
TOTAL MINIMUM FUTURE RENTALS	**$41,075,266**

Minimum future rentals do not include contingent rentals which may be received under certain leases of land and buildings on the basis of revenue or fuel flow. Contingent rentals amounted to approximately $1,190,000 during the fiscal year ending September 30, 1999.

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C. Property Held for Lease

Certain administrative offices and common use areas are included in property held for lease. The following is an analysis, as of September 30, 1999, of the Airport's investment in lease property and property held for lease by major classes.

INVESTMENT IN PROPERTY ON OPERATING LEASES AND PROPERTY HELD FOR LEASE AS OF SEPTEMBER 30, 1999	
Land	$4,307,902
Buildings	546,981
Improvements Other than Buildings	11,522,106
SUBTOTAL	**16,376,989**
Less Accumulated Depreciation	(2,865,802)
TOTAL	**$13,511,187**

NOTE 16. MUNICIPALITY AGREEMENTS

On March 1, 1995, the County entered into participation agreements with 12 municipalities within the County to provide necessary equipment for conversion to a countywide 800 MHz communication system. The agreements require the municipalities to reimburse the County for the cost of the equipment over a period not to exceed ten years. The balance of the amount to be reimbursed to the County was $1,045,627 at September 30, 1999.

NOTE 17. FUND BALANCE AND RETAINED EARNINGS DEFICITS

At September 30, 1999, the Federal Emergency Disaster Relief Fund had a deficit undesignated fund balance of $158,711. This deficit arose because revenues anticipated from the Federal Emergency Management Agency were not received by year end. Those revenues are expected to be received in fiscal year 2000.

At September 30, 1999, the Insurance Fund had a deficit retained earnings of $5,755,625. This deficit resulted from actuarially determined adjustments made to the fund to increase the amounts owed for general liability claims costs. Because these claims are long-term in nature, it is determined that the fund is solvent and that future billings to the participating funds will eventually cover this deficit.

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NOTE 18. CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the County to place a final cover on its landfill sites (Plymouth Avenue and Tomoka Road) upon closure and to perform certain maintenance and monitoring functions at the site for 30 years thereafter.

The County's consultants prepared estimates of closure and postclosure of the Plymouth Avenue and Tomoka Road landfills as of September 30, 1999. Final closure of the Plymouth Avenue landfill was substantially completed as of September 30, 1998. The Tomoka Road landfill is operated on a cell basis. The County expects to fill the old existing cell at this location during fiscal year 2000. The construction of a new Tomoka Road landfill cell was substantially completed as of September 30, 1999. The Tomoka Road landfill's closure and postclosure care costs will originate on the date the old existing cell is filled to capacity. Actual closure and postclosure care costs may be higher due to inflation, changes in technology, or changes in regulations. The County reports a portion of these closure and postclosure costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $8.2 million reported as landfill closure and postclosure care liability at September 30, 1999 represents the cumulative amount reported to date.

The County is required by the State of Florida to make an annual contribution, if necessary, to a trust fund to finance closure costs. The County is in compliance with these requirements, and, as of September 30, 1999, cash and investments of $3.48 million are held for these purposes. These are reported as restricted assets on the balance sheet. The County expects that future inflation costs will be paid from interest earnings of the trust fund. However, if interest earnings on the trust fund are inadequate or additional postclosure care requirements are determined, these costs may need to be covered by increased charges to future landfill users.

NOTE 19. COMMITMENTS AND CONTINGENCIES

A. Lease Purchase Contract Provision

The lease purchase agreement with GE Capital to finance three public safety helicopters requires that the County maintain a special reserve account having a minimum cash balance of $750,000 until the amount due under this agreement is paid in full. The County may not withdraw any amount from the reserve account except to pay all or a portion of the purchase option price payable upon a casualty loss. The required funds have been deposited into a special account and are recorded in the Insurance Fund.

B. Self-Insurance Programs

(1) The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; business interruptions; errors and omissions; injuries to employees; and natural disaster. The County is also exposed to losses related to accident and health, dental, and other medical benefits it provides its employees.

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During fiscal year 1976, the County established the Insurance Program and began accounting for and financing these risks in the Insurance Fund (Internal Service Fund). Under this program, the Insurance Fund provides coverage for up to a maximum of $500,000 for each workers' compensation claim and $100,000 for each property damage claim. No retention limits are established for public liability claims. In addition, the County has secured excess commercial insurance to cover specific claims for workers' compensation and physical damage claims for incidents that exceed the self-insured limits. The limits of this coverage are $1,000,000 and $227,965,501, respectively. Commercial insurance is also purchased for those risks not covered by the Fund. Settled claims have not exceeded the commercial coverage in the past three fiscal years. No significant reduction in the County's insurance coverage has occurred.

All funds of the County participate in the program and make payments to the Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The present value of claims liabilities for Workers' Compensation, Public Liability, and Property Damage using a discount rate of 4.0 percent and amounting to $11,898,989 is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. This statement requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the fund's claims liability amount in fiscal year 1998 and 1999 were:

FISCAL YEAR	BEGINNING FISCAL YEAR LIABILITY	CURRENT YEAR CLAIMS AND CHANGES IN ESTIMATES	CLAIM PAYMENTS	BALANCE AT FISCAL YEAR END
1998	$7,264,885	$5,902,940	$3,106,407	$10,061,418
1999	10,061,418	6,197,813	4,360,242	11,898,989

(2) In fiscal year 1986, the County established the self-insured Employee Group Insurance Fund (Internal Service Fund) to account for medical, life, and disability insurance claims of County employees and their covered dependents. Under this program, the fund provides the employee with a lifetime maximum benefit of $1,000,000. Retention limits of $100,000 for a specific claim and an aggregate stop-loss of 125 percent of expected claims have been set. Commercial insurance for claims in excess of the coverage provided by the Fund is supplied by Excess, Inc. at a monthly rate of $13.17 for specific loss and $30.64 for aggregate loss, per participating employee. The County has also contracted with various agencies to perform certain administrative functions, such as, reviewing and paying claims, monitoring the County-wide Preferred Provider Program, and establishing a Health Maintenance Network. Settled claims have not exceeded the excess insurance limits in any of the past three years.

All funds of the County participate in the program and make payments to the Employee Group Insurance Fund based upon actuarial estimates of the amounts needed to pay prior and current year claims.

The claims liability in the amount of $1,909,324 reported in the fund at September 30, 1999 is based on the requirements of GASB Statement No. 10. This statement requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated.

Changes in the fund's claims liability amount in fiscal years 1998 and 1999 were:

FISCAL YEAR	BEGINNING FISCAL YEAR LIABILITY	CURRENT YEAR CLAIMS AND CHANGES IN ESTIMATES	CLAIM PAYMENTS	BALANCE AT FISCAL YEAR END
1998	$546,867	$5,815,671	$4,825,343	$1,537,195
1999	1,537,195	10,182,904	9,810,775	1,909,324

C. Litigation

(1) Various suits and claims involving disputed ad valorem real and personal property taxes are pending against the County. Portions of these taxes have been voluntarily paid; portions have been paid under protest; and in certain instances, there are unpaid balances.

(2) Various suits and claims are currently pending against the County and the County's Sheriff. At this time, it is impossible for the County to accurately quantify the exposure involved given the jury's latitude in assessing compensatory and punitive damages, and the court's latitude in awarding attorney's fees. The County intends to vigorously defend against these lawsuits and believes it has a good chance of prevailing on their merits.

(3) Various suits and claims arising in the ordinary course of operations are pending against the County. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the County, the liabilities which may arise from such action would not result in losses which would materially affect the financial position of the County or the results of operations.