COUNTY OF VOLUSIA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

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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 508,000 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. 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 32724

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

2. 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

3. 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.

4. 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 2007, the County contributed $131,376 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 is 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.

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.

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

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 payments 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,* a special revenue 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 *Federal and State Grants Fund,* a special revenue fund, accounts for the fiscal activity relating to funds received from various federal and state grant programs.

- The *Ocean Center Expansion Fund,* a capital projects fund, accounts for the fiscal activity relating to the construction of additional exhibition space and meeting rooms in the Ocean Center.

- The *Bond Funded Road Program Fund,* a capital projects fund, accounts for the fiscal activity relating to the construction of roads and transportation improvements with an emphasis on projects that support economic development.

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 Fund*s account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

- *Internal Service Funds* account for computer replacement, vehicle maintenance, insurance, and employee group insurance services provided primarily to the departments or agencies of the County, or in some cases, 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.

- *Agency Funds* account for resources held by the County in a custodial capacity for other individuals, private organizations or other governments. This includes ad valorem taxes collected and distributed to cities and other taxing agencies, funds held for inmates pending their release, impact fees collected and distributed to the local school board, as well as state sales tax and motor vehicle fees collected on behalf of and distributed to the state.

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 restricted resources first then unrestricted resources.

D. 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.

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. 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/Unearned Revenue

Deferred revenues are recorded on the governmental fund balance sheet in the amount of $10,973,895. Of this amount, $1,861,053 represents amounts that are deferred solely because they are not yet considered to be available. Therefore, $9,112,842 is shown as unearned revenue on the government-wide Statement of Net Assets.

4. Advance Rents

The County entered into a long-term lease agreement with the Volusia County School Board at the Daytona Beach International Airport. As a result of this agreement, advance rents are recorded on the proprietary funds statement of net assets in the total amount of $3,003,710, of which $79,045 represents the current portion of this advance.

G. 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:

Allowance For Doubtful Accounts		
General fund	$	146,727
Special revenue funds		53,494
Enterprise funds		372,274
Internal service funds		16,695
Total	**$**	**589,190**

H. 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.

I. 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 capital projects.
- provide a reserve for passenger facility charges program.
- acquire capital assets (land and equipment replacement).
- provide a reserve for maintenance and operating expenses.

- provide funding for public safety, physical environment, transportation, culture/recreation, and other legally restricted activities, based upon specific state and local legislative requirements.

J. 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 $1,000 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, equipment, and infrastructure assets of the primary government, as well as the component units, are depreciated using the straight line method based upon the following estimated useful lives:

Estimated Useful Lives	
Assets	**Years**
Buildings	15 - 40
Improvements other than buildings	5 - 30
Infrastructure	35
Equipment	3 - 20

K. 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.

L. 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.

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.

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.

- Capital projects – to reflect resources legally restricted for capital projects.

- 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.

- Other long-term receivables – to reflect balance due from other receivables 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, 2006 account balances have been reclassified in this report to conform with the financial statement presentation used in 2007.

NOTE 2.
RESTATEMENT OF NET ASSETS

A. GOVERNMENTAL ACTIVITIES NET ASSETS

The net assets of the governmental activities have been restated to include infrastructure assets not previously capitalized. The affect of the restatement is as follows:

	Balance 09/30/06	Change	Restated Balance 09/30/06
Assets			
Land associated with infrastructure	$ -	$ 4,240,022	$ 4,240,022
Net Assets			
Total	534,169,673	4,240,022	538,409,695

B. PROPRIETARY NET ASSETS

The prior year net assets of the Refuse Disposal have been restated to reflect the underreporting of landfill closure costs payable. The affect of the restatement is as follows:

	Balance 09/30/06	Change	Restated Balance 09/30/06
Liabilities			
Landfill closure costs payable	$ 9,514,398	$ 8,257,907	$ 17,772,305
Net Assets			
Unrestricted	41,089,787	(8,257,907)	32,831,880

NOTE 3.
BUDGETS AND BUDGETARY ACCOUNTING

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

- Prior to October 1, the budget is legally enacted.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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:

Date	Process
January 1, 2006	Valuation date
July 1, 2006	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.
September 2006	Each taxing authority holds two required public hearings and adopts a budget and ad valorem tax millage rates(s) for the coming fiscal year.
November 1, 2006	Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable. (Levy date)
November 1, 2006 through March 31, 2007	A notice of taxes is mailed to each owner on the assessment roll. Taxes may be paid with the following applicable discounts. **Month** — **Discount Percentage** November — 4 December — 3 January — 2 February — 1 March — 0
April 1, 2007	All unpaid taxes on real and tangible personal property become delinquent.
April 2007 and May 2007	A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised.
May 31, 2007	Tax certificates are sold on all real estate parcels with unpaid real property taxes. (Lien date)
August 29, 2007	A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent personal property taxes.

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 Refuse Disposal, Insurance, and Volunteer Firefighters Pension Trust funds are held separately from those of other County funds. Investments are reported at fair value.

A. DEPOSITS

All bank balance deposit amounts are 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 policy establishes investment guidelines for the County. The investment policy applies to all financial assets held or controlled by the County, with exception of certain pension, trust, or debt related funds which are controlled by ordinances or policies.

Authorized investment instruments include: the Local Government Surplus Funds Trust Fund; 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 (SEC); 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, and intergovernmental investment pools that are authorized pursuant to the Florida Interlocal Cooperative Act. Additionally, the County may invest Volunteer Firefighters Pension funds in bonds, stocks or other evidence of indebtedness issued or guaranteed by a corporation organized under the laws of the United States. The County may also invest pension funds in mutual funds regulated by the SEC, index mutual funds of a broad-based index, and the County's investment pool. Pension funds investments will be diversified with no more than 30 percent of its value invested in the securities of any single issuer or instrument. This limitation shall not apply to U.S. Government securities, its Agencies or the County's investment pool account.

At the close of the fiscal year, the County held investments in United States Government notes and other federal instrumentalities, mutual funds, stocks, and the Local Government Surplus Trust Fund. County investment policies permit the County to enter into reverse repurchase agreements; however, there were no such investments in fiscal year 2007.

The County's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a-7 like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The State Board of Administration (SBA) has taken the position that participants in the pool are not required to disclose information related to interest rate risk, custodial credit risk, concentration of credit risk, and foreign credit risk. The investment pool was not rated by a nationally recognized statistical rating agency as of September 30, 2007. At September 30, 2007, the County's investments totaled $167,555,182 in the Local Government Surplus Funds Trust Fund administered by the SBA pursuant to Section 218.405, Florida Statutes and are reported at fair value.

As of September 30, 2007, the County's cash and investments are as follows:

Investments Type	Maturities	Credit Quality		Fair Value
Federal instrumentalities	October 2007 - July 2012	AAA/Aaa	$	257,168,681
Mutual funds	N/A	N/A		2,000,205
Stocks	N/A	N/A		1,243,937
Subtotal				**260,412,823**
Local Government Surplus Funds Trust Fund	N/A	N/A		167,555,182
Carrying value of cash and restricted cash	N/A	N/A		41,173,075
Total			**$**	**469,141,080**

Interest Rate Risk: is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. In accordance with the County's investment policy, interest rate risk is mitigated by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; and by investing operating funds primarily in shorter-term securities.

Credit Risk: is the risk of losses due to the failure of the security issuer or backer. In accordance with the County's investment policy, credit risk is mitigated by limiting investments to the safest types of securities; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the County will do business; and by diversifying the investment portfolio so that potential losses on individual securities will be minimized.

Custodial Credit Risk: The County's investment policy requires that all securities purchased and/or collateral obtained by the Chief Financial Officer shall be properly designated as an asset of the County and held in safekeeping by the trust department and no withdrawal of such securities, in whole or in part, shall be made from safekeeping except by an authorized County employee. Treasury and federal agency assets held by the County are held by the Federal Reserve in an account for our bank/custodian. The bank/custodian segregates out assets/investments from those of other bank/custodian clients and their own assets. Commercial Paper is held in a similar fashion at the Depository Trust Corporation (DTC), however the bank /custodian has its own custodian for DTC items.

Concentration of Credit Risk: To the extent possible, the County shall attempt to match its investment maturities with anticipated cash flow requirements; and the County will not invest in securities maturing more than ten years from the date of purchase unless it is for a specific reserve or other identified special fund. The County's written investment policy places limits on the percentage of the portfolio that may be invested in each type of investment. The County is permitted to invest:

- 100 percent of its cash in the State of Florida's Local Government Surplus Trust Fund and United States government securities.

- 75 percent of its cash in United States government agencies and instrumentalities, and repurchase agreements.

- 50 percent of its cash in commercial paper and intergovernmental investment pools.

- 30 percent in state and local government debt, bankers acceptances, and money market mutual funds.

The County's investment policy also states that investments will be diversified to the extent possible, to control the risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold.

NOTE 6.
INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Loans between funds are used to cover temporary cash deficits because revenues, while accrued, are not received by fiscal year end. Typically, state and federal grant revenues fall into this area. In addition, interfund loans are used to fund specific projects or other activities.

The composition of interfund balances as of September 30, 2007 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	$ 8,070,430	$ -	$ 112,769	$ -
Municipal Service District	1,515,537	-	890,000	-
Federal and State Grants	112,769	-	5,779,250	-
Nonmajor funds:				
Special Revenue funds:				
Resort Tax	-	-	372,898	-
Sales Tax Trust	-	-	2,876,717	-
Ponce Inlet Port Authority	499,536	3,442,275	-	-
Ocean Center	372,898	-	-	-
Fire Services	-	-	499,536	3,442,275
Capital Projects funds:				
Other	-	-	40,000	-
Total	**$ 10,571,170**	**$ 3,442,275**	**$ 10,571,170**	**$ 3,442,275**

Interfund balances at September 30, 2007 are primarily related to:

- a loan from Ponce Inlet Port Authority to Fire Services, with $499,536 due within the next year, which provided funding for the settlement of a lawsuit. The remaining amount of the outstanding loan of $3,442,275 will be repaid in annual installments by September 2014.

- interfund transactions in the amount of $5,779,250 to cover cash deficits due to timing of grant reimbursements.

- other interfund transactions distributing resort and sales tax collections to the appropriate receiving funds.

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	$ 2,782,056	$ -	$ 199,230	$ -
Municipal Service District	-	-	398	-
Federal and State Grants	-	-	196	-
Bond Funded Road Program	-	-	364	-
Nonmajor funds:				
Special Revenue funds:				
County Transportation Trust	-	-	64	-
Ocean Center	-	-	3,388	-
Road Impact Fees	-	-	345	-
State Housing Incentive Program	-	-	797	-
Hurricane Housing Recovery Program	-	-	107	-
Proprietary funds:				
Water and Sewer Utilities	-	-	307	-
Component units:				
Clerk of the Circuit Court	-	4,987	-	2,782,056
Volusia County Law Library	-	89,315	-	-
Emergency Medical Foundation, Inc.	-	110,894	-	-
Total	**$ 2,782,056**	**$ 205,196**	**$ 205,196**	**$ 2,782,056**

Transfers move monies collected by one fund to be expended by another fund in order to meet legal and budgetary requirements.

Interfund transfers consist of the following:

	Transfer Out:					
	General Fund	Municipal Service District	Federal and State Grants	Nonmajor governmental funds	Refuse Disposal	Total
Transfer in:						
General Fund	$ -	$ 20,385	$ -	$ 6,978,488	$ 728,720	$ 7,727,593
Municipal Service District	-	-	-	5,820,289	-	5,820,289
Federal and State grants	629,350	-	-	641,522	-	1,270,872
Ocean Center Expansion	-	-	-	494,540	-	494,540
Nonmajor Governmental Funds	30,799,903	1,727,215	1,901,863	32,445,862	-	66,874,843
Volusia Transportation Authority	9,891,432	-	-	-	-	9,891,432
Garbage Collection	-	-	-	-	120,000	120,000
Insurance	-	-	-	1,175,000	-	1,175,000
Total	**$ 41,320,685**	**$1,747,600**	**$ 1,901,863**	**$ 47,555,701**	**$ 848,720**	**$93,374,569**

- Based upon bond ordinances, transfers are made to meet debt service requirements. Of the $66,874,843 received in non-major governmental funds transfers, $23,233,731 related to debt service.
- Of the $30,799,903 transferred out of the General Fund to the nonmajor governmental funds, the majority related to the following capital projects: $15,150,000 to fund the DeLand complex, $3,768,184 to acquire information technology software and hardware, $3,205,888 to fund beach capital improvements, $2,861,967 to acquire a residential treatment facility, and $2,000,000 to fund the sheriff evidence complex.
- The Sales Tax Trust fund, a nonmajor governmental fund, transferred $4,907,714 and $5,464,244 to the General and the Municipal Service District funds, respectively.
- Activity between the nonmajor governmental funds includes a transfer from the Library fund of $6,788,059 to the Deltona Library Expansion capital projects fund and a transfer of $2,819,001 from the Resort Tax fund to the Ocean Center fund.

NOTE 7.
CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2007 was as follows:

Governmental Activities	Beginning Balance 09/30/06	Increases	Decreases	Ending Balance 09/30/07
Capital assets, not being depreciated:				
Land	$ 95,485,715	$ 15,903,224	$ -	$ 111,388,939
Land - infrastructure	26,525,670	10,698,974	-	37,224,644
Construction in progress	26,136,756	32,866,604	(1,783,050)	57,220,310
Construction in progress - infrastructure	31,051,880	27,756,806	(9,086,345)	49,722,341
Total capital assets, not being depreciated	179,200,021	87,225,608	(10,869,395)	255,556,234
Capital assets, being depreciated:				
Buildings	219,417,375	6,013,424	-	225,430,799
Improvements other than buildings	17,790,828	1,529,274	-	19,320,102
Leasehold improvements	497,125	-	-	497,125
Equipment	108,342,485	14,073,877	(7,538,498)	114,877,864
Infrastructure	356,279,486	9,086,345	-	365,365,831
Total capital assets being depreciated	702,327,299	30,702,920	(7,538,498)	725,491,721
Less accumulated depreciation for:				
Buildings	(75,568,417)	(5,959,637)	-	(81,528,054)
Improvements other than buildings	(7,931,972)	(863,245)	-	(8,795,217)
Leasehold improvements	(338,968)	(26,547)	-	(365,515)
Equipment	(67,642,573)	(11,436,320)	6,738,911	(72,339,982)
Infrastructure	(251,184,949)	(4,125,707)	-	(255,310,656)
Total accumulated depreciation	(402,666,879)	(22,411,456)	6,738,911	(418,339,424)
Total capital assets, being depreciated, net	299,660,420	8,291,464	(799,587)	307,152,297
Governmental activities capital assets, net, restated	$ 478,860,441	$ 95,517,072	$ (11,668,982)	$ 562,708,531

Business-type Activities	Beginning Balance 9/30/06	Increases	Decreases	Ending Balance 09/30/07
Capital assets, not being depreciated:				
Land	$ 48,567,947	$ 16,501	$ (380,505)	$ 48,203,943
Construction in progress	9,309,372	7,392,629	(11,896,673)	4,805,328
Total capital assets, not being depreciated	57,877,319	7,409,130	(12,277,178)	53,009,271
Capital assets, being depreciated:				
Buildings	23,908,628	44,459	-	23,953,087
Improvements other than buildings	186,082,678	20,082,016	-	206,164,694
Equipment	38,945,824	4,919,991	(2,919,104)	40,946,711
Total capital assets being depreciated	248,937,130	25,046,466	(2,919,104)	271,064,492
Less accumulated depreciation for:				
Buildings	(10,113,762)	(984,816)	-	(11,098,578)
Improvements other than buildings	(79,767,587)	(8,244,345)	-	(88,011,932)
Equipment	(22,774,843)	(3,614,681)	2,432,442	(23,957,082)
Total accumulated depreciation	(112,656,192)	(12,843,842)	2,432,442	(123,067,592)
Total capital assets, being depreciated, net	136,280,938	12,202,624	(486,662)	147,996,900
Business-type activities capital assets, net	$ 194,158,257	$ 19,611,754	$ (12,763,840)	$ 201,006,171

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	Depreciation Expense
General government	$ 4,109,626
Public safety	6,128,159
Physical environment	408,692
Transportation	5,605,922
Economic environment	24,802
Human services	877,882
Culture/recreation	2,622,582
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	2,633,791
Total	$ 22,411,456

Business-type Activities		Depreciation Expense
Refuse disposal	$	3,117,289
Daytona Beach International Airport		4,720,275
Volusia Transportation Authority		2,400,514
Water and sewer utilities		2,602,050
Garbage collection		3,714
Total	$	12,843,842

Construction commitments

The County has active construction projects as of September 30, 2007. At year-end the government's commitments with contractors are as follows:

Projects		Spent-to-Date		Remaining Commitment
Park-related improvements	$	3,350,774	$	2,918,314
Historic courthouse renovation		1,190,720		357,743
Ocean Center expansion		25,866,532		30,909,704
Road construction		23,584,442		18,673,549
Beach-related construction/improvements		1,913,959		4,368,221
Airport-related construction		4,335,815		3,186,874
Solid Waste construction/improvements		4,041,515		590,744
Water/sewer utility improvements		2,648,900		1,062,880
Total	$	66,932,657	$	62,068,029

Commitments for the park-related projects are financed by revenues derived from boat registration renewals, grants, and transfers from the General, Ponce Inlet Port Authority, and Park Impact Fee funds. The commitment for the Historic Courthouse renovation is financed from bond proceeds, interest earnings, and transfers from the General Fund. The commitment for the expansion of the Ocean Center facility is financed by the issuance of bonds, transfers from the Resort Tax fund, and interest earnings.

Remaining commitments for the road construction projects are funded by various gas taxes, road impact fees, and the issuance of bonds. Airport improvements are mainly funded by federal and state matching grants. The commitments for Solid Waste improvements and 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 revenue bond resolutions pertaining to debt activity during the year reflected on the September 30, 2007 financial statements:

1. Revenue Bonds:

Name	Dated	Final Maturity	Payment Date		Interest Rates	Reserve Requirement	Revenue Pledged	Purpose
			Principal	Interest				
$5,085,000 Water and Sewer Refunding Revenue Bonds, Series 1998	07/01/1998	10/01/2016	Oct 1	Oct 1 and Apr 1	4.15% to 4.88%	N/A	Net revenues from the operation of the County's water and sewer system, connection fees, and investment earnings.	To provide funds sufficient to advance refund the remaining portion of the County's Water and Sewer Bonds, Series 1989.
$59,250,000 Subordinate Lien Sales Tax Improvement Revenue Bonds, Series 1998	09/01/1998	10/01/2018	Oct 1	Oct 1 and Apr 1	4.00% to 5.13%	N/A	Local Government Half-Cent Sales Tax and investment earnings.	To finance the cost of acquiring, constructing, and equipping certain capital improvements, including a new court facility and to advance refund the County's Sales Tax Improvement Revenue Bonds, Series 1996.
$30,795,000 Airport System Revenue Refunding Bonds, Series 2000	08/01/2000	10/01/2021	Oct 1	Oct 1 and Apr 1	6.80% to 7.00%	N/A	Net revenues generated by the operations of the Daytona Beach International Airport and all moneys, including investment earnings.	To provide sufficient funds to advance refund the remaining portion of the County's Airport System Revenue Bonds, Series 1991.

Name	Dated	Final Maturity	Payment Date Principal	Payment Date Interest	Interest Rates	Reserve Requirement	Revenue Pledged	Purpose
$11,930,000 Subordinate Lien Sales Tax Improvement Refunding Revenue Bonds, Series 2001A	06/01/2001	10/01/2014	Oct 1	Oct 1 and Apr 1	4.00% to 5.00%	N/A	Local Government Half-Cent Sales Tax and investment earnings.	To provide funds sufficient to advance refund a portion of the County's Sales Tax Improvement Revenue Bonds, Series 1994.
$23,985,000 Subordinate Lien Sales Tax Improvement Refunding Revenue Bonds, Series 2001B	06/01/2001	10/01/2010	Oct 1	Oct 1 and Apr 1	4.00% to 4.20%	N/A	Local Government Half-Cent Sales Tax and investment earnings.	To provide funds sufficient to current refund a portion of the County's Sales Tax Improvement Refunding Revenue Bonds, Series 1991A.
$22,565,000 Tourist Development Tax Refunding Revenue Bonds, Series 2002	09/15/2002	12/01/2013	Dec 1	Dec 1 and Jun 1	2.50% to 3.50%	N/A	Tourist development tax revenues and all moneys, including investment earnings.	To provide sufficient funds to currently refund all of the County's Tourist Development Tax Bonds, Series 1993.
$6,975,000 Water and Sewer Refunding Revenue Bonds, Series 2003	07/01/2003	10/01/2019	Oct 1	Oct 1 and Apr 1	2.00% to 4.00%	N/A	Net revenues from the operation of the County's water and sewer system, connection fees, and all moneys, including investment earnings.	To provide funds sufficient to advance refund the remaining portion of the County's Water and Sewer Refunding and Improvement Revenue Bonds, Series 1993.
$11,110,000 Airport System Refunding Revenue Bonds, Series 2003	07/01/2003	10/01/2021	Oct 1	Oct 1 and Apr 1	2.00% to 4.10%	N/A	Net revenues from the operation of the Daytona Beach International Airport and all moneys, including investment earnings.	To provide sufficient funds to currently refund all of the County's Airport System Revenue Refunding Bonds, Series 1993.

Name	Dated	Final Maturity	Payment Date Principal	Payment Date Interest	Interest Rates	Reserve Requirement	Revenue Pledged	Purpose
$8,255,000 Subordinate Lien Sales Tax Refunding Revenue Bonds, Series 2003	07/01/2003	10/01/2021	Oct 1	Oct 1 and Apr 1	2.00% to 4.00%	N/A	Local Government Half-Cent Sales Tax and investment earnings.	To provide sufficient funds to currently refund all of the County's Sales Tax Improvement Refunding Revenue Bonds, Series 1993.
$64,710,000 Tourist Development Tax Revenue Bonds, Series 2004	08/04/2004	12/01/2034	Dec 1	Dec 1 and Jun 1	4.40% to 5.00%	N/A	Tourist development tax revenues and all moneys, including investment earnings.	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.
$64,215,000 Gas Tax Revenue Bonds, Series 2004	11/02/2004	10/01/2024	Oct 1	Oct 1 and Apr 1	2.75% to 5.00%	N/A	Proceeds of the County's Six Cent Local Option Fuel Tax and investment earnings.	To provide funds sufficient for the acquisition, construction, and reconstruction of roads, bridges, and other transportation improvements.

2. General Obligation Bonds:

Name	Dated	Final Maturity	Payment Date Principal	Payment Date Interest	Interest Rates	Reserve Requirement	Revenue Pledged	Purpose
$39,875,000 Limited Tax General Obligation Bonds, Series 2005	11/10/2005	10/01/2021	Oct 1	Oct 1 and Apr 1	3.50% to 4.25%	N/A	A limited property tax assessed and levied, not to exceed 0.20 mill on all taxable property in the County, and investment earnings.	To provide funds sufficient to finance the costs of acquisition and improvement of environmentally sensitive lands, and certain costs related to the issuance of the bonds.

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 capital asset is also recorded for the same amount. At the end of fiscal year 2006, there remained a principal balance of $187,397 and an accrued interest payable amount of $36,500. For the fiscal year 2007, an additional amount of $607,291 was borrowed under the capital lease. During the year, $787,555 was paid on the principal amount, with an additional accrued interest amount of $20,099. The balance remaining is $7,133. The book value of the assets acquired, net of accumulated depreciation of $1,159,974, is $1,377,014.

C. NOTES PAYABLE

The County finances the acquisition of equipment and construction of its capital projects from a variety of sources, including the issuance of debt in the form of notes payable. During fiscal year 2007, the County issued $13,400,000 of notes payable through the Florida Association of Counties, secured with a covenant to budget and appropriate legally available non-ad valorem revenues. The projects financed from the notes issued are:

Acquire computer equipment for a criminal justice information system	$ 6,700,000
Construct network of pedestrian and bike trails	2,700,000
Acquire land, construction of evidence facility and district headquarters for Sheriff's Department	2,000,000
Acquire vehicles, communication and computer equipment	1,100,000
Construct transportation and utility improvements for a special assessment district, Capri Drive	900,000
Total	$ 13,400,000

By financing these and previous projects, the County can obtain needed equipment and proceed with construction of projects on a reduced timetable as well as spread the cost over future years and users. As an example, the County constructed improvements on Capri Drive, a special assessment district benefiting property owners who then have ten years to repay the County. This debt is solely the obligation of the County and must be repaid in the same manner as all other notes issued.

Notes payable outstanding as of September 30, 2007, are comprised of the following:

Governmental Activities Debt

Notes Payable	Interest Rate	Interest Payable	Final Maturity Date	Annual Principal Payment (in thousands)	Amount Outstanding 09/30/07
Installment purchase agreement with Fla. Assn. of Counties for purchase of environmentally sensitive land	Variable (1)	Monthly	12/04/07	$2,415	$ 2,415,000
Installment purchase agreement with Fla. Assn. of Counties for purchase of vehicles and equipment	Variable (1)	Monthly	06/03/08	$365	365,000
Installment purchase agreement with Fla. Assn. of Counties for purchase of environmentally sensitive land	Variable (1)	Monthly	12/02/08	$248 – 1,384	1,632,000
Installment purchase agreement with Bank of America Leasing for purchase of two helicopters	3.90%	Quarterly	12/30/08	$138 – 539	808,343
Installment purchase agreement with Fla. Assn. of Counties for purchase of vehicles and equipment	Variable (1)	Monthly	09/08/09	$480 – 486	966,000
Installment purchase agreement with Fla. Assn. of Counties to construct and equip new fire stations	Variable (1)	Monthly	09/08/09	$144 – 149	293,000
Installment purchase agreement with Fla. Assn. of Counties to construct and equip upgrade of jail facility	Variable (1)	Monthly	09/08/09	$275 – 1,855	2,130,000
Installment purchase agreement with Fla. Assn. of Counties to construct and equip new fire stations	Variable (1)	Monthly	12/01/09	$104 – 608	816,000
Installment purchase agreement with Fla. Assn. of Counties to construct and acquire network of pedestrian and bike trails	Variable (1)	Monthly	12/01/09	$136 – 1,482	1,754,000
Installment purchase agreement with Fla. Assn. of Counties for purchase of vehicles and equipment	Variable (1)	Monthly	12/01/09	$110 – 360	830,000
Installment purchase agreement with Fla. Assn. of Counties for purchase of computer equipment	Variable (1)	Monthly	12/07/10	$520 – 533	2,093,000
Installment purchase agreement with Fla. Assn. of Counties for purchase of an aircraft hangar	Variable (1)	Monthly	12/07/10	$284 – 864	1,716,000
Installment purchase agreement with Fla. Assn. of Counties to construct and acquire network of pedestrian and bike trails	Variable (1)	Monthly	12/07/10	$120 – 1,220	1,580,000

Governmental Activities Debt (con't)

Notes Payable	Interest Rate	Interest Payable	Final Maturity Date	Annual Principal Payment (in thousands)	Amount Outstanding 09/30/07
Installment purchase agreement with Fla. Assn. of Counties to construct and acquire a public safety facility	Variable [1]	Monthly	12/06/11	$280 – 670	1,790,000
Installment purchase agreement with Fla. Assn. of Counties for purchase of computer equipment for CJIS system	Variable [1]	Monthly	12/04/12	$668 – 3,360	6,700,000
Installment purchase agreement with Fla. Assn. of Counties to construct and acquire network of pedestrian and bike trails	Variable [1]	Monthly	12/04/12	$192 – 1,740	2,700,000
Installment purchase agreement with Fla. Assn. of Counties to construct and acquire transportation and utility improvements	Variable [1]	Monthly	12/04/12	$84 – 480	900,000
Total					**$ 29,488,343**

[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. The variable interest rate was 4.68% as of the balance sheet date.

Business-type Activities Debt

Notes Payable	Interest Rate	Interest Payable	Final Maturity Date	Annual Principal Payment (in thousands)	Amount Outstanding 09/30/07
Installment purchase agreement with Fla. Assn. of Counties for refuse disposal's disposal cell construction	Variable [1]	Monthly	12/01/09	$104 – 416	$ 936,000
Installment purchase agreement with Fla. Assn. of Counties for purchase of land adjoining Daytona Beach International Airport	Variable [1]	Monthly	12/07/10	$224 – 1,361	2,033,000
Deltona North Water Reclamation Facility with the State of Florida's revolving loan program	2.99%	Semi-annual	06/15/17	$88 – 115	1,012,463
Southwest Regional Water Reclamation Facility with the State of Florida's revolving loan program	3.05%	Semi-annual	05/15/20	$135 – 194	2,121,622
Southeast Wastewater Facility with the State of Florida's revolving loan program	3.24%	Semi-annual	08/15/20	$278 – 543	5,827,267
Total					**$ 11,930,352**

[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. The variable interest rate was 4.68% as of the balance sheet date.

D. DEBT SERVICE TO MATURITY

The annual requirements to amortize all government-wide debt outstanding as of September 30, 2007, including interest payments of $143,704,934 are as follows:

Governmental Activities Debt							
Fiscal Year	Revenue Bonds		General Obligation Bonds		Capital Lease and Notes Payable		Total Principal and Interest
	Principal	Interest	Principal	Interest	Principal	Interest	
2008	$ 9,360,000	$ 8,669,139	$ 1,945,000	$ 1,484,262	$ 7,352,460	$ 1,191,084	$ 30,001,945
2009	9,875,000	8,347,576	2,015,000	1,416,188	6,760,016	924,623	29,338,403
2010	10,200,000	8,002,151	2,085,000	1,345,662	4,348,000	604,908	26,585,721
2011	10,545,000	7,630,958	2,160,000	1,272,688	3,841,000	402,292	25,851,938
2012	11,110,000	7,233,154	2,235,000	1,194,388	1,614,000	292,743	23,679,285
2013-2017	62,210,000	29,174,468	12,525,000	4,635,262	5,580,000	64,304	114,189,034
2018-2022	49,215,000	17,595,996	15,225,000	1,931,725	-	-	83,967,721
2023-2027	27,415,000	10,477,974	-	-	-	-	37,892,974
2028-2032	17,915,000	5,604,875	-	-	-	-	23,519,875
2033-2035	13,105,000	1,004,875	-	-	-	-	14,109,875
Total	**220,950,000**	**103,741,166**	**38,190,000**	**13,280,175**	**29,495,476**	**3,479,954**	**409,136,771**
LESS: Unamortized bond costs	9,624,832	-	294,947	-	-	-	9,919,779
Total	**$ 211,325,168**	**$ 103,741,166**	**$ 37,895,053**	**$ 13,280,175**	**$ 29,495,476**	**$ 3,479,954**	**$ 399,216,992**

Fiscal Year	Business-type Activities Debt: Revenue Bonds Principal	Revenue Bonds Interest	Notes Payable Principal	Notes Payable Interest	Total Principal and Interest	Total Government-wide Principal and Interest
2008	$ 2,115,000	$ 2,409,064	$ 1,252,846	$ 397,626	$ 6,174,536	$ 36,176,481
2009	2,215,000	2,304,071	1,271,625	348,247	6,138,943	35,477,346
2010	2,325,000	2,191,206	978,982	302,075	5,797,263	32,382,984
2011	2,440,000	2,068,837	2,031,935	226,223	6,766,995	32,618,933
2012	2,570,000	1,938,994	691,503	189,640	5,390,137	29,069,422
2013-2017	15,010,000	7,437,504	3,788,910	616,809	26,853,223	141,042,257
2018-2022	17,835,000	2,680,290	1,914,551	93,053	22,522,894	106,490,615
2023-2027	-	-	-	-	-	37,892,974
2028-2032	-	-	-	-	-	23,519,875
2033-2035	-	-	-	-	-	14,109,875
Total	**44,510,000**	**21,029,966**	**11,930,352**	**2,173,673**	**79,643,991**	**488,780,762**
LESS:						
Unamortized bond costs	2,172,432	-	-	-	2,172,432	12,092,211
Total	**$ 42,337,568**	**$ 21,029,966**	**$ 11,930,352**	**$ 2,173,673**	**$ 77,471,559**	**$ 476,688,551**

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 received an updated arbitrage rebate determination on the following bond issue:

- Sales Tax Improvement Revenue Bonds, Series 1991.

In this case, it was determined that no arbitrage rebate liability had accrued.

F. NEW ISSUE

The County had no new bond issues.

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, 2007, the County has no remaining bonds outstanding that are considered defeased.

H. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2007, was as follows:

Governmental Activities Debt	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	$ 230,130,000	$ -	$ (9,180,000)	$ 220,950,000	$ 9,360,000
General obligation bonds	39,875,000	-	(1,685,000)	38,190,000	1,945,000
Deferred amounts:					
Plus: for issuance premiums	2,381,779	-	(229,676)	2,152,103	-
Less: for issuance discounts	(8,623,679)	-	373,283	(8,250,396)	-
for issuance costs	(3,396,061)	-	276,479	(3,119,582)	-
on refunding	(944,800)	-	242,896	(701,904)	-
Total bonds payable	259,422,239	-	(10,202,018)	249,220,221	11,305,000
Notes payable	20,951,189	13,400,000	(4,862,846)	29,488,343	7,345,327
Capital lease	187,397	607,291	(787,555)	7,133	7,133
Compensated absences payable	25,105,827	10,488,152	(9,825,474)	25,768,505	6,983,264
Estimated claims payable	16,523,729	27,674,739	(29,322,169)	14,876,299	2,578,632
Net OPEB obligation	-	2,982,319	(1,256,313)	1,726,006	-
Total	**$ 322,190,381**	**$ 55,152,501**	**$ (56,256,375)**	**$ 321,086,507**	**$ 28,219,356**

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, $14,876,299 in estimated claims payable, $530,101 in compensated absences payable, and $1,726,006 in net OPEB obligations are included in the above amounts. Also, for the governmental activities, claims payable and compensated absences payable are primarily liquidated by the general and municipal service district funds.

Business-type Activities Debt	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	$ 46,525,000	$ -	$ (2,015,000)	$ 44,510,000	$ 2,115,000
Less deferred amounts:					
for issuance discounts	(4,272)	-	985	(3,287)	-
for issuance costs	(414,640)	-	61,814	(352,826)	-
on refunding	(2,058,870)	-	242,551	(1,816,319)	-
Total bonds payable	44,047,218	-	(1,709,650)	42,337,568	2,115,000
Notes payable	13,164,979	-	(1,234,627)	11,930,352	1,252,846
Compensated absences payable	2,280,389	1,166,454	(1,021,700)	2,425,143	655,597
Landfill closure costs	17,772,305	2,120,339	-	19,892,644	84,820
Total	**$ 77,264,891**	**$ 3,286,793**	**$ (3,965,977)**	**$ 76,585,707**	**$ 4,108,263**

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, 2007 is comprised of the following:

Entity	Number of Series Outstanding	Original Issued	Aggregate Principal Outstanding
Community Development Properties, Volusia, Inc.	1	$ 12,490,000	$ 11,005,000
Volusia County Health Facilities Authority	4	151,360,000	110,160,000
Housing Finance Authority of Volusia County	13	86,975,000	83,815,000
Volusia County Industrial Development Authority	(a)	(a)	(a)
Volusia County Educational Facilities Authority	8	258,775,000	241,555,000

(a) 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, 2007, this receivable amounted to $115,783. Additionally, the County administers a computer purchase plan as a benefit to its employees. At September 30, 2007, the amount owed to the County under this plan was $66,635. 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 $182,418.

NOTE 11.
PENSION PLANS

A. FLORIDA RETIREMENT SYSTEM

1. 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

2. Funding Policy

The FRS has seven classes of membership with descriptions and contribution rates in effect at September 30, 2007 as follows (contribution rates are in agreement with the actuarially determined rates):

Regular Class – Members who are eligible to participate in the plan, but do not qualify for membership in other classes.	9.85%
Senior Management Service Class – Members of senior management.	13.12%
Special Risk Class – Members employed as law enforcement officers, firefighters, or correctional officers.	20.92%
Special Risk Administrative Support Class – Special risk members who are transferred or reassigned to non-special risk law enforcement, firefighting, or correctional administrative support positions.	12.55%
Elected Officer's Class – Elected county officials.	16.53%
Deferred Retirement Option Program (DROP) – Members who have reached eligible retirement age and have elected to defer the receipt of benefits, allowing them to accumulate benefits within the FRS Trust Fund, while continuing their employment.	10.91%

The contribution rate of current year covered payroll is 14.25 percent. For the years ending September 30, 2007, 2006, and 2005, total contributions were $19,213,891, $15,419,750, and $13,692,538, respectively. The County made 100 percent of its required contributions for each year.

B. VOLUNTEER FIREFIGHTERS PENSION PLAN

1. Plan Description

The Volunteer Firefighters Pension Plan is a single-employer defined benefit pension plan administered by the County of Volusia. The Volunteer Firefighters Pension Plan does not issue a stand-alone financial report.

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).

2. Summary of Benefits

Eligible participants will receive pension benefits equal to $20 per month multiplied by each year of credited service, not to exceed 35 years. In addition, the participant will receive a benefit equal to his or her accrued benefit payable at the time he or she becomes disabled. Upon death of the participant, his or her beneficiary will receive an equivalent benefit equal to the actuarial value of the participant's accrued benefit.

3. Plan Membership

Membership in the plan consisted of the following at October 1, 2007, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	25
Terminated plan members entitled to, but not yet receiving benefits	10
Active plan members:	
Vested	2
Non-vested	224
Total Plan Members	**261**
Number of participating employers	1

4. Basis of Accounting

The Volunteer Firefighter Pension Plan financial statements are prepared using the accrual basis of accounting. County contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

5. Method Used to Value

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

6. 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 maintaining a level contribution to the plan as long as the annual pension cost obligation is met or exceeded. Volunteers do not contribute to the plan.

7. Annual Pension Cost and Net Pension Obligation

The County's actuarial valuation performed on October 1, 2005 determined the annual required contribution (ARC) for the fiscal year ended September 30, 2007. The ARC represents a level of funding, that if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The County's annual pension cost and net pension obligation to the pension plan for the current year were as follows:

Pension Obligation	
Annual required contribution (ARC)	$ -
Interest accrued on net pension obligation	(14,593)
ARC adjustment	22,883
Annual pension cost	**8,290**
Contributions made	-
Decrease in net pension obligation	**8,290**
Net pension obligation 09/30/06	(208,466)
Net pension obligation 09/30/07	**$ (200,176)**

The County's pension cost, percentage of pension costs contributed, and the net pension obligation for the current and last two fiscal years is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/05	$ 61,603	166	$ (128,053)
09/30/06	4,587	1853	(208,466)
09/30/07	8,290	0	(200,176)

8. Funded Status and Funding Progress

As of October 1, 2007, the most recent actuarial valuation date, the plan was 108 percent funded. The actuarial accrued liability for benefits was $4,667,026, and the actuarial value of assets was $5,033,476, resulting in an unfunded actuarial accrued liability (UAAL) of ($366,450).

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

9. Actuarial Methods and Assumptions

Contribution for the current year was determined as part of the October 1, 2005 actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumption included a 7.0 percent investment rate of return. Assets are valued at market value. The unfunded actuarial accrued liability is to be amortized by a series of level payments over a 29-year period using the level dollar closed method. The remaining amortization period at September 30, 2007 is 15 years.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

NOTE 12.
OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The cost of post-employment healthcare benefits generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*, for the year ended September 30, 2007, the County recognizes the cost of post-employment healthcare benefits in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the County's future cash flows.

A. PLAN DESCRIPTION

The County provides certain healthcare benefits to active and retired employees and their dependents. The health plan is a single employer plan administered by the County. The benefits, benefit levels, employee contributions, and employer contributions are governed by the County and can be amended by the County through management recommendations to, and approval by, County Council as part of the annual budget adoption process. The plan is not reported as a trust fund nor has an irrevocable trust or equivalent arrangement been established to account for the plan. As a result, the plan does not issue a separate financial report. The activity of the plan is reported in the County's Employee Group Insurance fund, an internal service fund.

B. BENEFITS PROVIDED

The County provides post-employment health care benefits to its retired employees and their dependents. To be eligible for benefits, an employee must have completed at least six years of service and started receiving pension benefits at termination.

All health care benefits are provided through the County's self-insured health plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, and substance abuse care; dental care; and prescriptions. Upon a retired employees reaching age 65 years of age, Medicare becomes the primary insurer and the County's plan will not pay benefits already paid by Medicare.

C. MEMBERSHIP

At September 30, 2007, membership consisted of:

Membership September 30, 2007	
Active Employees	3,115
Inactive Employees	213
Total	**3,328**

D. FUNDING POLICY

The County establishes the individual premium to be paid by the retired employees. The State of Florida prohibits the County from separately rating retired employees and active employees. As a result, the County's premium charges to retired employees can be no more than the premium cost applicable to active employees. Generally accepted accounting principles, however, require that the actuarial information presented below be calculated using age adjusted premiums approximating claims costs for retirees separate from the active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. For the fiscal year ending September 30, 2007, retired employees contributed $1,649,018 to the plan. For those employees, through its self-insured Employee Group Insurance fund, the County paid $2,905,331 in claims and administrative costs resulting in a net contribution of $1,256,313. Active employees do not contribute to the plan until retirement.

E. ANNUAL OPEB COSTS AND NET OPEB OBLIGATION

The County's actuarial valuation was performed for the plan as of October 1, 2006 and determined the employer's annual required contribution (ARC) for the fiscal year ended September 30, 2007. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the net OPEB obligation.

Annual required contribution	$ 2,982,319
Interest on net OPEB	-
Adjustment to annual required contribution	-
Annual OPEB cost	2,982,319
Contributions made	1,256,313
Increase in net OPEB obligation	1,726,006
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	**$ 1,726,006**

The County's annual OPEB cost (expense) of $2,982,319 was equal to the ARC for the fiscal year, as the transition liability was set at zero as of October 1, 2006. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2007 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/07	$ 2,982,319	$ 1,256,313	42.13%	$ 1,726,006

F. FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as October 1, 2006, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	$ 32,077,395
Actuarial value of plan assets	N/A
Unfunded actuarial accrued liability (UAAL)	32,077,395
Funded ratio (actuarial value of plan assets/AAL)	N/A
Covered payroll (active plan members)	$ 118,521,498
UAAL as a percentage of covered payroll	27.10%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

While the County has not established an irrevocable trust fund or equivalent arrangement to accumulate assets to cover the unfunded actuarial accrued liability, it is depositing an amount equal to its annual net OPEB obligation into the Employee Group Health Insurance internal service fund. While generally accepted accounting principles consider these deposits as a pay-as-you-go funding methodology and cannot be considered as meeting the County's net OPEB obligation nor as assets that can be used to offset the unfunded actuarial accrued liability, the County believes it is prudent to accumulate funds in the Employee Group Health Insurance fund to ensure that future OPEB obligations are met.

G. ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projections do not explicitly incorporate the potential effects of legal or contractual funding limitations. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2006 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included 5% investment rate of return (net of administrative expenses), an annual healthcare cost trend rate of 11% decreasing 1% each year until it reaches an ultimate rate of 5.5%, and salary scale growth of 4.5%. Past service liability is amortized over a closed 30-year period as a level percentage of projected payroll assumed to grow 3.5% per year. Life expectancies were based upon data found in the RP-2000 mortality and disability tables. Thirty five percent of new retirees under age 65 and five percent of new retirees over age 65 are assumed to elect medical coverage. Fifteen percent of existing retirees are assumed to continue coverage when they become Medicare-eligible. Eighty-five percent of the male participants and 65% of the female participants were assumed married. Of that group, 70% of married male participants and 30% of married female participants are assumed to elect spousal coverage. The actuarial value of assets was not determined as the County has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 2007 was twenty-nine years.

NOTE 13.
SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable at September 30, 2007 consist of the following:

Special Assessment Districts	Interest Rate %	Principal Current Receivable	Principal Deferred Receivable	Interest Receivable
Governmental Activities				
Major funds:				
Municipal Service District:				
Corbin Park	10.0	$ 249	$ -	$ 377
South Waterfront Park	10.0	1,723	-	1,977
Mobile Home Village	10.0	25,896	-	31,389
Corbin Park Unit 3 Napier Hull	8.0	19,200	7,025	10,928
Violet Court	8.0	172	-	8
Bethune Beach 6500 Block Atlantic Ave.	8.0	9,907	9,906	793
Pine Island	8.0	4,256	3,472	938
Bethune Beach 6400 Block Atlantic Ave.	8.0	572	1,144	179
Silverstone Court	8.0	4,301	27,468	1,271
Capri Drive	7.3	84,973	805,265	5,377
Shell Harbor Road	5.5	12,886	113,695	1,180
Total Municipal Service District		164,135	967,975	54,417
Business-type Activities				
Major funds:				
Water and Sewer Utilities:				
Waterfront Park	8.0	3,043	10,940	1,213
Stone Island Wastewater	8.0	9,413	65,899	3,014
DeBary Plantation Unit 7 Reclaimed Water	8.0	1,973	13,805	632
Total Water and Sewer Utilities		14,429	90,644	4,859
Agency funds				
General Trust:				
Waterway Park	8.0	33,848	69,798	19,129
Hazelwood River Road	8.0	12,556	39,613	5,269
Total General Trust		46,404	109,411	24,398
Total		**$ 224,968**	**$ 1,168,030**	**$ 83,674**

NOTE 14.
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. Yearly lease agreements with major (non-airline) tenants of the terminal.

2. Operating leases, which range from one to forty-eight 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, 2007		
2008	$	6,212,499
2009		2,619,199
2010		2,757,709
2011		2,773,119
2012		2,713,002
2013 - 2055		35,070,255
Total	**$**	**52,145,783**

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.

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, 2007, 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, 2007		
Land	$	4,368,796
Buildings		4,431,113
Improvements other than buildings		12,647,156
Subtotal		**21,447,065**
Less: Accumulated depreciation		(5,697,501)
Total	**$**	**15,749,564**

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 an updated estimate of closure and postclosure of the Plymouth Avenue and Tomoka Road landfills which was $27.6 million as of September 8, 2007. Actual closure and postclosure care costs may be higher due to inflation, changes in technology, or changes in regulations. The County reports a portion of these closure and postclosure costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. In 2007, based upon the engineer's *Regulatory Cost Estimates Final Report*, the percentage of capacity used for the Tomoka Road North and East Cell landfill increased from 51 to 58 percent. As a result, there was an increase of approximately $2.1 million in the landfill liability closure costs. This change resulted in the County reporting an increase in the landfill's operating expenses and closure and postclosure care liability amount as of September 30, 2007 of $19.9 million. The remaining $7.7 million will be recognized as the estimated cell capacities are filled.

Final closure of the Plymouth Avenue landfill was substantially completed as of September 30, 1998. The Tomoka Road landfill was operated on a cell basis. The County completed the construction of the final cover required for landfill closure of the Tomoka Road Class I South Cell as of September 30, 2003. The County is currently operating the combined Tomoka Road Class I North Cell and Class I East Cell, which has an estimated 42 percent, seven years of useful life, capacity remaining. The Tomoka Road Class III Cell has an estimated 27 percent, eleven years of useful life, capacity remaining.

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, 2007, cash and investments of $7.3 million are held for these purposes. These amounts 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. The self insurance programs were created to handle these risks.

1. Insurance Fund

In 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 and $250,000 for each public liability claim. Property damage deductibles range from $10,000 to $25,000 per incident except for wind and hail events which requires a three percent deductible. 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 $325,005,777, respectively. Commercial insurance is also purchased for those risks not covered by the fund. Settled claims have not exceeded the excess insurance limits or commercial coverage in the past three fiscal years. No significant reduction in the County’s insurance coverage has occurred.

All funds of the County participate in the program and make payments to the Insurance fund based on actuarial estimates of the amounts needed to pay prior and current year claims, claims reserves, and allocated claims adjustments. The present value of the liabilities for workers compensation, general liability, and property damage claims, based upon expected losses of $12,388,842 discounted at 4.5 percent, is $11,283,299. A liability for claim is reported if it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Changes in the fund’s claims liability amount in fiscal years 2006 and 2007 were:

Changes in Claims Liability	2006	2007
Beginning fiscal year liability	$ 14,148,272	$ 13,619,729
Current year claims		
and changes in estimates	3,749,932	2,300,947
Claim payments	(4,278,475)	(4,637,377)
Balance at fiscal year end	$ 13,619,729	$ 11,283,299

2. Employee Group Insurance

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 Assurance at a monthly rate of $56.02 for specific loss and $1.33 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, claims reserves, and administrative costs.

A liability for claims is reported if it is probable that a liability has occurred and the amount is estimable as a result, a liability of $3,593,000 is reported in the fund at September 30, 2007.

Changes in the fund's claims liability amount in fiscal years 2006 and 2007 were:

Changes in Claims Liability

	2006	2007
Beginning fiscal year liability	$ 2,480,000	$ 2,904,000
Current year claims and changes in estimates	23,065,063	25,373,792
Claim payments	(22,641,063)	(24,684,792)
Balance at fiscal year end	$ 2,904,000	$ 3,593,000

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 proceeds of the 1999 bonds were loaned to Volusia Redevelopment Parking Corporation (VRPC) as successor in interest to Community Development Properties. Additional modifications 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 VRPC requires VRPC 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 $1,907,688. 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 VRPC 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.

NOTE 17.
SUBSEQUENT EVENTS

A. PARKING FACILITY

On October 1, 2007, the County issued $10,815,000 of parking facility revenue bonds in exchange for the parking garage, adjacent to the Ocean Center, owned by Volusia Redevelopment Parking Corporation (VRPC). The interest rate on the bonds is 5.125% and the final maturity date is April 1, 2024. All assets and certain liabilities of the parking garage and its operation were assumed by the County. Upon execution of the exchange, VRPC's Senior Lien Parking Facility Revenue Bonds, Series 1999A were cancelled and related prior obligations discharged. As a result of the transaction, the lease agreements between the County and VRPC were terminated.

B. INVESTMENTS HELD AT THE STATE BOARD OF ADMINISTRATION

As discussed in Note 5 on pages 82-85, at September 30, 2007, the County had $167,555,182 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). Based upon reports that the Pool held asset-backed commercial paper that was subject to sub-prime mortgage risk, on November 21, 2007, the County withdrew all of its investments from the Pool. The funds were moved to a brokerage account which invests in U.S. treasuries, federal agencies, and repurchase agreements collateralized by obligations of the U.S. government and its agencies and instrumentalities. It is regulated by the Securities and Exchange Commission (SEC).

On November 29, 2007, the County's share of gas tax distribution, $402,132, was automatically deposited by the State of Florida to the Pool. In addition, on November 29, 2007, the Pool temporarily froze assets to prevent further participant withdrawals. The Pool was restructured into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately 14% of Pool assets. At the time of restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool and a formal withdrawal policy has not yet been developed. As of December 31, 2007, the County has a balance of $429 interest earned in Pool A and $57,844 in Pool B. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

C. REFUNDING OF BOND ISSUE

On January 17, 2008, the County Council approved a plan to refinance the Subordinate Lien Sales Tax Improvement Revenue Bonds, Series 1998. The plan authorizes (i) the issuance of not exceeding $55,000,000 aggregate principal amount of the Series 2008 Bonds, (ii) true interest cost on the Series 2008 Bonds not to exceed five percent (5.00%), (iii) the maturities of the Series 2008 Bonds, with the final maturity of the Series 2008 Bonds being not later than October 1, 2018; and (iv) a net present value debt service savings at least equal to 3.00% of the par amount of the refunded bonds. The outstanding balance of the Series 1998 at year end was $52.8 million.

On February 27, 2008, the County issued $42,605,000 Subordinate Lien Sales Tax Refunding Revenue Bonds, Series 2008 to advance refund a portion ($44,930,000) of the Series 1998 bonds.