

COUNTY OF VOLUSIA, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
SEPTEMBER 30, 2003

Prepared By:

CHARLENE WEAVER, CPA
CHIEF FINANCIAL OFFICER

DOUGLAS A. GROSS, CPA
ACCOUNTING DIRECTOR

ACKNOWLEDGEMENTS

The successful completion of this year's Comprehensive Annual Financial Report is attributed to the group efforts of several individuals deserving of special recognition. The cooperation, contributions, and expertise provided by each one are greatly appreciated.

The Accounting staff is commended for their expertise and perpetual efforts put forth in the research, analysis, and compilation of this report.

Donna de Peyster, CPA, Assistant Accounting Director

Sally Bruner

Kathleen Dodd

Melinda Edwards

Mary Felton

Joan Fisher

Tara Lozito

Richard McGarity

To Jeff Crumbley and Holly Smith our sincere gratitude for their creative and technical contributions in preparing the cover and tab sheet designs of this document.

COUNTY OF VOLUSIA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2003

TABLE OF CONTENTS

INTRODUCTORY SECTION

Title Page	iii
Acknowledgements	iv
Table of Contents	v
Letter of Transmittal	1
Certificate of Achievement for Excellence in Financial Reporting	9
Principal County Officials	10
Organization Chart	11

FINANCIAL SECTION

Independent Auditors' Report	13
Management's Discussion and Analysis	15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	28
Statement of Activities	30
Fund Financial Statements:	
Balance Sheet – Governmental Funds	32
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	36
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	40
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Municipal Service District	42
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Federal and State Grants	44
Statement of Net Assets – Proprietary Funds	46
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	50
Statement of Cash Flows – Proprietary Funds	52
Statement of Fiduciary Net Assets – Fiduciary Funds	56
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	57
Statement of Net Assets – Component Units	59
Statement of Activities – Component Units	60
Notes to the Financial Statements	63

Required Supplementary Information:	
Volunteer Firefighters Pension Plan	106
Supplementary Information:	
Combining Balance Sheet – Nonmajor Governmental Funds –	
Special Revenue Funds	112
Debt Service Funds	118
Capital Projects Funds	120
Combining Balance Sheet – All Nonmajor Governmental Funds	122
Combining Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Nonmajor Governmental Funds –	
Special Revenue Funds	124
Debt Service Funds	130
Capital Projects Funds	132
Combining Statement of Revenues, Expenditures, and Changes in	
Fund Balances – All Nonmajor Governmental Funds	134
Schedule of Revenues, Expenditures, and Changes in	
Fund Balances – Budget and Actual –	
Special Revenue Funds:	
County Transportation Trust	135
Library	136
East Volusia Mosquito Control District	137
Resort Tax	138
Sales Tax Trust	139
Convention Development Tax	140
Ponce Inlet Port Authority	141
E-911 Emergency Telephone System	142
Special Lighting Districts	143
Ocean Center	144
Court Improvement	145
Criminal Justice Reimbursement	146
Road Impact Fees	147
Park Impact Fees	148
Fire Services	149
Fire Impact Fees	150
Silver Sands/Bethune Beach Municipal Service District	151
Gemini Springs Addition	152
Stormwater Utility	153
Volusia ECHO	154
Volusia Forever	155
Law/Beach Enforcement Trust	156
Federal Forfeiture Sharing	157
Debt Service Funds:	
Gas Tax Revenue Bonds	158
Sales Tax Improvement Revenue and Refunding Bonds	159
Subordinate Lien Sales Tax Revenue Bonds	160
Tourist Development Tax Refunding Revenue Bonds	161
Guaranteed Entitlement Revenue Bonds	162

Schedule of Revenues, Expenditures, and Changes in	
Fund Balances – Budget and Actual –	
Debt Service Funds - continued:	
Special Assessment Improvement Bonds	163
Lease Purchase Agreements.....	164
Schedule of Revenues, Expenditures, and Changes in	
Fund Balances – Budget and Actual – From Inception –	
Capital Projects Funds:	
Volusia County Courthouse Construction	165
Beach	166
Parks.....	167
Library	168
Other	169
Combining Statement of Net Assets – Internal Service Funds	172
Combining Statement of Revenues, Expenses, and Changes in	
Fund Net Assets – Internal Service Funds	174
Combining Statement of Cash Flows – Internal Service Funds	176
Schedule of Changes in Assets and Liabilities – All Agency Funds	182

STATISTICAL SECTION

Government-wide Information:

Table I	Government-wide Expenses by Function – Last Three Fiscal Years	186
Table II	Government-wide Revenues – Last Three Fiscal Years	187

Fund Information:

Table III	General Governmental Expenditures and Other Financing Uses by Function – Last Ten Fiscal Years.....	188
Table IV	General Governmental Revenues and Other Financing Sources by Source – Last Ten Fiscal Years.....	190
Table V	Property Tax Levies and Collections – Last Ten Fiscal Years	192
Table VI	Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years.....	194
Table VII	Property Tax Levies and Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years	195
Table VIII	Principal Taxpayers – Ad Valorem Taxes – For the Year Ended September 30, 2003	198
Table IX	Collections on Special Assessments for Improvements – Last Ten Fiscal Years.....	199
Table X	Computation of Legal Debt Margin.....	200
Table XI	Ratio of Net General Bonded Debt to Net Assessed Value And Net Bonded Debt Per Capita – Limited Tax General Obligation Bonds – Last Ten Fiscal Years	201
Table XII	Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures – Last Ten Fiscal Years.....	202

Table XIII	Computation of Direct and Overlapping Debt.....	203
Table XIV	Revenue Bond Coverage – Last Ten Fiscal Years:	
	Water and Sewer Revenue Bonds.....	204
	Airport System Revenue Bonds.....	206
Table XV	Demographic Statistics – Last Ten Fiscal Years.....	208
Table XVI	Property Value, Construction, and Bank Deposits – Last Ten Fiscal Years.....	209
Table XVII	Miscellaneous Statistical Data	210

COMPLIANCE SECTION

Independent Auditors’ Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	213
Schedule of Expenditures of Federal Awards and State Financial Assistance	220
Schedule of Findings and Questioned Costs.....	225
Schedule of Passenger Facility Charges (PFC) Collected and Expended.....	228
Independent Auditors’ Report on Compliance with Requirements Applicable to Each Major Federal Program, Each Major State Project, and Passenger Facility Charge Program and on Internal Control over Compliance in Accordance with OMB Circular A-133, Chapter 10.550, Rules of the Auditor General, And Passenger Facility Charge Audit Guide for Public Agencies.....	229
Management Letter of Independent Auditors’ Required by Chapter 10.550, Rules of the Auditor General	231
Management Responses to Internal Control and Management Comments	233



County of Volusia

FINANCIAL AND ADMINISTRATIVE SERVICES Office of Chief Financial Officer

123 West Indiana Avenue • Room 300 • DeLand, FL 32720
(386)943-7054 Fax (386)822-5780
www.volusia.org

March 19, 2004

The Honorable Members of the County Council,
County Manager, and Citizens of Volusia County:

Volusia County Home Rule Charter and Florida Statutes require that all general-purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby submit the comprehensive annual financial report of the County of Volusia, Florida (County) for the fiscal year ended September 30, 2003. In the fiscal year 2001, the County elected to early implement Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. In conjunction with this statement, the County also implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*. In the current fiscal year, the County has capitalized the remaining major infrastructure not previously capitalized. The County has now completely implemented GASB Statement No. 34.

The report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the costs of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by an independent firm of certified public accountants, James Moore and Co., P.L., Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended September 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended September 30, 2003, are fairly presented in conformity

with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federal and state mandated single audit and passenger facility charge audit designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the County's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are in the compliance section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent accountants.

Profile of the County of Volusia, Florida

Volusia County is located in the east-central region of the State of Florida and bordered by the Atlantic Ocean. Volusia County is approximately 40 miles northeast of the City of Orlando and approximately 200 miles from Tallahassee, Florida's capital.

Volusia County was established in 1854 and became the 30th county in the State of Florida. In June 1970, the electorate of Volusia County adopted a Home Rule Charter, effective January 1, 1971. The County operates under a Council/Manager form of government. The promulgation and adoption of policy are the responsibility of the seven-member council and the execution of such policy is the responsibility of the council-appointed County Manager. The Council is elected on a non-partisan basis. Five council members are elected by voters of their respective districts and serve two-year terms; two members are elected at-large and serve staggered four-year terms.

On November 5, 2002, the electorate of Volusia County approved a charter amendment, which maintains a seven member county council; creates a popularly elected county chair, who takes office on January 1, 2005, replacing one at-large member; and transitions the five district members to staggered four-year terms.

The County provides a full range of services, including public protection; highway, street, and other infrastructure construction and maintenance; growth management; conservation and resource management; economic development; health and human welfare assistance; and recreational activities and cultural events. In addition, the County operates a water and sewer system, an international airport, a public transportation system, a garbage collection program, and a refuse disposal system. The legally separate Clerk of the Circuit Court, Volusia County Law Library, and Emergency Medical Foundation, Inc. are reported separately within the County's financial statements as discretely presented component units. Additional information on all three of these legally separate entities can be found in Note 1.A.1. of the Notes to the Financial Statements.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

Local Economy

As we began the 2004 fiscal year, Volusia County realized that the impacts of the September 11th events did not have as deep of an impact on the local economy and its revenue streams as earlier projected in 2002. Early precautionary measures by County Government were adjusted to reflect a better than expected level of revenue receipts.

The first two quarters of 2003 continued to show minor gains in overall employment with some industry sectors experiencing continued weaknesses. This was mostly felt in the manufacturing, food and beverage, and transportation sectors. Much of this negative impact was a continuation of what we experienced in 2002 as a general slowdown due to the regional, national, and international economies. However, as we began to review other key economic indicators throughout our local economy, we began to see a turn around mid-year with many workers returning to their jobs and many employers beginning to hire new positions during the last two quarters of the year.

The County's workforce increased to approximately 194,000 resident workers of which 172,200 were employed in nonagricultural industry sectors. This represented a gain of approximately 3,400 new jobs over the same period one-year earlier. Similar gains were also seen in the number of jobs based in Volusia County growing from 146,141 positions in 2002 to an estimated 148,000 positions by the end of 2003.

The overall effective buying income (EBI) of Volusia County households rose from \$7,371,336,000 in 2002 to \$8,184,830,000 in 2003 a healthy \$813.5 million. This increase in EBI helped to push a \$292,157,000 increase in overall retail sales to a new historical high of \$5,746,809,000. Local consumer confidence and a continued in-migration of more than 25,000 new residents, new construction, and recovering manufacturing sector continued to drive much of the County's economic recovery.

Much of this increase was fueled by the strength of the County's housing and commercial real estate market, which together generated well over \$1 billion countywide in new construction permits during 2003. Sales in furniture and home furnishings alone posted \$214.2 million during this same period.

The only major retail sector that showed continued weakness was in the food service and drinking establishments that experienced a 2.1 percent negative growth pattern since fiscal year 1999. This sector continued to show weaknesses in 2003 with an overall loss 4.9 percent of its employment base.

Volusia County relies primarily on property taxes to fund most countywide programs and services. Buoyed by low interest rates, residential and commercial construction has been vibrant for several years. This has resulted in consistent growth in the tax base of 6.5 percent for fiscal year 2001, 8.17 percent for fiscal year 2002, and 9.47 percent for fiscal year 2003. Better than average growth in the tax base is expected to continue for the next few years, as a 13.82 percent increase was posted for fiscal year 2004 and building permit activity within the cities and County remains robust.

Tourism, a key ingredient in the overall mix of Volusia County's economy, provides tourist tax revenues which support tourism-related advertising. The natural draw of tourists to the beach, and special events, such as Speed Weeks (Daytona 500), Bike Week, Spring Break, Black College Reunion, Pepsi 400, and Biketoberfest helps fill hotel rooms, restaurants, and retail stores and directly impacts sales tax collections. Tourist taxes posted increased revenues of 1 percent over the previous year, while sales tax revenues grew \$1.1 million to \$18.4 million, or 6.5 percent over the previous year.

The tourist development tax is used to fund the cost of operations of the Ocean Center, including debt service. In April 2003 the County Council approved a 1 percent increase in the tourist development tax, for a total tax of 3 percent. The 1 percent increase in tax will be used to fund a \$48 million expansion to the Ocean Center. The expansion is expected to add a 100,000 square-foot exhibition hall, 40,000 square feet of new meeting rooms, 30,000 square feet of ballroom space, and 54,000 square feet of pre-function areas. The proposed expansion virtually doubles the size of the Ocean Center, which currently encompasses 225,000 square feet. Construction is expected to begin in early 2004.

This capital investment by the County to expand the Ocean Center will move the facility to a higher level of visibility by becoming the 5th largest convention center in the State of Florida. The future impact of this investment will encourage additional private-sector investment in the County, increase the demand for air passenger services at the Daytona Beach International Airport, and have a direct impact on future tourism and sales tax revenues.

Economic Development

In its second year of operation, the Department of Economic Development continued to encourage value-added growth in both private-sector capital investment and employment opportunities. Marketing initiatives focusing on medical product manufacturing were implemented for the greater New England region and the Mid-Atlantic states during 2003. These initiatives were also supplemented by the County's participation in industry trade shows in Boston, New York, Washington, D.C., and Atlanta.

In its early stages of development, more than 300 business inquiries were generated in 2003 from the County's marketing initiatives that range from direct mail and telemarketing to advertisements in industry publications and trade shows. The strength of the County's new program received industry recognition in its first year by being awarded two major marketing awards from the Florida Economic Development Council.

These early initiatives have and continue to produce a three-year hiring estimate of up to 371 full-time new to Volusia County jobs by 22 individual employers. Many of these new jobs have already been placed into full-time employment positions with the remainder anticipated within the next 24 months. These new jobs represent an equivalent of approximately 11 percent of the 3,400 new jobs added to the Volusia County workforce in 2003.

In addition to business recruitment from outside of Volusia County, the department also maintains an existing business retention program designed to make face-to-face contact with up to 250 area businesses, annually. This program has generated one-in-every-three of the new development projects initiated in 2003 and has effectively halted potential relocation of existing companies to locations outside of Volusia County. A total of 213 jobs have been impacted by this program and retained in the local market.

However, much of the County's new economic development efforts are being applied to create new locations to accommodate future employers. The County Council established a new development goal in January 2002 to plan, engineer, and permit up to 300 acres of new industrial, warehousing, and technology park acreage. This new acreage would be designed and engineered to accommodate future high skilled and high wage employer sites. Locations for these developments are specified within the County's 5-Year Economic Development Strategic Plan which was approved by the County Council in June 2002. When completed, these sites will provide the County with a series of ready-to-build permitted construction sites.

Work began on this initiative in early 2003. More than 450 acres have been identified and targeted for future development. When available, these sites will have construction capacity of up to 2,800,000 square feet of technology, manufacturing, warehousing, and large plate office-center facilities. The successful build-out of these employment centers will attract up to \$190 million in new private-sector capital investments. New sites will begin to come on-line in 2004 and be completed by 2008. Once available, these sites will provide an estimated 18-20 year inventory that will accommodate an estimated 5,700 new high skilled and high wage employment opportunities.

Long-Term Financial Planning

The County takes a planned approach to the management of debt, funding from internally generated capital, where appropriate, and financing when appropriate. Conservative financial strategies and management practices help to minimize exposure to sudden economic shocks or unexpected volatility. Quarterly monitoring and evaluation of factors that can affect the financial condition of the County help to identify any emerging financial concerns. The practice of multi-year forecasting enables management to take corrective action long before budgetary gaps develop into a crisis. The planning process also includes an examination of new capital and/or operating initiatives in relationship to their related impact on the County's financial position. The following is a brief discussion of these projects.

Land Information Systems

The legacy Growth Management system (land development, permitting, reviews, inspections, and code enforcement) replacement project is underway. A high level overview of Growth and Resource Management's functions and relationships was completed during fiscal year 2002-03. During fiscal year 2004 a Request for Proposal (RFP) for a replacement system will be issued and a new system selected. The costs for this project are estimated at \$1,067,685.

Criminal Justice Information System (CJIS)

The exchange of information between Volusia County's criminal justice agencies, as well as other local, state, and federal agencies will be streamlined and further automated through the use of new technology. The ability to access and retrieve information (documents, video, voice, pictures, and data) in a timely manner will dramatically improve service delivery. The CJIS Council assisted the County of Volusia in developing a conceptual design for a new multi-agency criminal justice information system. This design was used to develop an RFP, which was issued in fiscal year 2003. During fiscal year 2004, the new system will be selected and implementation will begin. The system will be implemented in phases over a projected three-year period. Total project cost is estimated to be \$11,000,000.

Human Resource and Financial Systems

An upgrade to the existing County Human Resource and Financial Systems will provide the County with the ability to perform more timely personnel and financial management tasks and offer workflow,

imaging, ad-hoc report, and decision-analysis support. The Human Resource System implementation is expected to begin during fiscal year 2004. Total project cost for both systems is estimated to be \$2,500,000.

Telephone System

A new telephone system will be implemented over a three-year time period beginning in fiscal year 2004. This voice over IP (VoIP) system will provide modern features such as call queuing, auto-attendant, and caller-id, while eliminating the need to maintain separate voice and data networks as well as reducing annual maintenance costs. The total project is expected to cost \$2,700,000.

800 MHz Radio System

Due to rapidly growing areas of the County, an additional radio site is needed to provide enhanced in-building radio coverage for public safety agencies. During fiscal year 2004, an engineering study to determine site location will be completed and implementation will begin. The total project is expected to cost \$1,750,000.

The 800 MHz Radio System is based on early 1990's technology. To extend the life of the equipment in place and to continue to provide reliable service to public safety agencies, a major technological upgrade to the 800 MHz Radio System is being projected for fiscal year 2007. The upgrade project is expected to cost \$7,000,000.

Tax Collection System

Volusia County has been on the current Tax Collection System for seven years. Within the next 3 to 5 years, the vendor will cease support of this legacy system, requiring an upgrade to a new system. The new application will provide program enhancements and interface with the imaging system. The upgrade will also include the Occupational License and Tourist Tax Collection systems, which are now separate. The projected cost for the upgrade is \$620,000.

Commuter Rail

Volusia County has been evaluating the possibility of rail service linking Volusia County and the Orlando metropolitan area since 1997. In November 2001, the County Council approved VOTRAN's participation in the "Alternative Analysis Study" for the development of commuter rail service with LYNX designated as the lead agency. Congressman Mica has been working with the Central Florida area on pursuing the Commuter Rail Technology Project in advance of the "Alternative Analysis Study" being completed. Area agencies are working on coordinating these two efforts to ensure the development of an effective rail project. Future operating impact is unknown at this time.

Emergency Reserves

Since fiscal year 2000, emergency reserves have been established in most tax-supported funds. The County Council adopted a minimum goal of 5 percent of current revenues. The Government Finance Officers Association suggests that local governments should strive for 10 percent emergency reserve. The fiscal year 2004 budget adds another \$1,171,160 to the General fund reserve for a total of \$6,897,579, or 4.7 percent of current revenues. Another \$80,748 is added to the Municipal Service District emergency reserve for a total of \$1,350,787, or 4.3 percent of current revenues. The Library and Ponce Inlet Port Authority funds have emergency reserves of \$687,524 and \$74,323 or 5.5 percent and 5.3 percent respectively of current revenues. The first time reserve of \$36,023 or 0.8 percent of current revenues is established for the East Volusia Mosquito Control District Fund.

Cash Management Policies and Practices

Cash balances of all County funds are pooled and invested pursuant to the following criteria: safety, liquidity, yield, and term. The County's formal investment policy allows the County to invest in the State of Florida Local Government Surplus Funds Trust Fund; Florida Counties Investment Trust; negotiable direct obligations which are unconditionally guaranteed by the United States Government; bonds, debentures, notes, and other indebtedness guaranteed by United States Government agencies; money market mutual funds regulated by the Securities and Exchange Commission; bankers acceptances; commercial paper; non-negotiable interest-bearing time certificates of deposit or saving accounts; repurchase agreements; and state and/or local government taxable and tax-exempt debt. Additionally, the County may invest Volunteer Firefighters Pension funds in equities.

During fiscal year 2003, the County's cash resources were primarily invested in the State of Florida Local Government Surplus Funds Trust Fund, U.S. Treasury and Agency issues, and repurchase agreements. The County did not invest in any derivatives or similar debt and investment instruments. The interest rates received from individual securities for the fiscal year ranged from 2.15 percent to 6.875 percent and yielded \$5,144,100 of interest income. For additional information concerning the investment of surplus funds, refer to Note 5 of the Notes to the Financial Statements.

Risk Management

The Personnel Division manages the self-insurance and loss-control programs of the County. The County self-insures its workers compensation, general liability, and physical damage risks. To meet the potential losses related to these risks, funding is generated from user charges to the various funds that participate in the program. Each year, the County has an actuarial study performed for the fund to ensure that adequate premiums are being charged to the user funds. These funds are accumulated in the Insurance Fund. In addition, the County sponsors a loss-control program requiring frequent inspections of County buildings to identify hazards and on-going loss prevention training classes to lessen the frequency and severity of accident-related losses. The Insurance Fund continues to realize a deficit in its net assets. At September 30, 2003, the deficit rose to \$6,601,595 from the previous year's deficit of \$5,630,040. The primary cause for this deficit was due to the impact of a \$5,200,000 claim settlement. Because of initiatives that have been put in place to ensure that all costs are recaptured and by adding annual funding amounts of \$500,000 over the past three years, the negative impact of this lawsuit was diminished. The County will continue its efforts to further reduce the deficit in future years. For additional information, refer to Note 15 of the Notes to the Financial Statements that explains the nature of this deficit.

Group Insurance

The County provides medical, dental, pharmaceutical, and behavioral health services to its employees and their dependants through a self-insured program called the Health Partnership Plan. Funding to pay claims associated with the plan comes from both the County and the employee. The employee pays \$5.00 per pay period towards premium costs and the County contributes the remainder. The employee pays dependent premium costs. The premiums are accumulated in the Group Insurance Fund. The plan's goal is to provide quality services at the lowest price. The County has contracted with various hospital, pharmaceutical, and health networks to meet this goal. In addition, the plan's design is regularly reviewed to find ways to improve efficiency and lower or stabilize costs. Excess reserves continue to grow within the Group Insurance Fund. Unrestricted net assets have increased in each of the past three fiscal years ensuring continued coverage of County employees during times of

rising medical costs. For additional information concerning the Group Insurance Fund, refer to Note 17 of the Notes to the Financial Statements.

Pension Plan

The County contributes to the Volunteer Firefighters Pension Plan, a single employer defined benefit plan. Each year, an independent actuary, engaged by the pension plan, calculates the amount of the annual contribution that the County must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired volunteers. As a matter of policy, the County fully funds each year's annual required contribution to the pension plan as determined by the actuary. As a result of its funding policy, the County has succeeded as of September 30, 2003, in funding 113 percent of the present value of the projected benefits earned by employees. The overfunded amount is being systematically amortized over a 19-year period as part of the annual required contribution calculated by the actuary.

Awards and Acknowledgements

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2002. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and it will be submitted to the GFOA to determine its eligibility for another certificate.

Acknowledgements

A Comprehensive Annual Financial Report of this nature could not have been prepared without the dedicated efforts of the Accounting staff. I would like to express my sincere appreciation to the Accounting Director and to each member of the Accounting Division who assisted and contributed in the preparation of this report. I would also like to thank the County Manager and the Chair and members of the County Council for their leadership and support in planning the financial operations of the County in a responsible and progressive manner.

Sincerely,

Charlene Weaver, CPA
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Volusia,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enen".

Executive Director

COUNTY OF VOLUSIA, FLORIDA

PRINCIPAL COUNTY OFFICIALS

September 30, 2003

COUNTY COUNCIL

Frank T. Bruno, Jr., Chair
District No. 2

Joseph C. Jaynes, Vice-Chair
Dwight D. Lewis
Jack Hayman
Bill Long
Patricia Northey
Joie Alexander

District No. 4
District No. 1
District No. 3
District No. 5
Council Member At-Large
Council Member At-Large

ELECTED COUNTY OFFICIALS

Ben F. Johnson
Deanie Lowe
Morgan B. Gilreath, Jr.
Diane Matousek

Sheriff
Supervisor of Elections
Property Appraiser
Clerk of the Circuit Court

COUNTY MANAGER

Cynthia A. Coto



VOLUSIA COUNTY GOVERNMENT

