COUNTY OF VOLUSIA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

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NOTE 1.
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Volusia, Florida have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant County accounting policies are described below.

A. REPORTING ENTITY

The County of Volusia, Florida, is a Home Rule Charter County as provided for by Section 125.60 of the Florida Statutes. The County operates under a Council/Manager form of government and provides various services to its more than 484,000 residents including public safety, transportation, health and social services, culture/recreation, planning, zoning, and other community enrichment and development services.

The legislative branch of the Charter government is composed of a seven-member, elected Council. The establishment and adoption of policy is the responsibility of the County Council, and the execution of such policy is the responsibility of the Council-appointed County Manager.

In addition to the elected County Council, the Charter provides for an elected Sheriff, Property Appraiser, and Supervisor of Elections to serve as department directors. The duties of the Tax Collector are included in the responsibilities of the Financial and Administrative Services Department. The elected Clerk of the Circuit Court is excluded from the activities of the County and maintains separate accounting records and budgets.

The accompanying financial statements present the primary government, and its component units, for which the primary government is considered to be financially accountable. Also included are other entities for which the nature and significance of their relationship with the primary government are such that exclusion could cause the County's financial statements to be misleading or incomplete.

1. Blended Component Unit

The Convention Development Tax Special Revenue Fund includes the Halifax Advertising Authority, Southeast Volusia Advertising Authority, and the West Volusia Advertising Authority. The advertising authorities each administer and disburse the proceeds of the Convention Development Tax within their district. The proceeds are used solely within the district to promote and advertise tourism, and to fund convention bureaus, tourist bureaus, tourist information centers, and news bureaus. Each authority is required to have an annual financial audit performed. Because the County Council appoints members to their boards and approves their budgets, they are presented as a blended component unit. Financial statements for the blended component units can be obtained from the Accounting Division of the Couny.

2. Discretely Presented Component Units

The component unit column in the government-wide financial statements includes the financial data of the County's component units. They are included because, if excluded, the County's financial statements would be misleading. They are reported in a separate column in the government-wide financial statements to emphasize their legal separation from the

County. The following component units are included in the statements:

Clerk of the Circuit Court – The Volusia County Clerk of the Circuit Court is responsible for the operations of the Clerk's Office, which provides support to the justice system within the County. The Clerk of the Circuit Court is elected by the voters and is a separate legal entity under the Volusia County Home Rule Charter. The Clerk of the Circuit Court is included as a component unit because its exclusion from the financial reporting entity would render the County's financial statements misleading. *(Constitution of the State of Florida, Article VIII, Section 1(d).; Volusia County Home Rule Charter, Article V.)*

Volusia County Law Library – The Volusia County Law Library is a public corporation responsible for providing three centralized and consolidated law libraries for the County. A Board of Trustees manages the Law Library. However, the Law Library is included as a component unit because its exclusion would render the County's financial statements misleading. *(Special Acts, Chapter 69-1706; Volusia County Code of Ordinances, Section 214-61.)*

Emergency Medical Foundation, Inc. – Emergency Medical Foundation, Inc., is a not-for-profit corporation created to provide emergency medical care and transportation services within Volusia County. The foundation is managed by a board of directors, but is included as a component unit because its exclusion from the financial reporting entity would render the County's financial statements misleading. *(Florida Statutes, Chapter 401; by-laws of the Emergency Medical Foundation, Inc.)*

Each discretely presented component unit issues separate financial statements and has a September 30 fiscal year end. Complete financial statements of the individual component units can be obtained from their respective administrative offices:

Volusia County Clerk of the Circuit Court
101 North Alabama Avenue
DeLand, FL 32720

Volusia County Law Library
125 East Orange Avenue, Room 208
Daytona Beach, FL 32114

Emergency Medical Foundation, Inc.
P. O. Box 6045
Daytona Beach, FL 32122

3. Related Organizations

The County is responsible for appointing members of boards to other organizations, but is not accountable for these organizations. The following related organizations are not included in the reporting entity:

- Volusia County Health Facilities Authority
- Housing Finance Authority of Volusia County
- Volusia County Industrial Development Authority
- Volusia County Educational Facilities Authority

4. Dependent Special Districts

Included within the financial report are the East Volusia Transportation District, Ponce Inlet and Port Authority, Growth Management Commission, West Volusia Library District, and Volusia County Fire District. These dependent special districts are special-purpose-taxing units within a limited boundary, created and governed by the County Council, and thus, legally part of the County.

5. Jointly Governed Organizations

The County, in conjunction with all municipalities within the County, has created the Water Authority of Volusia, formally Volusia Water Alliance, whose purpose is to protect the area's future water supply. The Water Authority of Volusia is composed of one member from the governing board of each of the municipalities and the County. In fiscal year 2004, the County contributed $88,509 towards funding the alliance's operations.

B. GOVERNMENT-WIDE AND FUND 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 nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or activity. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

1. Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and pension trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, except those gas taxes imposed by the County in which case they are reported as program revenues.

2. Fund Financial Statements

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, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

As a general rule, expenditures related to debt service principal and interest payments are recognized in the period they come due. Because the County must fund those expenditures in the current period, large surpluses result even though the payments are due the first day of the new fiscal year. To avoid possible misinterpretation of the financial statements, the County has elected to recognize the expenditure and related fund liabilities in the current period for bonds for which the principal and interest are due October 1.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- The *Municipal Service District Fund* accounts for the fiscal activity relating to the municipal type services of zoning, development engineering, planning, sheriff's services, parks and recreation, and animal control for the unincorporated areas of the County.

- The *Ocean Center Expansion Fund* accounts for the fiscal activity relating to the construction of additional Ocean Center space.

- The *FEMA – Hurricane Grants Fund* accounts for the fiscal activity relating to funds spent for disaster preparation and recovery costs from hurricanes Charley, Frances, and Jeanne.

- The *Federal and State Grants Fund* accounts for the fiscal activity relating to funds received from various federal and state grant programs.

The County reports the following major proprietary funds:

- The *Refuse Disposal Fund* accounts for the fiscal activity of all solid waste disposal within the County.

- The *Daytona Beach International Airport Fund* accounts for the fiscal activity of the Daytona Beach International Airport.

- The *Volusia Transportation Authority Fund* accounts for the fiscal activity of the Votran bus system.

- The *Water and Sewer Utilities Fund* accounts for the fiscal activities of County-owned water and sewer plants and distribution and collection systems located primarily in unincorporated areas.

The County reports the following non-major proprietary fund:

- The *Garbage Collection Fund* accounts for the fiscal activities of garbage collection within the unincorporated areas of the County.

Additionally, the County reports the following fund types:

- *Special Revenue Funds* account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

- *Debt Service Funds* account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

- *Capital Projects Funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

- *Internal Service Funds* account for computer replacement, vehicle maintenance, insurance, and employee group insurance services provided to other departments or agencies of the county, or to other governments, on a cost reimbursement basis.

- The *Volunteer Firefighters Pension Trust Fund* accounts for funds received from Fire Services to provide retirement benefits for volunteer firefighters.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Based on the accounting and reporting standards set forth in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County has opted to apply only the accounting and reporting pronouncements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989 for business-type activities and enterprise funds.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds and of the County's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use unrestricted resources first, then restricted resources, as they are needed for their intended purposes.

D. RECEIVABLES AND PAYABLES

1. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

2. Unbilled Service Receivables

Estimated unbilled revenues of the County's water and sewer system are recorded for services rendered, but not yet billed as of the end of the fiscal year. The receivable is estimated by prorating the number of days applicable to the cycle billing.

3. Deferred Revenue

Deferred revenues are recorded on the governmental fund balance sheet in the amount of $7,340,226. Of this amount, $1,244,123 represents amounts that are deferred solely because they are not yet considered to be available.

E. INVESTMENTS

Investments for the County are reported at fair value. The Local Government Surplus Funds Trust Fund that is administered by the State Board of Administration is a "2A-7 like" pool which has the characteristics of a money market fund. The reported value of the pool is the same as the fair value of the pool shares.

F. INVENTORIES AND PREPAID ITEMS

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded using the consumption method, that is, as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. RESTRICTED ASSETS

Certain amounts are classified as restricted assets on the government-wide and proprietary type funds' statement of net assets. Their use is limited by applicable bond covenants or laws/regulations imposed by other governmental agencies. The restricted assets are used to report resources set aside to:

- provide a reserve for debt service.
- provide a reserve for maintenance and operating expenses.
- provide a reserve for capital projects.
- provide a reserve for passenger facility charges program.
- acquire capital assets (land and equipment replacement).
- provide funding for public safety, physical environment, transportation, culture/recreation, and other legally restricted activities, based upon specific state and local legislative requirements.

H. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Property, plant, and equipment with initial, individual costs that equal or exceed $750 and estimated useful lives of over one year are recorded as capital assets. Roads, bridges, and sidewalks are capitalized when their initial costs equal or exceed $125,000 and possess estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

ASSETS	YEARS
Buildings	15 - 40
Improvements other than buildings	5 - 30
Infrastructure	35
Equipment	3 - 20

I. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable have been reported net of the allowance for doubtful accounts. Accounts receivable in excess of 180 days comprises the allowance for uncollectibles. The allowance for doubtful accounts is as follows:

PRIMARY GOVERNMENT		
General fund	$	138,652
Special revenue funds		76,769
Enterprise funds		308,625
Internal service funds		16,695
TOTAL PRIMARY GOVERNMENT	$	540,741

J. COMPENSATED ABSENCES

County policy permits employees to accumulate a limited amount of earned, but unused personal, vacation, and sick leave. These benefits are payable to employees upon separation from service. All leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported. The computed liability is in accordance with GASB Statement No. 16, *Accounting for Compensated Absences.*

K. LONG-TERM OBLIGATIONS

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, the County has adopted the following policy for current refundings and advance refundings resulting in defeasance of debt reported in proprietary funds.

The difference between the reacquisition price and the net carrying amount of the old debt, as well as the related bond issuance costs, will be deferred and amortized in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. On the balance sheet, the deferred amount and bond issuance costs are reported as a deduction from or an addition to the new debt liability.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are Equity in Pooled Cash and Investments and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased. In addition, because the investment pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

M. FUND BALANCE

In the governmental fund financial statements, fund balance consists of reserved and unreserved amounts. Reservations of fund balance represent that portion which is not appropriable for expenditure or is legally segregated for a specific future use.

Fund balance reservations include:

- Encumbrances – to reflect outstanding contractual obligations for goods and services which have not been received.
- Inventories – to reflect that inventory of consumable supplies does not represent available spendable resources.
- Advances – to reflect amounts due from other funds that are long-term in nature and do not represent available spendable resources.
- Debt service – to reflect resources legally restricted for the payment of long-term debt principal and interest amounts maturing in future years.
- Employee receivables – to reflect balances due from employees that are long-term in nature and do not represent available spendable resources.
- Long-term notes receivable – to reflect balance due from notes receivable that are long-term in nature and do not represent available spendable resources.

The remaining portion is unreserved. However, a portion of unreserved fund balance is designated. Designations include capital projects and emergency reserves.

N. INTERFUND TRANSACTIONS

Interfund services provided and used are recorded as revenues in the seller funds and expenditures or expenses in purchaser funds. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it, that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund, and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except reimbursements, are reported as transfers.

O. RECLASSIFICATIONS

Certain September 30, 2003 account balances have been reclassified in this report to conform with the financial statement presentation used in 2004.

NOTE 2.
RESTATEMENT OF FUND BALANCES AND NET ASSETS

A. FUND BALANCES

The beginning fund balance of the Convention Development Tax fund was restated primarily to reflect the accrual of underreported tax revenues, deposits, and obligations to certain outside vendors.

Governmental entities have the option of recognizing an expenditure and a liability in a debt service fund in the current period if debt service fund resources have been provided during the current year for payment of principal and interest due early in the following year. This early recognition option is designed to allow governments to avoid inflating fund balance in their debt service funds by allowing them to recognize an expenditure and a liability in the current period to balance the other financing source and asset associated with the transfer of resources to the debt service fund. The County has elected this option, and balances of the Debt Service funds have been restated to implement this change in accounting principle.

	Balance 09/30/03	Change	Restated Balance 09/30/03
Assets			
Nonmajor			
Governmental Funds:			
Cash	$ 416,255	100	416,355
Taxes receivable	341,288	(4,298)	336,990
Deposits	174,284	121,991	296,275
Liabilities			
Nonmajor			
Governmental Funds:			
Accounts payable	56,664	(3,504)	53,160
Bonds payable - current	-	5,725,000	5,725,000
Accrued interest payable	-	2,195,550	2,195,550
Fund Balance			
Nonmajor			
Governmental Funds:			
Reserve for:			
Debt Service:			
Principal	10,067,480	(5,725,000)	4,342,480
Interest	2,445,373	(2,195,550)	249,823
Unreserved:			
Undesignated - reported in:			
Special Revenue funds	3,303,942	121,297	3,425,239

B. PROPRIETARY NET ASSETS

Net assets of the Water and Sewer Utilities fund were restated to reflect funds due from the Meadowlea Utility and Stone Island Utility Agency Funds from prior periods. The funds were due for expenses (capital and operating) incurred by the Water and Sewer Utilities for the Agency Funds prior to fiscal year 2004. The following balances were restated:

	Balance 09/30/03	Change	Restated Balance 09/30/03
Assets			
Water and Sewer Utilities:			
Equity in pooled cash and investments	$ 10,655,983	663,180	11,319,163
Meadowlea Utility:			
Equity in pooled cash and investments	457,946	(166,540)	291,406
Stone Island Utility:			
Equity in pooled cash and investments	638,786	(496,640)	142,146
Liabilities			
Meadowlea Utility:			
Deposits	457,946	(166,540)	291,406
Stone Island Utility:			
Deposits	638,786	(496,640)	142,146
Net Assets			
Water and Sewer Utilities:			
Unrestricted	7,520,068	663,180	8,183,248

NOTE 3. BUDGETS AND BUDGETARY ACCOUNTING

1. Not later than fifteen days after the certification of value by the Property Appraiser, the County Manager shall have prepared and submit to the County Council, a proposed budget estimate of the revenues and expenditures of all County divisions, departments, offices, agencies, and special and municipal taxing districts for the ensuing fiscal year. The proposed budget estimate of revenue shall include not less than 95 percent of all receipts reasonably to be anticipated from all sources.

2. Not earlier than sixty-five days nor later than eighty days after certification of value by the Property Appraiser, the County Council shall hold a public hearing on the tentative budget and proposed millage rates.

3. Public hearings are conducted and summary statements are available to obtain taxpayer comments pursuant to Chapters 129 and 200 of the Florida Statutes.

4. Prior to October 1, the budget is legally enacted.

5. It is unlawful to expend or transfer funds in any fiscal year more than the amount budgeted in each fund's budget pursuant to Volusia County Code of Ordinances, Section 2-241(J), and Chapter 129.07 of the Florida Statutes.

6. Transfers of appropriations up to and including $25,000 among activities within a division need only the division director's or his or her designee's approval if the transfer is not between funds. Transfers over $25,000 require the approval of the department director. Transfers between two divisions require the approval of both division directors, or the County Manager or Deputy County Manager. Transfers between funds require County Council approval. The Supervisor of Elections, Property Appraiser, Sheriff, Chief Judge, County Attorney, and Internal Auditor have the same transfer authority as the department directors for their budgets.

7. The County Council legally adopts budgets for the General, budgeted Special Revenue, and Debt Service funds. Formal budgetary integration is employed as a management control device during the year for all governmental fund types. Capital Projects funds adopt a project-length budget. Formal budgetary integration is not employed for Enterprise or Internal Service funds.

8. Budgets for the General, budgeted Special Revenue, and Debt Service funds are adopted on a basis consistent with generally accepted accounting principles. The Library Endowment and Corrections - Welfare Trust Special Revenue funds are not budgeted.

9. Every appropriation shall lapse at the close of the fiscal year to the extent that it has not been carried forward. An appropriation for a capital program within the General or Special Revenue funds shall be rebudgeted on an annual basis until the purpose for which it was made has been accomplished or abandoned. The purpose of any appropriation shall be deemed abandoned if three years pass without any disbursement or encumbrance of the appropriation.

10. If during the fiscal year the County Manager certifies that there are available revenues for appropriations in excess of those estimated in the budget, the County Council may make supplemental appropriations for the year up to the amount of such excess revenues.

NOTE 4.
PROPERTY TAXES

The property tax calendar is as follows:

Valuation date	January 1, 2003
Property Appraiser prepares the assessment roll with values as of January 1; submits preliminary roll for approval to the State and notifies each taxing authority of its respective valuations.	July 1, 2003
Each taxing authority holds two required public hearings and adopts a budget and ad valorem tax millage rate(s) for the coming fiscal year.	September 2003
Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable. (Levy date)	November 1, 2003
A notice of taxes is mailed to each owner on the assessment roll. Taxes may be paid with the following applicable discounts:	November 1, 2003 through March 31, 2004

Month	Discount Percentage
November	4
December	3
January	2
February	1
March	0

All unpaid taxes on real and tangible personal property become delinquent.	April 1, 2004
A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised.	April 2004 and May 2004
Tax certificates are sold on all real estate parcels with unpaid real property taxes. (Lien date)	May 29, 2004
A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent personal property taxes.	August 24, 2004

Collections of county, municipal, and independent taxing district taxes and remittances are accounted for in the Tax Collector's Transfer Fund (Agency Fund) prior to distribution to the various taxing authorities.

NOTE 5.
CASH AND INVESTMENTS

The County maintains a cash and investment pool that is used by all funds. This pool consists of a noninterest-bearing checking account, monthly interest earned on surplus balances, and a zero balance checking account. Each fund's portion of this pool is summarized by fund type in the combined balance sheet as "Equity in Pooled Cash and Investments." In addition, investments are separately held by several of the County's funds. Certain investments of the Daytona Beach International Airport, Refuse Disposal, Insurance, Tourist Development Debt Service, and Volunteer Firefighters Pension Trust funds are held separately from those of other County funds. As required under GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value.

A. DEPOSITS

The entire amount of the bank balance of deposits is covered by federal depository insurance or collateral with the State of Florida under the Florida Security for Public Deposits Act.

The Florida Security for Public Deposits Act establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements, and characteristics of eligible collateral. Under the Act, County deposits in qualified public depositories are totally insured. The qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State Treasurer, or with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer.

B. INVESTMENTS

The County's investment policies are governed by state statutes and local resolution. Authorized investment instruments include: the 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, or 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.

Investments during the fiscal year were in the same instruments as those held at the close of the fiscal year. County investment policies permitted the County to enter into reverse repurchase agreements; however, there were no such investments in fiscal year 2004.

The Local Government Surplus Funds Trust Fund that is administered by the State Board of Administration (SBA) is a “2A-7 like” pool which has the characteristics of a money market fund. Thus, its cost is its fair value.

The County's investments are categorized to give an indication of the level of risk assumed by the County at September 30, 2004. Category 1 includes investments that are insured or registered for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the County's name.

Following is a summary of risk levels assumed by the County at September 30, 2004:

TYPE OF INVESTMENT	CATEGORY 1	CATEGORY 2	CATEGORY 3	FAIR VALUE
U. S. agency obligations	$ 94,179,870	$ -	$ -	$ 94,179,870
Equities	-	-	1,116,759	1,116,759
Sub-total	**94,179,870**	**-**	**1,116,759**	**95,296,629**
Mutual funds				1,356,379
Local government surplus funds fund investment pool (includes volunteer firefighters pension fund)				179,839,989
Total investments				**276,492,997**
Carrying value of cash and restricted cash				14,993,582
Total equity in pooled cash and investments and restricted cash and investments				**$ 291,486,579**

NOTE 6.
INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2004 is as follows:

	DUE FROM OTHER FUNDS	ADVANCES TO OTHER FUNDS	DUE TO OTHER FUNDS	ADVANCES FROM OTHER FUNDS
Governmental funds:				
Major funds:				
General Fund	$ 7,061,627	$ -	$ 963,426	$ 100,000
Municipal Service District	1,355,377	-	-	-
FEMA - Hurricane Grants	863,426	-	4,500,000	-
Federal and State Grants	-	-	1,228,244	-
Nonmajor funds:				
Special Revenue funds:				
Resort Tax	-	-	355,703	-
Convention Development Tax	-	-	7,423	-
Sales Tax Trust	-	-	2,676,389	-
Ponce Inlet Port Authority	95,722	1,055,627	-	-
Ocean Center	350,755	-	-	-
Fire Services	-	-	95,722	1,055,627
Proprietary funds:				
Major funds:				
Daytona Beach International Airport	100,000	100,000	-	-
Water and Sewer Utilities	-	-	148,870	185,834
Internal service funds:				
Insurance	148,870	185,834	-	-
Total	**$ 9,975,777**	**$ 1,341,461**	**$ 9,975,777**	**$ 1,341,461**

Three interfund loan agreements were outstanding at September 30, 2004:

- from Insurance to Water and Sewer Utilities with $148,870 due within the next year and $185,834 due by September 2006. The loan provided funding for various utility construction projects.

- from Daytona Beach International Airport to General Fund with $100,000 due within the next year and $100,000 due by September 2006. The loan was provided to fund the purchase of land adjacent to the airport.

- from Ponce Inlet Port Authority to Fire Services with $95,722 due within the next year and amounts due annually totaling $1,055,627 due by September 2014. The loan provided funding for the settlement of a liability case.

Other interfund transactions distributed resort, convention development, and sales tax collections to the appropriate receiving funds and monies to reimburse funds for hurricane related expenditures. Due to the timing of grant reimbursements, interfund transactions were used to cover cash deficits.

Due to/from primary government and component units consist of the following:

	DUE FROM COMPONENT UNITS	DUE FROM PRIMARY GOVERNMENT	DUE TO COMPONENT UNITS	DUE TO PRIMARY GOVERNMENT
Governmental funds:				
Major funds:				
General Fund	$ 1,174,712	$ -	$ 139,474	$ -
Municipal Service District	-	-	602	-
Federal and State Grants	-	-	243	-
Nonmajor funds:				
Special Revenue funds:				
County Transportation Trust	-	-	741	-
Ocean Center	-	-	185	-
Road Impact Fees	-	-	811	-
Law/Beach Enforcement Trust	-	-	255	-
Proprietary funds:				
Major funds:				
Water and Sewer Utilities	-	-	3,282	-
Internal service funds:				
Vehicle Maintenance	769	-	-	-
Component Units:				
Clerk of the Circuit Court	-	12,324	-	1,175,481
Volusia County Law Library	-	35,417	-	-
Emergency Medical Foundation, Inc.	-	97,852	-	-
Total	**$ 1,175,481**	**$ 145,593**	**$ 145,593**	**$ 1,175,481**

Interfund transfers consist of the following:

	Transfer Out:						
	Governmental funds				Proprietary funds		
	Major funds			Nonmajor funds	Major funds		
	General	Municipal Service District	Federal and State Grants		Refuse Disposal	Airport	Total Transfers In
Transfer In:							
Governmental funds:							
Major funds:							
General Fund	$ -	$ 116,188	$ 3,763	$ 6,446,276	$ -	$ 15,000	$ 6,581,227
Municipal Service District	-	-	-	5,150,374	-	-	5,150,374
Ocean Center Expansion	-	-	-	5,351,176	-	-	5,351,176
FEMA - Hurricane Grants	863,426	-	-	-	-	-	863,426
Federal and State grants	293,742	14,250	-	262,233	-	-	570,225
Nonmajor funds	3,460,640	3,182,876	-	17,172,770	-	-	23,816,286
Proprietary funds:							
Major funds:							
Volusia Transportation Authority	4,901,148	-	-	-	-	-	4,901,148
Nonmajor funds:							
Garbage Collection	-	-	-	-	500,000	-	500,000
Internal service funds:							
Insurance	-	-	-	1,375,000	-	-	1,375,000
Total Transfers Out	**$9,518,956**	**$3,313,314**	**$ 3,763**	**$ 35,757,829**	**$500,000**	**$ 15,000**	**$49,108,862**

Transfers are used to move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them. Based upon bond ordinances, transfers are used to move funds to meet debt service requirements. Of the $23,816,286 in non-major governmental funds, $16,207,007 was transferred for debt service.

NOTE 7.
CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2004 was as follows:

	Beginning Balance 9/30/03	Increases	Decreases	Ending Balance 09/30/04
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 65,093,072	$ 9,584,860	$ (2,300,253)	$ 72,377,679
Construction in progress	3,376,498	3,855,844	(1,681,145)	5,551,197
Construction in progress - infrastructure	18,902,764	10,263,957	(7,171,537)	21,995,184
Total capital assets, not being depreciated	87,372,334	23,704,661	(11,152,935)	99,924,060
Capital assets, being depreciated:				
Buildings	203,046,861	813,394	-	203,860,255
Improvements other than buildings	17,937,351	136,374	(650,336)	17,423,389
Leasehold improvements	486,344	10,781	-	497,125
Equipment	91,732,928	10,271,078	(6,853,792)	95,150,214
Infrastructure	339,515,179	7,171,537	-	346,686,716
Total capital assets being depreciated	652,718,663	18,403,164	(7,504,128)	663,617,699
Less accumulated depreciation for:				
Buildings	(57,929,379)	(5,781,280)	-	(63,710,659)
Improvements other than buildings	(5,298,356)	(954,763)	97,570	(6,155,549)
Leasehold improvements	(259,807)	(26,071)	-	(285,878)
Equipment	(56,314,146)	(9,262,828)	6,353,604	(59,223,370)
Infrastructure	(221,881,468)	(9,700,432)	-	(231,581,900)
Total accumulated depreciation	(341,683,156)	(25,725,374)	6,451,174	(360,957,356)
Total capital assets, being depreciated, net	311,035,507	(7,322,210)	(1,052,954)	302,660,343
Governmental activities capital assets, net	$ 398,407,841	$ 16,382,451	$ (12,205,889)	$ 402,584,403

	Beginning Balance 9/30/03	Increases	Decreases	Ending Balance 09/30/04
Business-type Activities:				
Capital assets, not being depreciated:				
Land	$35,837,771	$ -	$ -	$ 35,837,771
Construction in progress	4,919,853	5,003,509	(8,853,466)	1,069,896
Total capital assets, not being depreciated	40,757,624	5,003,509	(8,853,466)	36,907,667
Capital assets, being depreciated:				
Buildings	23,580,288	226,210	-	23,806,498
Improvements other than buildings	157,442,017	15,009,424	(258,494)	172,192,947
Equipment	33,296,617	2,730,542	(2,917,228)	33,109,931
Total capital assets being depreciated	214,318,922	17,966,176	(3,175,722)	229,109,376
Less accumulated depreciation for:				
Buildings	(7,214,708)	(962,787)	-	(8,177,495)
Improvements other than buildings	(57,429,755)	(6,428,191)	-	(63,857,946)
Equipment	(17,181,528)	(3,622,620)	2,694,753	(18,109,395)
Total accumulated depreciation	(81,825,991)	(11,013,598)	2,694,753	(90,144,836)
Total capital assets, being depreciated, net	132,492,931	6,952,578	(480,969)	138,964,540
Business-type activities capital assets, net	$173,250,555	$ 11,956,087	$ (9,334,435)	$ 175,872,207

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	$ 3,910,725
Public safety	5,015,404
Physical environment	298,347
Transportation	11,339,729
Economic environment	35,072
Human services	683,922
Culture/recreation	2,571,782
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	1,870,393
Total depreciation expense - governmental activities	$ 25,725,374
Business-type Activities:	
Refuse disposal	$ 2,522,908
Daytona Beach International Airport	4,310,189
Volusia Transportation Authority	2,288,432
Water and sewer utilities	1,868,857
Garbage collection	23,212
Total depreciation expense - business-type activities	$ 11,013,598

Construction commitments

The County has active construction projects as of September 30, 2004. At year-end the government's commitments with contractors are as follows:

Projects	Spent-to-Date	Remaining Commitment
Park-related	$ 23,000	$ 463,826
Historic Courthouse renovation	2,152,238	2,355,104
Road construction:		
New construction, expansion	8,664,702	4,447,673
Airport airfield improvements	585,736	2,315,234
Water/sewer utility improvements	412,745	1,340,101
Total	$ 11,838,421	$ 10,921,938

Commitments for the park-related projects are financed by revenues derived from boat registration renewals, grants, and transfers over the years from the General, Ponce Inlet Port Authority, and Park Impact Fee funds. The commitment for the Historic Courthouse renovation is financed from the remaining bond proceeds of the Subordinate Lien Sales Tax Bonds, Series 1998.

Remaining commitments for the road construction projects are funded by various gas taxes and road impact fees. Airport airfield improvements are mainly funded by federal and state matching grants. Water/sewer utility improvements are financed by revenues generated through user fees.

NOTE 8.
LONG-TERM DEBT

A. SUMMARY OF BOND RESOLUTIONS

The following is a summary of bond resolutions pertaining to debt activity during the year reflected on the September 30, 2004 financial statements:

1. REVENUE BONDS

Name:	$5,640,000 Gas Tax Revenue Bonds, Series 1992
Dated:	September 1992
Final Maturity:	December 1, 2005
Principal Payment Date:	December 1
Interest Payment Date:	June 1 and December 1
Interest Rates:	5.00% to 6.40%
Reserve Requirement:	N/A
Revenue Pledged:	Proceeds of the County's Ninth-Cent Voted Gas Tax on motor fuel and special fuel.
Purpose:	To fund construction of the East Coast Beltline project.

Name:	$30,795,000 Airport System Revenue Refunding Bonds, Series 2000
Dated:	August 1, 2000
Final Maturity:	October 1, 2021
Principal Payment Date:	October 1
Interest Payment Date:	October 1 and April 1
Interest Rates:	6.55% to 7.00%
Reserve Requirement:	The requirement is specified by bond resolution to be at least equal to $2,839,250.
Revenue Pledged:	Net revenues generated by the operations of the Airport and investment earnings.
Purpose:	To provide sufficient funds to advance refund the remaining portion of the County's outstanding Airport System Revenue Bonds, Series 1991.

Name:	$17,625,000 Sales Tax Improvement Revenue Bonds, Series 1994
Dated:	June 1, 1994
Final Maturity:	October 1, 2007
Principal Payment Date:	October 1
Interest Payment Date:	October 1 and April 1
Interest Rates:	5.05% to 5.45%
Reserve Requirement:	N/A
Revenue Pledged:	Local Government Half-Cent Sales Tax.
Purpose:	To finance the cost of acquiring, constructing, and equipping certain capital improvements.

Name:	$14,280,000 Guaranteed Entitlement Revenue Bonds, Series 1994
Dated:	May 1, 1994
Final Maturity:	October 1, 2004
Principal Payment Date:	October 1
Interest Payment Date:	October 1 and April 1
Interest Rates:	4.90% to 5.00%
Reserve Requirement:	N/A
Revenue Pledged:	Guaranteed Entitlement Revenues portion of State Revenue Sharing and a surcharge levied on every moving violation in the County.
Purpose:	To provide sufficient funds to acquire, construct, and install an 800 MHz communication system.

Name:	$59,250,000 Subordinate Lien Sales Tax Improvement Revenue Bonds, Series 1998
Dated:	September 1, 1998
Final Maturity:	October 1, 2018
Principal Payment Date:	October 1
Interest Payment Date:	October 1 and April 1
Interest Rates:	4.00 % to 5.13%
Reserve Requirement:	N/A
Revenue Pledged:	Local Government Half-Cent Sales Tax.
Purpose:	To finance the cost of acquiring, constructing, and equipping certain capital improvements including a new court facility and to advance refund the County's $10 million Sales Tax Improvement Revenue Bonds, Series 1996.

Name:	$5,085,000 Water and Sewer Refunding Revenue Bonds, Series 1998
Dated:	July 1, 1998
Final Maturity:	October 1, 2016
Principal Payment Date:	October 1
Interest Payment Date:	October 1 and April 1
Interest Rates:	4.00% to 4.88%
Reserve Requirement:	An amount equal to the lesser of: 1) maximum annual debt service ($199,624); 2) 125% of the average annual debt service for all outstanding bonds ($448,629); or 3) 10% of the original proceeds of the outstanding bonds ($508,500).
Revenue Pledged:	Net revenues derived from the operation of the County's water and sewer system, connection fees, and investment earnings.
Purpose:	To provide funds sufficient to advance refund the remaining portion of the County's outstanding Water and Sewer Bonds, Series 1989.

Name:	$11,930,000 Subordinate Lien Sales Tax Improvement Refunding Revenue Bonds, Series 2001A
Dated:	June 1, 2001
Final Maturity:	October 1, 2014
Principal Payment Date:	October 1
Interest Payment Date:	October 1 and April 1
Interest Rates:	4.00% to 5.00%
Reserve Requirement:	N/A
Revenue Pledged:	Local Government Half-Cent Sales Tax.
Purpose:	To provide funds sufficient to advance refund a portion of the County's outstanding Sales Tax Improvement Revenue Bonds, Series 1994.

Name:	$23,985,000 Subordinate Lien Sales Tax Improvement Refunding Revenue Bonds, Series 2001B
Dated:	June 1, 2001
Final Maturity:	October 1, 2010
Principal Payment Date:	October 1
Interest Payment Date:	October 1 and April 1
Interest Rates:	4.00% to 4.20%
Reserve Requirement:	N/A
Revenue Pledged:	Local Government Half-Cent Sales Tax.
Purpose:	To provide funds sufficient to current refund a portion of the County's outstanding Sales Tax Improvement Refunding Revenue Bonds, Series 1991A.

Name:	$22,565,000 Tourist Development Tax Refunding Revenue Bonds, Series 2002
Dated:	September 15, 2002
Final Maturity:	December 1, 2013
Principal Payment Date:	December 1
Interest Payment Date:	December 1 and June 1
Interest Rates:	2.00% to 3.50%
Reserve Requirement:	N/A
Revenue Pledged:	Tourist development tax revenues and all moneys, including investments thereof, in the funds and accounts established under the resolution.
Purpose:	To provide sufficient funds to currently refund all of the County's outstanding Tourist Development Tax Refunding Bonds, Series 1993.

Name:	$8,255,000 Subordinate Lien Sales Tax Refunding Revenue Bonds, Series 2003
Dated:	July 1, 2003
Final Maturity:	October 1, 2021
Principal Payment Date:	October 1
Interest Payment Date:	October 1 and April 1
Interest Rates:	2.00% to 4.00%
Reserve Requirement:	N/A
Revenue Pledged:	Local Government Half-Cent Sales Tax.
Purpose:	To provide sufficient funds to currently refund all of the County's outstanding Sales Tax Improvement Refunding Revenue Bonds, Series 1993.

Name:	$11,110,000 Airport System Refunding Revenue Bonds, Series 2003
Dated:	July 1, 2003
Final Maturity:	October 1, 2021
Principal Payment Date:	October 1
Interest Payment Date:	October 1 and April 1
Interest Rates:	2.00% to 4.10%
Reserve Requirement:	An amount equal to the maximum annual debt service on the outstanding series 2003 bonds, $844,590.
Revenue Pledged:	Net revenues from the operation of Daytona Beach International Airport and all moneys, including investment earnings thereof, in the funds and accounts established by the resolution.
Purpose:	To provide sufficient funds to currently refund all of the outstanding Airport System Revenue Refunding Bonds, Series 1993.

Name:	$6,975,000 Water and Sewer Refunding Revenue Bonds, Series 2003
Dated:	July 1, 2003
Final Maturity:	October 1, 2019
Principal Payment Date:	October 1
Interest Payment Date:	October 1 and April 1
Interest Rates:	2.00% to 4.00%
Reserve Requirement:	An amount equal to the lesser of: (1) maximum annual debt service ($698,310); (2) 125% of the average annual debt service for all outstanding bonds ($751,428); (3) 10% of the original proceeds of the outstanding bonds ($697,500).

Revenue Pledged: Net revenues derived from the operation of the water and sewer system, water connection fees, sewer connection fees, and all moneys, including investments thereof, in the funds and accounts created by the resolution.

Purpose: To provide sufficient funds to currently refund all of the outstanding Water and Sewer Refunding and Improvement Revenue Bonds, Series 1993.

Name: $55,451,336 Tourist Development Tax Revenue Bonds, Series 2004

Dated: August 4, 2004

Final Maturity: December 1, 2034

Principal Payment Date: December 1

Interest Payment Date: December 1 and June 1

Interest Rates: 3.00% to 5.03%

Reserve Requirement: N/A

Revenue Pledged: Tourist development tax revenues and all moneys, including investments thereof, in the funds and accounts established under the resolution.

Purpose: To finance the cost of acquiring, constructing, and equipping the expansion and renovation of the County's Ocean Center including the addition of approximately 100,000 square feet of exhibition space and 30,000 square feet of new meeting rooms.

2. OTHER BONDS

Name: $2,735,000 Special Assessment Improvement Bonds, Series 1995

Dated: April 15, 1995

Final Maturity: July 1, 2004

Principal Payment Date: July 1

Interest Payment Date: January 1 and July 1

Interest Rates: 6.88%

Reserve Requirement: The requirement is specified by bond resolution to be the lesser of the amounts of bonds outstanding ($60,000) or $273,500 in cash, a letter of credit, surety bond, or similar cash substitute.

Revenue Pledged: The Special Assessment proceeds including interest and penalties collected by the County against properties specially benefited by the acquisition and construction of the Bethune Beach wastewater project.

Purpose: To provide sufficient funds to acquire, construct, and install certain capital improvements including sanitary sewers, lift stations, force mains, and other related improvements for the development of a central wastewater collection and transmission system to service the properties within the Bethune Beach Special Assessment District.

B. CAPITAL LEASES

The County acquired computer equipment for its computer replacement program, accounted for as an internal service fund, by means of a capital lease. For accounting purposes, a capital lease is considered debt and is recorded, on the statement of net assets as a liability, in an amount equal to the present value of the minimum lease payments as of the inception date of the lease agreement. A fixed asset is also recorded for the same amount. For the fiscal year 2004, $408,135 was borrowed under a capital lease. During the year, the entire principal amount was paid, with accrued interest of $14,454, leaving no unpaid balance at year-end. The book value of the assets acquired, net of accumulated depreciation of $620,411 is $841,488.

In February 2002, the County entered into a capital lease agreement as lessee for financing the acquisition of a Caterpillar 836G compactor for its refuse disposal operation. In November 2003, the County acquired the compactor which ended the leasing arrangement.

C. NOTES PAYABLE

Notes payable outstanding as of September 30, 2004 are comprised of the following:

NOTES PAYABLE	INTEREST RATE	INTEREST PAYABLE	FINAL MATURITY DATE	ANNUAL PRINCIPAL PAYMENT (In Thousands)	AMOUNT OUTSTANDING 09/30/04
GOVERNMENTAL ACTIVITIES DEBT					
Installment purchase agreement with Fla. Assn. of Counties for purchase of computers and other equipment	Variable [(1)]	Monthly	03/01/05	$630	$ 630,000
Installment purchase agreement with Fla. Assn. of Counties for purchase of computers and other equipment	Variable [(1)]	Monthly	12/01/05	$80 – 280	360,000
Installment purchase agreement with Fla. Assn. of Counties for purchase of computers and other equipment	Variable [(1)]	Monthly	03/01/06	$355 – 720	1,075,000
Installment purchase agreement with Fla. Assn. of Counties for purchase of computer equipment and vehicles	Variable [(1)]	Monthly	03/01/07	$754 - 1,508	3,770,833
Installment purchase agreement with Fla. Assn. of Counties for purchase of environmentally sensitive land	Variable [(1)]	Quarterly	12/01/07	$460 – 2,415	3,795,000
Installment purchase agreement with Bank of America Leasing for purchase of two helicopters	3.90%	Quarterly	12/30/08	$138 – 539	2,173,329
Installment purchase agreement with Fla. Assn. of Counties for purchase of environmentally sensitive land	Variable [(1)]	Quarterly	03/01/09	$248 - 1,384	2,376,000
Installment purchase agreement with Fla. Assn. of Counties to construct and equip new fire stations	Variable [(1)]	Quarterly	09/01/09	$145	725,000
TOTAL GOVERNMENTAL ACTIVITIES DEBT					**$ 14,905,162**

[(1)] The interest rate is set at 35 basis points above the underlying loan rate(s) incurred by the Florida Association of Counties and is adjusted quarterly.

NOTES PAYABLE	INTEREST RATE	INTEREST PAYABLE	FINAL MATURITY DATE	ANNUAL PRINCIPAL PAYMENT (In Thousands)	AMOUNT OUTSTANDING 09/30/04
BUSINESS-TYPE ACTIVITIES DEBT					
Installment purchase agreement with Fla. Local Government Finance Commission for the purchase of equipment	Variable [1]	Quarterly	12/02/05	$182 – 744	$ 926,000
Daytona Beach International Airport land acquisition program	0%	N/A	12/04/07	$28 - 3,770	4,174,137
Installment purchase agreement with Fla. Assn. of Counties for refuse disposal's disposal cell construction	Variable [2]	Quarterly	12/08/09	$104 - 416	2,080,000
Upgrade of the Deltona North Water Reclamation Facility with the State of Florida	2.99%	Semi-annual	06/15/17	$81 – 115	1,262,079
Southwest Regional Water Reclamation Facility revolving loan program	3.05%	Semi-annual	05/15/20	$123 – 194	2,503,591
Southeast Wastewater Facility revolving loan program	3.24%	Semi-annual	08/15/20	$356 – 543	6,927,070
TOTAL BUSINESS-TYPE ACTIVITIES DEBT					**$ 17,872,877**

[1] The interest rate is set at 35 basis points above the underlying loan rate(s) incurred by the Florida Local Government Finance Commission and is adjusted quarterly.

[2] The interest rate is set at 35 basis points above the underlying loan rate(s) incurred by the Florida Association of Counties and is adjusted quarterly.

D. DEBT SERVICE TO MATURITY

The annual requirements to amortize all government-wide debt outstanding as of September 30, 2004, including interest payments of $128,937,614, are as follows:

GOVERNMENTAL ACTIVITIES DEBT

FISCAL YEAR	REVENUE BONDS		NOTES PAYABLE		TOTAL PRINCIPAL AND INTEREST
	Principal	Interest	Principal	Interest	
2005	$ 8,465,000	$ 6,405,395	$ 4,470,904	$ 380,442	$ 19,721,741
2006	6,755,000	6,700,905	3,294,902	253,670	17,004,477
2007	6,905,000	6,470,952	2,125,487	164,098	15,665,537
2008	7,135,000	6,229,545	3,346,853	81,441	16,792,839
2009	7,390,000	5,973,260	1,667,016	25,244	15,055,520
2010-2014	41,815,000	25,286,992	-	-	67,101,992
2015-2019	45,674,132	16,222,415	-	-	61,896,547
2020-2024	10,262,204	11,095,800	-	-	21,358,004
2025-2029	15,420,000	8,100,750	-	-	23,520,750
2030-2034	19,795,000	3,720,625	-	-	23,515,625
2035	4,590,000	114,750	-	-	4,704,750
TOTAL	**174,206,336**	**96,321,389**	**14,905,162**	**904,895**	**286,337,782**
LESS: Unamortized bond costs	3,656,776	-	-	-	3,656,776
TOTAL GOVERNMENTAL ACTIVITIES DEBT	**$ 170,549,560**	**$ 96,321,389**	**$ 14,905,162**	**$ 904,895**	**$ 282,681,006**

BUSINESS-TYPE ACTIVITIES DEBT

FISCAL YEAR	REVENUE BONDS		NOTES PAYABLE		TOTAL PRINCIPAL AND INTEREST	TOTAL GOVERNMENT-WIDE PRINCIPAL AND INTEREST
	Principal	Interest	Principal	Interest		
2005	$ 1,850,000	$ 2,684,495	$ 1,615,807	$ 370,279	$ 6,520,581	$ 26,242,322
2006	1,930,000	2,598,635	4,945,326	334,017	9,807,978	26,812,455
2007	2,015,000	2,507,145	1,414,392	308,044	6,244,581	21,910,118
2008	2,115,000	2,409,064	1,028,846	282,338	5,835,248	22,628,087
2009	2,215,000	2,304,071	1,047,625	256,071	5,822,767	20,878,287
2010-2014	12,875,000	9,656,780	3,564,686	945,501	27,041,967	94,143,959
2015-2019	16,675,000	5,693,701	3,783,817	386,131	26,538,649	88,435,196
2020-2024	10,630,000	966,350	472,378	8,708	12,077,436	33,435,440
2025-2029	-	-	-	-	-	23,520,750
2030-2034	-	-	-	-	-	23,515,625
2035	-	-	-	-	-	4,704,750
TOTAL	**50,305,000**	**28,820,241**	**17,872,877**	**2,891,089**	**99,889,207**	**386,226,989**
LESS:						
Unamortized bond costs	3,116,872	-	-	-	3,116,872	6,773,648
TOTAL BUSINESS-TYPE ACTIVITIES DEBT	**$ 47,188,128**	**$ 28,820,241**	**$ 17,872,877**	**$ 2,891,089**	**$ 96,772,335**	**$ 379,453,341**

E. ARBITRAGE

Arbitrage refers to the profit earned from taking tax-exempt bond proceeds and investing the funds in higher yielding investments. Under federal arbitrage regulations, an issuer of tax-exempt bonds is allowed to earn this profit for a certain period of time during the construction of the related project. If the issuer still has proceeds once this time period expires, the profit is subject to rebate to the federal government and the remaining bond proceeds should be invested at rates lower than its bond yield.

The County's Subordinate Lien Sales Tax Revenue Bonds, Series 1998 were issued to finance the cost of acquiring, constructing, and equipping certain capital improvements including a new court facility and to advance refund the Sales Tax Improvement Revenue Bonds, Series 1996. As of the end of the year, the County had remaining bond proceeds relating to the renovations of its historic courthouse and other various projects. The federal arbitrage regulations apply to this issue's remaining proceeds. Since current economic conditions do not provide an opportunity to earn such a profit, there is no anticipated liability.

F. NEW ISSUE

On September 2, 2004, the County issued $55,451,336 of tourist development tax revenue bonds to provide funds to acquire, construct, and equip the expansion and renovation of its Ocean Center. The project will add approximately 100,000 square feet of new exhibition space and 30,000 square feet of new meeting rooms. The interest rate on the bonds range from 3.00 – 5.03 percent and the maturity date is December 1, 2034.

G. DEFEASED DEBT

Over the years, the County has defeased certain general obligation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. At September 30, 2004, $7,540,000 of bonds outstanding are considered defeased and were comprised of the following:

Sales Tax Improvement Revenue Bonds, Series 1996	$ 7,540,000
TOTAL	**$ 7,540,000**

H. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
Revenue bonds	$ 126,605,000	$ 55,451,336	$ (7,850,000)	$ 174,206,336	$ 8,465,000
Special assessment debt					
with governmental commitment	60,000	-	(60,000)	-	-
Deferred amounts:					
Plus: for issuance premiums	275,591	174,105	(58,952)	390,744	-
Less: for issuance discounts	(21,886)	-	2,805	(19,081)	-
for issuance costs	(761,843)	(1,841,689)	135,635	(2,467,897)	-
on refunding	(1,920,984)	-	360,442	(1,560,542)	-
Total bonds payable	124,235,878	53,783,752	(7,470,070)	170,549,560	8,465,000
Notes payable	11,954,625	7,750,000	(4,799,463)	14,905,162	4,470,904
Capital lease	-	408,135	(408,135)	-	-
Estimated claims payable	17,061,670	20,432,488	(20,043,980)	17,450,178	5,827,164
Compensated absences payable	21,156,535	10,195,749	(8,186,177)	23,166,107	6,023,187
Governmental activity					
long-term liabilities	$ 174,408,708	$ 92,570,124	$ (40,907,825)	$ 226,071,007	$ 24,786,255
Business-type Activities:					
Bonds payable:					
Revenue bonds	$ 51,760,000	$ -	$ (1,455,000)	$ 50,305,000	$ 1,850,000
Less deferred amounts:					
for issuance discounts	(8,086)	-	1,410	(6,676)	-
for issuance costs	(578,891)	-	57,502	(521,389)	-
on refunding	(2,871,885)	-	283,078	(2,588,807)	-
Total bonds payable	48,301,138	-	(1,113,010)	47,188,128	1,850,000
Notes payable	19,512,460	-	(1,639,583)	17,872,877	1,615,807
Capital lease	236,143	-	(236,143)	-	-
Compensated absences payable	2,165,622	551,759	(500,500)	2,216,881	576,390
Landfill closure costs	12,051,528	908,348	-	12,959,876	-
Business-type activity					
long-term liabilities	$ 82,266,891	$ 1,460,107	$ (3,489,236)	$ 80,237,762	$ 4,042,197

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, $17,450,178 in estimated claims payable and $606,620 in compensated absences payable are included in the above amounts. Also, for the governmental activities, claims payable and compensated absences payable are generally liquidated by the General and Municipal Service District funds.

NOTE 9.
CONDUIT DEBT OBLIGATIONS

Five entities have been established for the sole purpose of providing financial assistance to private-sector entities to acquire or construct equipment and facilities deemed to be in the public interest. The five entities and their purposes are:

- **Community Development Properties, Volusia, Inc. –** provide financing for constructing a 1,500 space parking garage to satisfy requirements of Volusia County Code to end parking and driving on a section of Daytona Beach between Seabreeze Boulevard and International Speedway Boulevard.
- **Volusia County Health Facilities Authority** – provide financing for health care facilities and services available to the citizens of Volusia County.
- **Housing Finance Authority of Volusia County** – provide financing to alleviate the shortage of affordable rental housing and residential housing facilities for low and moderate-income families and individuals, and to provide capital for investment in such housing facilities.
- **Volusia County Industrial Development Authority** – provide financing for the purpose of fostering economic development with Volusia County.
- **Volusia County Educational Facilities Authority –** provide financing for higher education projects required or useful for the instruction of students or the operation of an institution of higher education in Volusia County.

Bonds issued on behalf of the entities are not deemed to constitute a debt of the County of Volusia, the State of Florida, or any political subdivision thereof. Bonds or other debt obligations are payable solely from the revenues or other resources pledged under the terms of the debt agreements.

A summary of outstanding issues at September 30, 2004 is comprised of the following:

ENTITY	NUMBER OF SERIES OUTSTANDING	ORIGINAL ISSUED	AGGREGATE PRINCIPAL OUTSTANDING
Community Development Properties, Volusia, Inc.	1	$ 12,490,000	$ 12,040,000
Volusia County Health Facilities Authority	5	346,860,000	173,255,000
Housing Finance Authority of Volusia County	17	94,496,000	(1)
Volusia County Industrial Development Authority	(1)	(1)	(1)
Volusia County Educational Facilities Authority	8	212,845,000	197,460,000

(1) Information not available from individual entities.

NOTE 10.
EMPLOYEE RECEIVABLES

During the fiscal year ended September 30, 1977, and again in fiscal year 1986, the County changed its biweekly pay period ending dates. As a result of these changes, certain employees received double pay for days worked. The amount owed is deducted from the employee's final pay. At September 30, 2004, this receivable amounted to $171,443. Additionally, the County administers a computer purchase plan as a benefit to its employee. At September 30, 2004, the amount owed to the County under this plan was $101,394. Both amounts are recorded as Employee Receivables and, since they do not represent an "available spendable resource," the General Fund's fund balance is reserved accordingly in the amount of $272,837.

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, FL 32399-1560

Funding Policy: The FRS has seven classes of membership with descriptions and contribution rates in effect at September 30, 2004 as follows (contribution rates are in agreement with the actuarially determined rates):

Regular Class – Members who do not qualify for other classes.	7.39%
Senior Management Service Class – Members of senior management who do not elect the optional annuity retirement program.	9.37%
Special Risk Class – Members employed as law enforcement officers, firefighters, or correctional officers and who meet the criteria set to qualify for this class.	18.53%
Special Risk Administrative Support Class – Special risk members who are transferred or reassigned to non-special risk and meet the criteria.	9.92%
Elected County Officer's Class – Certain elected county officials.	15.23%
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.	9.11%

The contribution rate of current year covered payroll is 11.34 percent. For the years ending September 30, 2004, 2003, and 2002, total contributions were $12,731,190, $9,720,067, and $10,132,047, respectively. The County made 100 percent of its required contributions for 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, 2004, the date of the latest actuarial valuation update:

Retirees and beneficiaries receiving benefits	16
Terminated plan members entitled to, but not yet receiving benefits	3
Active plan members:	
Vested	28
Non-vested	276
Total Active Plan Members	**304**
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.

Concentration of Investments: At September 30, 2004, pension funds were invested in two equities, which represented 33.2 percent and 8.1 percent of total pension investments.

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:

Pension Benefit Obligation	
Annual required contribution (ARC)	$ 58,758
Interest accrued on net pension obligation	(3,651)
ARC adjustment	4,870
Annual pension cost	**59,977**
Contributions made	102,000
Decrease in net pension obligation	**(42,023)**
Net pension obligation 09/30/03	(45,633)
Net pension obligation 09/30/04	**$ (87,656)**

The annual required contribution for the current year was determined as part of the October 1, 2004 actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumption included an 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, 2004 is 18 years.

FOUR YEAR TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Benefit Obligations (Credit)
09/30/01	$ 99,905	100	$ 3,284
09/30/02	77,247	132	(21,469)
09/30/03	77,836	131	(45,633)
09/30/04	59,977	170	(87,656)

The Volunteer Firefighters Pension Plan does not issue a stand-alone financial report.

NOTE 12.
SPECIAL ASSESSMENT RECEIVABLES

Special assessment receivables at September 30, 2004 consist of the following:

SPECIAL ASSESSMENT DISTRICT RECORDED IN	INTEREST RATE %	PRINCIPAL CURRENT RECEIVABLE	PRINCIPAL DEFERRED RECEIVABLE	INTEREST RECEIVABLE
Governmental Activities:				
Major funds:				
Municipal Service District:				
Corbin Park	10.0	$ 547	$ -	$ 307
South Waterfront Park	10.0	2,343	-	2,466
Mobile Home Village	10.0	57,477	-	63,499
Bethune Beach Wastewater Improvements	8.9	173,842	-	15,468
Corbin Park Unit 3 Napier Hull	8.0	35,475	23,188	11,603
Violet Court	8.0	178	527	33
Bethune Beach 6500 Block Atlantic Ave.	8.0	11,322	45,287	2,266
Penn Drive Country Club Estates	8.0	251	453	5
Pine Island	8.0	5,416	15,375	2,123
Bethune Beach 6400 Block Atlantic Ave.	8.0	2,394	7,003	1,337
Silverstone Court	8.0	8,560	74,442	-
Total Municipal Service District		297,805	166,275	99,107
Business-type Activities:				
Major funds:				
Water and Sewer Utilities:				
Waterfront Park	8.0	4,342	29,104	2,756
Agency funds:				
General Trust:				
Waterway Park	8.0	40,751	211,091	27,457
Hazelwood River Road	8.0	10,712	92,076	2,676
Total Agency funds		51,463	303,167	30,133
Total special assessment receivables		**$ 353,610**	**$ 498,546**	**$ 131,996**

NOTE 13.
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:

1. Five-to-ten year lease agreements with major (non-airline) tenants of the terminal.

2. 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, 2004

2005	$	5,438,325
2006		4,080,459
2007		3,768,705
2008		2,152,886
2009		1,929,129
Later Years		23,496,323
TOTAL MINIMUM FUTURE RENTALS	**$**	**40,865,827**

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 $1,040,000 during the fiscal year ended September 30, 2004.

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, 2004, 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, 2004

Land	$ 4,012,731
Buildings	4,431,113
Improvements other than buildings	12,019,568
SUBTOTAL	**20,463,412**
Less accumulated depreciation	(4,220,170)
TOTAL	**$ 16,243,242**

NOTE 14.
NET ASSETS/FUND BALANCE DEFICITS

A. NET ASSETS

During the fiscal year ended September 30, 2004, the Insurance Fund's deficit in net assets decreased to $4,120,296. This change resulted from actuarially determined adjustments made to the amounts owed for workers compensation and 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.

B. FUND BALANCE

For the fiscal year ending September 30, 2004, the FEMA – Hurricane Grants fund had a deficit in undesignated fund balance of $6,694,062. This deficit is a result of encumbrance obligations for disaster related recovery costs. These costs cross fiscal years due to the lengthy recovery process. Federal, state, and local funds will be available to cover these disaster related costs.

For the fiscal year ending September 30, 2004, the Volusia ECHO fund had a deficit in undesignated fund balance of $203,367. This deficit is a result of encumbrance obligations for ECHO projects not completed during fiscal year 2004. The projects cross fiscal years due to their nature. Tax proceeds collected in future years will be available to fund these projects.

For the fiscal year ending September 30, 2004, the State Housing Incentive Program fund deficit in undesignated fund balance was $153,360. This deficit is a result of encumbrance obligations for rehabilitation projects not completed in fiscal year 2004. The rehabilitation projects cross fiscal years due to the nature of the projects. The fund is solvent and supported by deferred revenues to be recognized as projects are expensed.

NOTE 15.
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, 2004. 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 completed the construction of the final cover required for landfill closure of the Tomoka Road South Class I Cell as of September 30, 2003. The County is currently operating the Tomoka Road North Class I Cell, which has expended 83.7 percent of its estimated capacity and has an estimated twelve months of life remaining, and the Tomoka Road Class III Cell, which has expended 36.7 percent of its estimated capacity and has an estimated ten years of life remaining.

The Tomoka Road landfill's closure and postclosure care costs originate on the date the existing cells are filled to capacity. Actual closure and postclosure care costs may be higher due to inflation, changes in technology, or changes in regulations. The total current cost estimate of closure and postclosure costs is $17.8 million. 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 $12.9 million reported as landfill closure and postclosure care liability at September 30, 2004 represents the cumulative amount reported to date. The remaining $4.9 million will be recognized as the estimated cell capacities are filled.

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, 2004, cash and investments of $4.4 million are held for these purposes. These are reported as restricted assets on the statement of net assets. 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 16.
COMMITMENT AND CONTINGENCIES

A. SELF-INSURANCE PROGRAMS

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 health, dental, and other medical benefits it provides to its employees.

During fiscal year 1976, the County established a self-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 $400,000 for each workers compensation claim, $250,000 for each public liability claim, and $25,000 for each property damage claim. The County has secured commercial insurance to cover specific claims for workers compensation, general liability, and physical damage claims for incidents that exceed the self-insured limits. The limits of this coverage are $1,000,000, $5,000,000, and $323,476,407 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. However, one uninsured claim was paid by the County in the amount of $5.2 million. Currently, the County has excess coverage for these excesses over policy limits. 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, general liability, and property damage using a discount rate of 3.0 percent and amounting to $16,316,404, with a carrying amount of $15,300,178, 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 years 2003 and 2004 were:

	2003	2004
Beginning fiscal year liability	$12,094,887	$15,069,370
Current year claims and changes in estimates	6,681,173	4,068,759
Claim payments	(3,706,690)	(3,837,951)
Balance at fiscal year end	$15,069,370	$15,300,178

In fiscal year 1986, the County established the self-insured Employee Group Insurance fund (internal service fund) to account for medical 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 Sun Life at a monthly rate of $45.63 for specific loss and $1.15 for aggregate loss, per participating employee. The County has contracted with various agencies to perform certain administrative functions, such as monitoring, reviewing and paying claims. 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 $2,150,000 reported in the fund at September 30, 2004 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 2003 and 2004 were:

	2003	2004
Beginning fiscal year liability	$ 1,958,440	$ 1,992,300
Current year claims and changes in estimates	13,941,591	16,363,729
Claim payments	(13,907,731)	(16,206,029)
Balance at fiscal year end	$ 1,992,300	$ 2,150,000

B. COMMUNITY DEVELOPMENT PROPERTIES, VOLUSIA, INC.

1. Contingent Liability

In July 1999, the County entered into an agreement with Community Development Properties, Volusia, Inc. to provide for the parking needs of the Daytona Beach downtown community. As part of this agreement, the County agreed to lease to Community Development Properties, Volusia, Inc. (Community Development Properties) a portion of land for the purpose of constructing and operating a multi-level parking facility. Construction of this parking facility was funded via issuance of two bond issues: Senior Lien Parking Facility Revenue Bonds, Series 1999A ($13,160,000) and Subordinate Lien Parking Facility Revenue Bonds, Series 1999B ($275,000). This debt was issued by Community Development Properties and does not represent a direct obligation of the County of Volusia. In October 2002, certain provisions of the two bond issues were amended and restated. The modification of existing terms and provisions were prompted by the fact that parking revenues were insufficient to meet the debt service requirements of the bonds and the operating and maintenance costs of the facility. To provide additional security for the bonds, the County agreed to a subordinate lien being placed on its tourist development tax revenues, only to the extent to cover principal and interest payments on the bonds. Tourist development taxes used to cover the debt service requirements are to be repaid by the lessor in accordance with provisions set forth in the amended and restated trust indenture. Any unpaid amounts will accrue interest at a rate equal to six percent per annum, compounded annually. No changes to the lease agreement between the County and Community Development Properties regarding the amount to be paid were made.

2. Lease Agreements

The lease agreement between the County and Community Development Properties requires Community Development Properties to pay an annual amount of $210,000 to the County for use of the parking facility land, which has a carrying value of $2,096,201. This rent accrues from the time the certificate of occupancy was issued for the parking facility in March 2000 and is payable, in arrears, once all debt service requirements of the trust indenture for the bonds have been met. In the event that revenues generated by the facility are insufficient to pay this rent, any unpaid amount carries forward to the next fiscal year, together with compounded interest at a rate of six percent. The initial term of the lease agreement is for a thirty-year period with two additional ten-year extensions. To date, no rental revenues have been collected. At fiscal year end, rental revenues in arrears including interest amounted to approximately $1,183,789. No receivable has been recorded at year-end for the amount in arrears due to the uncertainty of its collection.

In addition, the agreement allows the County to rent retail and parking space within the parking facility from Community Development Properties for an annual amount equal to $124,500. The County, in turn, entered into a commercial lease agreement with DBWP, LLC to sublease the retail space for the same amount of $124,500. The initial term of the lease agreement is for a twenty-one year period with four additional seven-year extensions.

C. LITIGATION

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.

Various suits and claims are currently pending against the County. 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.

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.

NOTE 17.
SUBSEQUENT EVENTS

On November 2, 2004, the County issued $64,215,000 of gas tax revenue bonds to finance the costs of acquisition, construction, and reconstruction of roads, bridges, and other transportation improvements. The interest rate on the bonds range from 2.75 – 5.00 percent and the maturity date is October 1, 2024.

On November 11, 2004, the County refinanced $2,080,000 through the Florida Local Government Finance Commission's Commercial Paper Loan Program (FLGFC). The original loan, obtained through FLGFC in November, 1999, for $3,500,000, was utilized for the construction of a new disposal cell at the Tomoka Landfill.