

COUNTY OF VOLUSIA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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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 515,563 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

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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.

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. However, the direct expenses may contain elements of allocated, incidental indirect costs. *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 judgments, 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.

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- 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 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 *Parking Garage Fund* accounts for the fiscal activities of the County-owned parking facility located adjacent to the Ocean Center.

The County reports the following non-major proprietary fund:

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

Additionally, the County reports the following fund types:

- *Special Revenue Funds* account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.
- *Debt Service Funds* account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
- *Capital Projects Funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary 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 *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 and 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, investments in money market funds are sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, thus equity in these funds is also deemed to be a cash equivalent.

E. INVESTMENTS

Investments for the County are reported at fair value. The County invests in two government money market mutual funds which are regulated by Rule 2a-7 of the Investment Company Act of 1940 and are registered with the Securities and Exchange Commission. Each fund seeks to maintain a stable net asset value (NAV) of \$1.00 per share.

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 \$9,639,566. Of this amount, \$4,380,508 represents amounts that are deferred solely because they are not yet considered to be available. Therefore, \$5,259,058 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 \$2,845,620, 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	\$ 139,642
Special revenue funds	76,296
Enterprise funds	638,781
Internal service funds	16,695
Total	\$ 871,414

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. 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 government 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	15 - 35
Equipment	3 - 20

J. COMPENSATED ABSENCES

County policy permits employees to accumulate a limited amount of earned, but unused personal, vacation, and sick leave. These benefits are payable to employees upon separation from service. All leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported.

K. LONG-TERM OBLIGATIONS

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

The County has adopted the following policy for refundings 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.

In the debt service fund financial statements, the County has adopted the policy of recognizing an expenditure and fund liability in the current fiscal period for those debt service principal and interest payments due early in the next fiscal period.

L. FUND BALANCE

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

Fund balance reservations include:

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

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- Long-term notes receivable – to reflect balance due from notes receivable that are long-term in nature and do not represent available spendable resources.

The remaining portion is unreserved; however, a portion of unreserved fund balance is designated. Designations include capital projects and emergency reserves in the general and special revenue funds. For fiscal year 2009, emergency reserves are as follows:

Fund	Emergency Reserve
General	\$ 13,962,248
Municipal service district	4,039,990
Library	1,034,420
East Volusia Mosquito Control District	486,719
Ponce Inlet Port Authority	268,378
Fire services	1,778,752

M. RESTRICTED NET ASSETS

Certain amounts are classified as restricted net 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 net assets are used to report resources set aside to:

- provide a reserve for debt service.
- 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.

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, which 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, 2008 account balances have been reclassified in this report to conform with the financial statement presentation used in 2009.

NOTE 2.

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 to be reasonably 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, 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 Corrections – Welfare Trust Special Revenue fund is 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 3. PROPERTY TAXES

The property tax calendar is as follows:

Date	Process												
January 1, 2008	Valuation date												
July 1, 2008	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 2008	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, 2008	Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable. (Levy date)												
November 1, 2008 through March 31, 2009	A notice of taxes is mailed to each owner on the assessment roll. Taxes may be paid with the following applicable discounts. <table> <tr> <th><u>Month</u></th><th><u>Discount Percentage</u></th></tr> <tr> <td>November</td><td>4</td></tr> <tr> <td>December</td><td>3</td></tr> <tr> <td>January</td><td>2</td></tr> <tr> <td>February</td><td>1</td></tr> <tr> <td>March</td><td>0</td></tr> </table>	<u>Month</u>	<u>Discount Percentage</u>	November	4	December	3	January	2	February	1	March	0
<u>Month</u>	<u>Discount Percentage</u>												
November	4												
December	3												
January	2												
February	1												
March	0												
April 1, 2009	All unpaid taxes on real and tangible personal property become delinquent.												
April 2009 and May 2009	A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised.												
May 29, 2009	Tax certificates are sold on all real estate parcels with unpaid real property taxes. (Lien date)												
August 27, 2009	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 4.

CASH AND INVESTMENTS

The County uses a pool fund to accumulate and account for its cash and investment activity. All funds, except certain and other restricted funds, are participants in the pool. As such, each participating fund's portion of the pool is reported as "Equity in Pooled Cash and Investments" in the governmental and proprietary funds' balance sheets. In addition, certain investments of the Refuse Disposal and Volunteer Firefighters Pension Trust funds are held separately from those of other County funds and are not included in the pool. 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, established by county ordinance, provides investment guidelines for the County. This policy applies to all financial assets held or controlled by the County, with the exception of certain pension, trust, or debt related funds which are controlled by other ordinances or policies. The primary objectives of investment activities, in priority order, are: safety, liquidity, and yield. Safety of principal is the foremost objective of the investment program. Investments are undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The investment portfolio remains sufficiently liquid to meet all operating requirements that are reasonably anticipated. The portfolio is designed with the objectives of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. As a result, the core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

Authorized investment instruments include: negotiable direct obligations which are unconditionally guaranteed by the United States Government; bonds, debentures, notes, or other indebtedness guaranteed by United States Government agencies; corporate obligations that are fully insured by the Federal Deposit Insurance Corporation (FDIC); 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, with the exception of the State Board of Administration's Local Government Surplus Fund. 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 fund 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 and 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, FDIC insured corporate notes, government money market mutual funds, mutual funds, and stocks. All are debt securities of the issuer, except for the stocks and mutual funds held by the Volunteer Firefighters

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Pension Trust Fund. The government money market mutual funds are not debt securities of the issuer, but hold debt securities of the U.S. government and repurchase agreements whose underlying securities are debt securities of the U.S. government. County investment policies permit the County to enter into reverse repurchase agreements; however, there were no such investments in fiscal year 2009.

The State Board of Administration's Local Government Surplus Funds Trust Fund (SBA) temporarily suspended deposits and withdrawals in December 2007. When the suspension was lifted, the SBA opened for business with two pools. The majority of each participant's assets were placed in Pool A and 14 percent of (illiquid) assets were placed in Pool B. Pool B investments remain frozen, but as assets matured, SBA transferred them to Pool A, and Volusia County withdrew its balances for inclusion in its other investment vehicles. Volusia County withdrew the majority of its investment in SBA prior to the suspension. The amount held in Pool B was \$14,954 on September 30, 2009.

As of September 30, 2009, the County's cash and investments are as follows:

Investments Type	Maturities	Credit Quality	Fair Value
U. S. Treasury notes and bills	February 2010 - April 2011	AAA/Aaa	\$ 30,152,426
Federal instrumentalities	October 2009 - May 2012	AAA/Aaa	171,655,549
Corporate Notes - FDIC Insured	December 2009 - June 2012	AAA/Aaa	114,764,719
Mutual funds	N/A	N/A	1,403,225
Stocks	N/A	N/A	887,503
Subtotal			318,863,422
Money Market Mutual Funds	N/A	AAAm/Aaa	90,135,935
Local Government Surplus Funds Trust Fund Pool B	N/A	N/A	14,954
Carrying value of cash and restricted cash	N/A	N/A	30,646,986
Total			\$ 439,661,297

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.

As of September 30, 2009, the County's investments in money market mutual funds and debt securities (U. S. Treasury notes and bills, federal agencies, and corporate notes) were structured to mature within the following time frames:

Investment Type	Fair Value
Money Market Mutual Funds:	
41 to 47 days	\$ 90,135,935
Debt Securities:	
7 days to 6 months	\$ 62,023,784
6 months to 1 year	76,690,634
1 to 2 years	117,487,053
2 to 3 years	60,371,223
Total Debt Securities	\$ 316,572,694

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 United States government securities.
- 75 percent of its cash in United States government agencies and instrumentalities, repurchase agreements, and money market mutual funds.
- 50 percent of its cash in corporate obligations issued by institutions participating the FDIC's temporary liquidity guarantee program, interest-bearing time certificates of deposit, and intergovernmental investment pools with the exception of the State Board of Administration's Local Government Surplus Fund.
- 30 percent of its cash in state and local government debt, and banker's acceptances.
- 25 percent in commercial paper.

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 5.
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 category. In addition, interfund loans are used to fund specific projects or other activities.

The composition of interfund balances as of September 30, 2009 is as follows:

	Due From Other Funds	Advances To Other Funds	Due To Other Funds	Advances From Other Funds
Governmental funds:				
Major funds:				
General	\$ 9,419,486	\$ 1,198,516	\$ 211,807	\$ -
Municipal service district	2,379,728	-	108,795	601,205
Federal and state grants	211,807	-	10,978,857	-
Nonmajor funds:				
Special revenue funds:				
County transportation trust	457,472	-	-	-
Library	2,868	-	-	-
East Volusia Mosquito Control District	388,907	-	-	-
Resort tax	-	-	303,692	-
Sales tax trust	-	-	2,379,341	-
Ocean Center	303,692	-	-	-
Fire services	178	-	-	-
Stormwater utility	571,701	-	-	-
Proprietary funds:				
Major funds:				
Refuse disposal	115,916	-	-	-
Daytona Beach International Airport	11,159	-	-	-
Water and sewer utilities	2,720	-	-	-
Parking garage	-	-	-	597,311
Internal service funds:				
Insurance	116,858	-	-	-
Total	\$ 13,982,492	\$ 1,198,516	\$ 13,982,492	\$ 1,198,516

Interfund balances at September 30, 2009 are primarily related to:

- a \$601,205 advance from the general fund to the municipal service district fund to cover a temporary revenue short fall due to adjustments in the communication services tax received from the State of Florida.
- a \$597,311 advance from the general fund to the parking garage to settle disputed costs incurred by the management group of the parking facility prior to the County's acquisition.
- interfund loans in the amount of \$9,119,000 to cover cash deficits due to timing of grant reimbursements.
- other interfund transactions distributing resort and sales tax collections to the appropriate receiving funds.

County of Volusia
Notes to the Financial Statement
September 30, 2009

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	\$ 1,225,569	\$ -	\$ 97,507	\$ -
Municipal service district	-	-	723	-
Federal and state grants	-	-	64	-
Nonmajor funds:				
Special revenue funds:				
County transportation trust	-	-	62	-
Ocean Center	-	-	4,491	-
Fire services	-	-	11	-
Law / beach enforcement trust	-	-	3,207	-
State Housing Incentive Program (S.H.I.P.)	-	-	121	-
Capital project funds:				
Information technology	-	-	49,000	-
Proprietary funds:				
Major funds:				
Daytona Beach International Airport	-	-	14	-
Water and sewer utilities	-	-	62	-
Component units:				
Clerk of the Circuit Court	-	54,282	-	1,225,569
Emergency Medical Foundation, Inc.	-	100,980	-	-
Total	\$ 1,225,569	\$ 155,262	\$ 155,262	\$ 1,225,569

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) provide the local match requirements for individual grants, and 3) move moneys collected by one fund to be expended by another fund to meet legal and budgetary requirements.

County of Volusia
Notes to the Financial Statement
September 30, 2009

Interfund transfers consist of the following:

TRANSFERS IN		TRANSFERS OUT	
Governmental funds:			
Major funds:			
General Fund:			
from Municipal service district	\$ 20,529	to Federal and state grants	\$ 570,683
from Library	1,010,515	to Silver Sands/Bethune Bch MSD	6,598
from Federal and state grants	242,273	to Debt service	3,699,679
from Ponce Inlet Port Authority	478,315	to Capital projects	1,196,505
from E-911 emergency telephone	550,000	to Volusia Transportation Authority	9,611,830
from Manatee conservation	136,609		
from Gemini Springs addition	20,000		
from Residential treatment capital (other)	3,741		
from Beach capital	32,846		
Total General Fund	<u>2,494,828</u>		<u>15,085,295</u>
Municipal Service District:			
from Sales tax trust	3,484,281	to General fund	20,529
from E-911 emergency telephone	39,572	to Transportation trust	1,750,000
from Fire services	904,254	to Debt service	1,704,718
from Federal and state grants	141,223	to Capital projects	61,544
		to Federal and state grants	25,909
Total Municipal Service District	<u>4,569,330</u>		<u>3,562,700</u>
Federal and State Grants:			
from General fund	570,683	to General fund	242,273
from Municipal service district	25,909	to Municipal service district	141,223
from Transportation trust	9,780	to Ponce Inlet Port Authority	7,860
from Road impact fees	2,524	to Transportation trust	48,024
from Law enforcement trust	35,704	to Fire services	1,121
from Stormwater utility	106,199	to Stormwater utility	58,183
from Volusia ECHO	61,000	to Trails projects	54,384
from Park capital (other)	10,725		
Total Federal and State Grants	<u>822,524</u>		<u>553,068</u>
Nonmajor funds:			
Special Revenue funds:			
Transportation Trust:			
from Municipal service district	1,750,000	to Federal and state grants	9,780
from Federal and state grants	48,024	to Debt service	900,000
Library:			
from Library endowment	47,170	to General fund	1,010,515
Resort Tax :			
		to Debt service	4,810,397
		to Ocean Center expansion	584,574
		to Ocean Center	976,868
		to Parking garage	400,000

TRANSFERS IN		TRANSFERS OUT	
Nonmajor funds:			
Sales tax trust:		to Municipal service district	3,484,281
		to Ocean Center	1,100,000
		to Debt service	10,908,863
Ponce Inlet Port Authority:			
from Federal and state grants	7,860	to General fund	478,315
		to Capital projects	1,035,191
E-911 Emergency Telephone :			
		to Municipal service district	39,572
		to General fund	550,000
Ocean Center:			
from Resort tax	976,868		
from Sales tax trust	1,100,000		
Manatee Conservation:			
		to General fund	136,609
Library Endowment:			
		to Library	47,170
Road Impact Fees:			
		to Debt service	3,932,555
		to Federal and state grants	2,524
Fire Services:			
from Federal and state grants	1,121	to Municipal service district	904,254
Silver Sands/Bethune Beach MSD:			
from General fund	6,598		
Gemini Springs Addition:			
		to General fund	20,000
Stormwater Management:			
from Federal and state grants	58,183	to Federal and state grants	106,199
Volusia ECHO:			
		to Capital projects	4,467,270
		to Federal and state grants	61,000
Volusia Forever:			
		to Debt service	1,392,214
Law/Beach Enforcement Trust:			
		to Federal and state grants	35,704
Total Special Revenue funds	<u>3,995,824</u>		<u>37,393,855</u>

TRANSFERS IN		TRANSFERS OUT	
Nonmajor funds:			
Debt Service funds:			
Gas Tax Revenue Bonds:			
from Transportation trust	900,000		
from Road impact fees	3,932,555		
Tourist Development Tax Refunding Revenue Bonds:			
from Resort tax	4,693,297		
Subordinate Lien Sales Tax Revenue Bonds:			
from Sales tax trust	10,894,242		
Capital Improvement Revenue and Refunding Bonds:			
from Sales tax trust	14,621		
Lease Purchase Agreements:			
from General fund	3,699,679		
from Municipal service district	1,704,718		
from Volusia forever	1,392,214		
from Trail	517,820		
from Resort tax	117,100		
Total Debt Service funds	27,866,246		-
Capital Projects funds:			
Ocean Center Expansion:			
from Resort tax	584,574		
from Volusia ECHO	3,000,000		
Beach:			
from General fund	533,505	to General fund	32,846
from Ponce Inlet Port Authority	1,035,191		
Trails Projects:			
from Volusia ECHO	1,000,000	to Debt service	517,820
from Federal and state grants	54,384		
Branch Jail Expansion:			
from Capital projects	3,000,000		
Information Technology:			
from Capital projects	436,500		
Deltona Library Expansion:			
from Municipal service district	61,544		
Other Capital Projects:			
from General fund	663,000	to Branch jail capital project	3,000,000
from Volusia ECHO	467,270	to Information technology capital	436,500
		to General fund	3,741
		to Federal and state grants	10,725
Total Capital Project funds	10,835,968		4,001,632
Total Governmental funds	50,584,720		60,596,550

TRANSFERS IN		TRANSFERS OUT
Proprietary funds:		
Major funds:		
Refuse Disposal:		
	to Garbage collection	1,314,836
Volusia Transportation Authority: from General fund	9,611,830	
Parking Garage: from Resort tax	400,000	
Nonmajor funds:		
Garbage Collection: from Refuse disposal	1,314,836	
Total Proprietary funds	<u>11,326,666</u>	<u>1,314,836</u>
Total Transfers	<u>\$ 61,911,386</u>	<u>\$ 61,911,386</u>

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NOTE 6.
CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2009 was as follows:

	Governmental Activities			
	Beginning Balance 09/30/08	Increases	Decreases	Ending Balance 09/30/09
Capital assets, not being depreciated:				
Land	\$ 113,159,048	\$ 11,803,465	\$ -	\$ 124,962,513
Land - infrastructure	41,256,512	4,129,030	-	45,385,542
Easements	1,176,233	-	-	1,176,233
Construction in progress	21,874,488	7,776,159	(5,191,273)	24,459,374
Construction in progress - infrastructure	50,624,469	17,327,727	(16,127,423)	51,824,773
Total capital assets, not being depreciated	<u>228,090,750</u>	<u>41,036,381</u>	<u>(21,318,696)</u>	<u>247,808,435</u>
Capital assets, being depreciated:				
Buildings	303,901,345	19,910,107	-	323,811,452
Improvements other than buildings	25,076,438	3,235,164	(1,530,545)	26,781,057
Leasehold improvements	497,125	-	-	497,125
Equipment	121,092,338	17,208,291	(14,166,414)	124,134,215
Infrastructure	373,988,931	15,769,942	-	389,758,873
Total capital assets being depreciated	<u>824,556,177</u>	<u>56,123,504</u>	<u>(15,696,959)</u>	<u>864,982,722</u>
Less accumulated depreciation for:				
Buildings	(87,232,550)	(9,659,607)	-	(96,892,157)
Improvements other than buildings	(9,855,520)	(1,028,620)	-	(10,884,140)
Leasehold improvements	(392,125)	(24,452)	-	(416,577)
Equipment	(75,952,155)	(12,563,687)	12,552,414	(75,963,428)
Infrastructure	(259,693,203)	(4,670,549)	-	(264,363,752)
Total accumulated depreciation	<u>(433,125,553)</u>	<u>(27,946,915)</u>	<u>12,552,414</u>	<u>(448,520,054)</u>
Total capital assets, being depreciated, net	<u>391,430,624</u>	<u>28,176,589</u>	<u>(3,144,545)</u>	<u>416,462,668</u>
Governmental activities capital assets, net	\$ 619,521,374	\$ 69,212,970	\$ (24,463,241)	\$ 664,271,103

County of Volusia
Notes to the Financial Statement
September 30, 2009

Business-type Activities				
	Beginning Balance 9/30/08	Increases	Decreases	Ending Balance 09/30/09
Capital assets, not being depreciated:				
Land	\$ 48,203,943	\$ -	\$ (20,314)	\$ 48,183,629
Construction in progress	6,570,166	4,756,655	(126,150)	11,200,671
Total capital assets, not being depreciated	<u>54,774,109</u>	<u>4,756,655</u>	<u>(146,464)</u>	<u>59,384,300</u>
Capital assets, being depreciated:				
Buildings	34,932,281	138,854	-	35,071,135
Improvements other than buildings	211,496,166	11,277,726	-	222,773,892
Equipment	44,449,874	2,604,355	(5,145,696)	41,908,533
Total capital assets being depreciated	<u>290,878,321</u>	<u>14,020,935</u>	<u>(5,145,696)</u>	<u>299,753,560</u>
Less accumulated depreciation for:				
Buildings	(12,442,303)	(1,397,991)	-	(13,840,294)
Improvements other than buildings	(96,561,568)	(9,010,527)	-	(105,572,095)
Equipment	(23,867,471)	(4,218,840)	4,600,773	(23,485,538)
Total accumulated depreciation	<u>(132,871,342)</u>	<u>(14,627,358)</u>	<u>4,600,773</u>	<u>(142,897,927)</u>
Total capital assets, being depreciated, net	<u>158,006,979</u>	<u>(606,423)</u>	<u>(544,923)</u>	<u>156,855,633</u>
Business-type activities capital assets, net	\$ 212,781,088	\$ 4,150,232	\$ (691,387)	\$ 216,239,933

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
	Depreciation Expense
General government	\$ 4,320,670
Public safety	6,659,161
Physical environment	406,711
Transportation	6,493,581
Economic environment	124,421
Human services	865,514
Culture/recreation	6,362,305
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>2,714,552</u>
Total	\$ 27,946,915

Business-type Activities		Depreciation Expense
Refuse disposal	\$	3,685,766
Daytona Beach International Airport		4,784,017
Volusia Transportation Authority		2,794,121
Water and sewer utilities		2,906,826
Parking garage		456,094
Garbage collection		534
Total	\$	14,627,358

Construction commitments

The County has active construction projects as of September 30, 2009. At year-end the government's commitments with contractors are as follows:

Projects	Spent-to-Date	Remaining Commitment
Ocean Center expansion	\$ 22,896,517	\$ 395,730
Deltona Library expansion	7,899,650	2,580,016
Road construction	25,877,923	12,449,193
Airport-related construction	3,937,108	2,081,447
Refuse disposal construction/improvements	5,071,197	1,385,764
Water/sewer utility improvements	5,985,734	6,056,438
Total	\$ 71,668,129	\$ 24,948,588

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. The commitment for the expansion of the Deltona Library is financed by transfers from the Library and General funds, donations from the City of Deltona, and interest earnings.

Remaining commitments for the road construction projects are funded by various gas taxes, road impact fees, grants, and the issuance of bonds. Airport improvements are mainly funded by federal and state matching grants. The commitments for refuse disposal improvements and water/sewer utility improvements are financed by revenues generated through user fees.

NOTE 7. 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, 2009 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	4.40% 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	4.25% 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	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.

County of Volusia, Florida
Notes to the Financial Statements
September 30, 2009

Name	Dated	Final Maturity	Payment Date		Interest Rates	Reserve Requirement	Revenue Pledged	Purpose
			Principal	Interest				
\$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	4.20% 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	4.20%	N/A	Local Government Half-Cent Sales Tax and investment earnings.	To provide funds sufficient to currently 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	3.13% 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	2.60% 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	2.70% 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.

County of Volusia, Florida
Notes to the Financial Statements
September 30, 2009

Name	Dated	Final Maturity	Payment Date		Interest Rates	Reserve Requirement	Revenue Pledged	Purpose
			Principal	Interest				
\$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	2.63% 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	3.00% 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.
\$10,815,000 Parking Facility Revenue Bonds, Series 2007	10/01/2007	04/01/2024	Oct 1 and Apr 1	Oct 1 and Apr 1	5.13%	N/A	Net revenues from the operation of the parking facility and all moneys, including investment earnings.	To provide sufficient funds to acquire the parking structure adjacent to the Ocean Center.

County of Volusia, Florida
Notes to the Financial Statements
September 30, 2009

Name	Dated	Final Maturity	Payment Date		Interest Rates	Reserve Requirement	Revenue Pledged	Purpose
			Principal	Interest				
\$42,605,000 Subordinate Lien Sales Tax Refunding Revenue Bonds, Series 2008	02/01/2008	12/01/2034	Oct 1	Oct 1 and Apr 1	3.00% to 5.25%	N/A	Local Government Half-Cent Sales Tax and investment earnings.	To provide funds sufficient to currently refund a portion of the County's Subordinate Lien Sales Tax Improvement Revenue Bonds, Series 1998.
\$3,718,000 Capital Improvement Revenue Bonds, Series 2009A	09/10/2009	10/01/2014	Oct 1	Oct 1 and Apr 1	2.63%	N/A	Local Government Half-Cent Sales Tax and investment earnings, non-ad valorem revenues budgeted and appropriated.	To provide funds sufficient to acquire vehicles, communication equipment, and a helicopter.
\$5,812,000 Capital Improvement Revenue Bonds, Series 2009B	09/10/2009	10/01/2016	Oct 1	Oct 1 and Apr 1	2.63%	N/A	Local Government Half-Cent Sales Tax and investment earnings, non-ad valorem revenues budgeted and appropriated.	To provide funds sufficient to currently refund the remaining portion of the County's Subordinate Lien Sales Tax Improvement Revenue Bonds, Series 1998.

2. General Obligation Bonds:

Name	Dated	Final Maturity	Payment Date		Interest Rates	Reserve Requirement	Revenue Pledged	Purpose
			Principal	Interest				
\$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. NOTES PAYABLE

Notes payable outstanding as of September 30, 2009, are comprised of the following:

Governmental Activities Debt					
Notes Payable	Interest Rate	Interest Payable	Final Maturity Date	Annual Principal Payment (in thousands)	Amount Outstanding 09/30/09
Installment purchase agreement with Fla. Assn. of Counties for purchase of vehicles and equipment	Variable ⁽¹⁾	Monthly	12/01/09	\$110 – 360	\$ 110,000
Installment purchase agreement with Fla. Assn. of Counties for purchase of computer equipment	Variable ⁽¹⁾	Monthly	12/07/10	\$520 – 533	1,053,000
Installment purchase agreement with Fla. Assn. of Counties for purchase of an aircraft hangar	Variable ⁽¹⁾	Monthly	12/07/10	\$284 – 864	1,148,000
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	1,340,000
Installment purchase agreement with Fla. Assn. of Counties for purchase of vehicles and equipment	Variable ⁽¹⁾	Monthly	09/06/11	\$358 – 364	722,000
Installment purchase agreement with Fla. Assn. of Counties for purchase of vehicles and equipment	Variable ⁽¹⁾	Monthly	09/06/11	\$549 – 560	1,109,000
Installment purchase agreement with Fla. Assn. of Counties to construct road and drainage improvements in W. Highlands subdivision	Variable ⁽¹⁾	Monthly	09/06/11	\$144 – 1,142	1,286,000
Installment purchase agreement with Fla. Assn. of Counties to construct improvements at the Ocean Center convention facility	Variable ⁽¹⁾	Monthly	09/06/11	\$500 – 9,500	10,000,000
Installment purchase agreement with Fla. Assn. of Counties to construct and acquire a public safety facility	Variable ⁽¹⁾	Monthly	12/06/11	\$280 – 670	1,230,000
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	5,364,000
Installment purchase agreement with Fla. Assn. of Counties for purchase of computer equipment for CJIS system	Variable ⁽¹⁾	Monthly	12/04/12	\$452 – 2,692	4,048,000

Governmental Activities Debt (con't)					
Notes Payable	Interest Rate	Interest Payable	Final Maturity Date	Annual Principal Payment (in thousands)	Amount Outstanding 09/30/09
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	2,316,000
Installment purchase agreement with Fla. Assn. of Counties to construct and equip upgrade of jail facility	Variable ⁽¹⁾	Monthly	12/04/12	\$420 – 595	1,855,000
Installment purchase agreement with Fla. Assn. of Counties to construct and acquire network of pedestrian and bike trails	Variable ⁽¹⁾	Monthly	12/04/12	\$136 – 1,108	1,516,000
Installment purchase agreement with Fla. Assn. of Counties to construct and acquire transportation and utility improvements	Variable ⁽¹⁾	Monthly	12/04/12	\$84 – 480	732,000
Total					\$ 33,829,000
⁽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 monthly. The variable interest rate was 5.278% 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 09/30/09
Installment purchase agreement with Fla. Assn. of Counties for refuse disposal's disposal cell construction	Variable ⁽¹⁾	Monthly	12/01/09	\$104	\$ 104,000
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	1,585,000
Deltona North Water Reclamation Facility with the State of Florida's revolving loan program	2.99%	Semi-annual	06/15/17	\$88 – 115	833,270
Southwest Regional Water Reclamation Facility with the State of Florida's revolving loan program	3.05%	Semi-annual	05/15/20	\$135 – 194	1,847,010
Southeast Wastewater Facility with the State of Florida's revolving loan program	3.24%	Semi-annual	08/15/20	\$278 – 543	5,036,600
Total					\$ 9,405,880
⁽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 monthly. The variable interest rate was 5.278% as of the balance sheet date.					

C. DEBT SERVICE TO MATURITY

The annual requirements to amortize all government-wide debt outstanding as of September 30, 2009, including interest payments of \$122,682,354 are as follows:

Governmental Activities Debt							
Fiscal Year	Revenue Bonds		General Obligation Bonds		Notes Payable		Total Principal and Interest
	Principal	Interest	Principal	Interest	Principal	Interest	
2010	\$ 9,300,000	\$ 7,790,668	\$ 2,085,000	\$ 1,345,662	\$ 4,459,000	\$ 1,697,604	\$ 26,677,934
2011	9,783,000	7,415,486	2,160,000	1,272,688	16,773,000	1,366,032	38,770,206
2012	11,802,000	7,066,225	2,235,000	1,194,388	2,622,000	599,737	25,519,350
2013	12,321,000	6,681,432	2,320,000	1,113,369	9,975,000	131,625	32,542,426
2014	12,734,000	6,268,176	2,405,000	1,026,368	-	-	22,433,544
2015-2019	66,705,000	24,201,667	13,535,000	3,625,475	-	-	108,067,142
2020-2024	34,780,000	14,584,167	9,490,000	801,775	-	-	59,655,942
2025-2029	20,105,000	8,203,234	-	-	-	-	28,308,234
2030-2034	19,795,000	3,720,625	-	-	-	-	23,515,625
2035	4,590,000	114,750	-	-	-	-	4,704,750
Total	201,915,000	86,046,430	34,230,000	10,379,725	33,829,000	3,794,998	370,195,153
LESS:							
Unamortized bond costs	7,421,021	-	243,304	-	-	-	7,664,325
Total	\$ 194,493,979	\$ 86,046,430	\$ 33,986,696	\$ 10,379,725	\$ 33,829,000	\$ 3,794,998	\$ 362,530,828

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Business-type Activities Debt						Total Government-wide Principal and Interest
Fiscal Year	Revenue Bonds		Notes Payable		Total Principal and Interest	
	Principal	Interest	Principal	Interest		
2010	\$ 2,775,000	\$ 2,653,265	\$ 978,982	\$ 303,331	\$ 6,710,578	\$ 33,388,512
2011	2,915,000	2,514,348	2,031,936	228,167	7,689,451	46,459,657
2012	3,075,000	2,365,135	691,503	189,640	6,321,278	31,840,628
2013	3,230,000	2,213,129	712,705	168,439	6,324,273	38,866,699
2014	3,415,000	2,051,731	734,559	146,584	6,347,874	28,781,418
2015-2019	20,080,000	7,418,872	3,783,817	386,131	31,668,820	139,735,962
2020-2024	14,685,000	1,813,721	472,378	8,708	16,979,807	76,635,749
2025-2029	-	-	-	-	-	28,308,234
2030-2034	-	-	-	-	-	23,515,625
2035	-	-	-	-	-	4,704,750
Total	50,175,000	21,030,201	9,405,880	1,431,000	82,042,081	452,237,234
LESS:						
Unamortized bond costs	1,658,991	-	-	-	1,658,991	9,323,316
Total	\$ 48,516,009	\$ 21,030,201	\$ 9,405,880	\$ 1,431,000	\$ 80,383,090	\$ 442,913,918

D. ARBITRAGE

Arbitrage refers to the profit earned by investing tax-exempt bond 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 bond funds once this time period expires, the profit is subject to rebate to the federal government and the remaining bond funds should be invested at rates lower than its bond yield.

The County received updated arbitrage rebate determinations on the following bond issues:

- Tourist Development Tax Revenue Bonds, Series 2004,
- Gas Tax Revenue Bonds, Series 2004.

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

E. NEW ISSUES

On September 10, 2009, the County issued \$3,718,000 of Capital Improvement Revenue Bonds, Series 2009A to finance the costs of the acquisition of vehicles, communication equipment, and a helicopter, including its customization. The interest rate is fixed at 2.63 percent and the maturity date is October 1, 2014.

F. CURRENT REFUNDING

From time to time, governments may take advantage of lower interest rates, revise payment schedules, or modify restrictive language in old debt agreements by issuing new debt to refinance existing debt. On September 10, 2009,

the County issued \$5,812,000 of Capital Improvement Refunding Revenue Bonds, Series 2009B and used existing debt service sinking fund resources to refund the remaining portion (\$7,005,000) of the Series 1998 Subordinate Lien Sales Tax Revenue Bonds. The sinking fund resources along with the new issue provided sufficient funds to purchase U.S. Government State and Local Government Series securities. These securities were placed in an irrevocable trust to provide for all future debt service payments on the refunded issue. As a result, the outstanding portion of the refunded bonds is considered to be defeased and the liability of those bonds has been removed from the applicable statement of net assets.

The County currently refunded that portion of the Series 1998 bonds to reduce its total debt service payments over the next seven years by \$295,207. The economic gain or present value savings over the life of the Series 1998 bonds is \$251,247.

G. DEFEASED DEBT

As described in this note's previous section, at September 30, 2009, the County had \$7,005,000 of remaining bonds outstanding that were considered defeased from the Subordinate Lien Sales Tax Improvement Bonds, Series 1998. Principal of \$900,000 matured on October 1, 2009. The remaining bonds totaling \$6,105,000 were called at 100 percent on October 26, 2009.

H. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2009, was as follows:

Governmental Activities Debt					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 209,265,000	\$ 9,530,000	\$ (16,880,000)	\$ 201,915,000	\$ 9,300,000
General obligation bonds	36,245,000	-	(2,015,000)	34,230,000	2,085,000
Deferred amounts:					
Plus: for issuance premiums	6,190,560	-	(449,126)	5,741,434	-
Less: for issuance discounts	(7,877,378)	-	372,774	(7,504,604)	-
for issuance costs	(3,747,848)	(42,166)	288,722	(3,501,292)	-
on refunding	(2,482,754)	(182,965)	265,856	(2,399,863)	-
Total bonds payable	237,592,580	9,304,869	(18,416,774)	228,480,675	11,385,000
Notes payable	22,005,000	18,685,000	(6,861,000)	33,829,000	4,459,000
Compensated absences payable	27,387,730	11,006,036	(10,332,879)	28,060,887	7,626,950
Pollution remediation payable	-	264,056	-	264,056	-
Estimated claims payable	14,013,380	30,571,018	(31,371,881)	13,212,517	5,223,079
Net OPEB obligation	3,886,795	2,995,619	-	6,882,414	-
Total	\$ 304,885,485	\$ 72,826,598	\$ (66,982,534)	\$ 310,729,549	\$ 28,694,029

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, \$13,212,517 in estimated claims payable, \$663,044 in compensated absences payable, \$184,056 in pollution remediation payable, and \$6,882,414 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	\$ 52,815,000	\$ -	\$ (2,640,000)	\$ 50,175,000	\$ 2,775,000
Less deferred amounts:					
for issuance discounts	(2,464)	-	652	(1,812)	-
for issuance costs	(335,081)	-	44,676	(290,405)	-
on refunding	(1,584,227)	-	217,453	(1,366,774)	-
Total bonds payable	50,893,228	-	(2,377,219)	48,516,009	2,775,000
Notes payable	10,677,506	-	(1,271,626)	9,405,880	978,982
Compensated absences payable	2,433,882	1,130,315	(1,135,336)	2,428,861	660,166
Pollution remediation payable	-	2,128,500	-	2,128,500	-
Landfill closure costs	18,787,487	1,201,733	-	19,989,220	88,679
Total	\$ 82,792,103	\$ 4,460,548	\$ (4,784,181)	\$ 82,468,470	\$ 4,502,827

NOTE 8. CONDUIT DEBT OBLIGATIONS

Four 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 four entities and their purposes are:

- **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 in 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, 2009 is comprised of the following:

Entity	Number of Series Outstanding	Original Issued	Aggregate Principal Outstanding
Volusia County Health Facilities Authority	4	\$ 151,360,000	\$ 94,875,000
Housing Finance Authority of Volusia County	15	103,175,000	95,540,000
Volusia County Industrial Development Authority	12	66,980,000	64,376,287
Volusia County Educational Facilities Authority	8	258,775,000	231,765,000

NOTE 9. 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, 2009, this receivable amounted to \$81,984. Additionally, the County administers a computer purchase plan as a benefit to its employees. At September 30, 2009, the amount owed to the County under this plan was \$33,552, net of estimated uncollectibles. 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 \$115,536.

NOTE 10. 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
1317 Winewood Boulevard, Building 8
Tallahassee, FL 32399-1560**

2. Funding Policy

The County participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2009 as follows (contribution rates are in agreement with the actuarially determined rates):

<u>Regular Class</u> – Members who are eligible to participate in the plan, but do not qualify for membership in other classes.	9.85%
<u>Senior Management Service Class</u> – Members of senior management.	13.12%
<u>Special Risk Class</u> – Members employed as law enforcement officers, firefighters, or correctional officers.	20.92%
<u>Special Risk Administrative Support Class</u> – Special risk members who are transferred or reassigned to non-special risk law enforcement, firefighting, or correctional administrative support positions.	12.55%
<u>Elected Officer's Class</u> – Elected county officials.	16.53%
<u>Deferred Retirement Option Program (DROP)</u> – 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 14.20 percent. For the years ending September 30, 2009, 2008, and 2007, total contributions were \$18,937,197, \$18,792,794, and \$19,213,891, 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, 2009, the date of the latest actuarial valuation update:

Retirees and beneficiaries receiving benefits	28
Terminated plan members entitled to, but not yet receiving benefits	10
Active plan members:	
Vested	6
Non-vested	131
Total Plan Members	175
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, 2009 determined the annual required contribution (ARC) for the fiscal year ended September 30, 2009. 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	(13,392)
ARC adjustment	22,884
Annual pension cost	9,492
Contributions made	-
Decrease in net pension obligation	9,492
Net pension obligation 09/30/08	(191,311)
Net pension obligation 09/30/09	\$ (181,819)

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
09/30/07	\$ 8,290	0	\$ (200,176)
09/30/08	8,865	0	(191,311)
09/30/09	9,492	0	(181,819)

8. Funded Status and Funding Progress

As of October 1, 2009, the most recent actuarial valuation update, the plan was 109 percent funded. The actuarial accrued liability for benefits was \$3,700,197, and the actuarial value of assets was \$4,038,251 resulting in an unfunded actuarial accrued liability (UAAL) of (\$338,054).

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, 2009 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, 2009 is 13 years.

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

NOTE 11.
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. 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 employee 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, 2009, membership consisted of:

Membership September 30, 2009	
Active Employees	2,959
Inactive Employees	297
Total	3,256

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, 2009, retired employees contributed \$1,816,697 to the plan. For those employees,

through its self-insured Employee Group Insurance fund, the County paid \$2,999,555 in claims and administrative costs resulting in a net contribution of \$1,182,858. 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, 2008 and determined the employer's annual required contribution (ARC) for the fiscal year ended September 30, 2009. 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	\$ 4,142,523
Interest on net OPEB obligation	194,340
Adjustment to annual required contribution	<u>(158,386)</u>
Annual OPEB cost	4,178,477
Contributions made	<u>1,182,858</u>
Increase in net OPEB obligation	2,995,619
Net OPEB obligation beginning of year	<u>3,886,795</u>
Net OPEB obligation end of year	\$ 6,882,414

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/09	\$ 4,178,477	\$ 1,182,858	28.31%	\$ 6,882,414

F. FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as October 1, 2008, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 46,032,792
Actuarial value of plan assets	N/A
Unfunded actuarial accrued liability (UAAL)	\$ 46,032,792
Funded ratio (actuarial value of plan assets/AAL)	N/A
Covered payroll (active plan members)	\$ 125,466,110
UAAL as a percentage of covered payroll	36.7%

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, 2008 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included 5 percent investment rate of return (net of administrative expenses), an annual healthcare cost trend rate of 10 percent decreasing 1 percent each year until it reaches an ultimate rate of 5.5 percent and salary scale growth of 4.5 percent. Past service liability is amortized over a closed 30-year period as a level percentage of projected payroll assumed to grow 3.5 percent 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 5 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 percent of the female participants were assumed married. Of that group, 70 percent of married male participants and 30 percent 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, 2009 was 27 years.

NOTE 12. SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable at September 30, 2009 consist of the following:

Special Assessment Districts	Interest Rate %	Principal		Interest Receivable
		Current Receivable	Deferred Receivable	
Governmental Activities				
Major funds:				
Municipal Service District:				
Corbin Park	10.0	\$ 249	\$ -	\$ 426
South Waterfront Park	10.0	862	-	774
Mobile Home Village	10.0	22,136	-	28,279
Corbin Park Unit 3 Napier Hull	8.0	24,858	-	14,807
Pine Island	8.0	1,724	3,793	1,340
Bethune Beach 6400 Block Atlantic Ave.	8.0	381	-	23
Silverstone Court	8.0	4,154	17,359	927
Capri Drive	7.3	83,768	586,378	24,286
Shell Harbor Road	5.5	12,541	86,867	2,735
West Highlands/Highlands Park Subdivision	5.5	135,214	1,079,383	33,444
Total Municipal Service District		285,887	1,773,780	107,041
Business-type Activities				
Major funds:				
Water and Sewer Utilities:				
Waterfront Park	8.0	3,038	5,549	728
Stone Island Wastewater	8.0	9,207	46,036	2,210
DeBary Plantation Unit 7 Reclaimed Water	8.0	1,831	9,156	440
Total Water and Sewer Utilities		14,076	60,741	3,378
Agency Funds				
General Trust:				
Waterway Park	8.0	35,585	29,896	18,661
Hazelwood River Road	8.0	13,933	20,542	5,745
Total General Trust		49,518	50,438	24,406
Total		\$ 349,481	\$ 1,884,959	\$ 134,825

NOTE 13. AIRPORT LEASING ARRANGEMENTS WITH TENANTS AND PROPERTY HELD FOR LEASE

A. LEASING ARRANGEMENTS

The Airport's leasing operations consist of the leasing of land, buildings, and terminal space to airlines and other tenants. The leases consist of:

- Yearly lease agreements with major (non-airline) tenants of the terminal.
- 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, 2009		
2010	\$	7,104,610
2011		4,095,527
2012		3,098,431
2013		3,104,342
2014		2,874,017
2015 - 2055		33,047,524
Total	\$	53,324,451

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, 2009, 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, 2009		
Land	\$	4,351,505
Buildings		4,431,113
Improvements other than buildings		13,451,091
Subtotal		22,233,709
Less: Accumulated depreciation		(6,635,513)
Total	\$	15,598,196

NOTE 14. 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) when it stops accepting waste. In addition, the County must perform certain maintenance and monitoring functions at these sites for 30 years after closure. The Plymouth Avenue site and the South Cell of the Tomoka Road site are closed. Currently, the County is operating a combined North and East Class I Cell and a Class III Cell at the Tomoka Road site which have an estimated useful life remaining of 5.3 and 19.3 years, respectively.

Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The total estimated closure and postclosure care cost for the Plymouth Avenue and Tomoka Road sites, as of September 1, 2009, was \$31.8 million. Actual costs may change due to inflation, deflation, changes in technology, or changes in regulation. For fiscal year 2009, the County reported a landfill closure and postclosure liability of \$20.0 million, which included an increase of \$1.2 million from the prior fiscal year. This liability represents the cumulative amount reported to date based on the use of 100 percent of the estimated capacity Plymouth Avenue site and the South Cell, 65.7 percent of the estimated capacity of the combined Tomoka North and East Cell, and 34.4 percent of the estimated capacity of the Tomoka Class III Cell. The County will recognize the remaining \$11.8 million as the estimated cell capacities are filled.

The County is required by the State of Florida to make an annual contribution, if necessary, to a trust fund to finance closure costs. The County is in compliance with these requirements, and, as of September 30, 2009, cash and investments of \$10.1 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 or included as part of the annual contribution. However, if interest earnings and contributions are inadequate or additional postclosure care requirements are determined; these costs may need to be covered by increased landfill user charges.

NOTE 15.

COMMITMENT AND CONTINGENCIES

A. SELF-INSURANCE PROGRAM

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 public liability claim limits of \$100,000 per occurrence and \$200,000 per accident. Property damage deductibles are \$25,000 per incident for non-wind damage. Named storm wind damage requires a 3 percent deductible with a \$100,000 minimum and \$50,000,000 maximum. Non-named storm wind damage requires a \$100,000 deductible and \$150,000,000 limit. 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 \$446,622,857, 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 \$10,801,923 discounted at 4.5 percent, is \$10,233,517. A liability for a 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 2008 and 2009 were:

Changes in Claims Liability		
	2008	2009
Beginning fiscal year liability	\$ 11,283,299	\$ 10,667,380
Current year claims		
and changes in estimates	2,632,225	3,229,527
Claim payments	(3,248,144)	(3,663,390)
Balance at fiscal year end	\$ 10,667,380	\$ 10,233,517

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 \$200,000 for specific claims have been set. Commercial insurance for specific loss claims in excess of the coverage provided by the fund is supplied by Sun Life Assurance at a monthly rate of \$41.16 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 \$2,979,000 is reported in the fund at September 30, 2009.

Changes in the fund's claims liability amount in fiscal years 2008 and 2009 were:

Changes in Claims Liability		
	2008	2009
Beginning fiscal year liability	\$ 3,593,000	\$ 3,346,000
Current year claims		
and changes in estimates	27,730,002	26,711,119
Claim payments	(27,977,002)	(27,078,119)
Balance at fiscal year end	\$ 3,346,000	\$ 2,979,000

B. POLLUTION REMEDIATION

The County has identified specific locations requiring site remediation related to fuel tank storage contamination and other soil and groundwater pollutants. An assessment was made of each site to determine the extent of the County's responsibility to clean up the contaminated areas and the cost of these efforts. As of September 30, 2009, the sites that pose a probable liability include:

Site 1: The County has commenced pollution remediation activities at two abandoned fuel storage tanks dating back to the World War II era. These tanks were a source of probable soil and groundwater contamination. In addition, pursuant to operating under a consent order of the Florida Department of Environmental Protection

(FDEP), trichloroethylene and related chlorinated solvent compounds were also found impacting surrounding soil and groundwater areas. The cost elements associated with these events include supplemental site assessments, contingency assessments, remedial action planning/pilot testing, remedial action implementation, and post-active remediation monitoring. The County contracted with a professional environmental engineering firm which provided the County an estimate of a reasonable range of potential outlays of the costs elements. The County multiplied these outflows by their probability of occurring to develop the liability. This liability is estimated to be \$462,500.

Site 2: The County commenced pollution remediation activities due to petroleum contamination which occurred at a central fueling terminal. No action regarding this event has taken place other than identifying the polluted activity. The cost elements associated with these events include remedial action plan development, bid specifications, solicitation and contract award review, remedial system construction, system operations and management, post-active remediation monitoring, and well abandonment and closure activities. The County contracted with a professional environmental engineering firm which provided the County an estimate of a reasonable range of potential outlays of the costs elements. The County multiplied these outflows by their probability of occurring to develop the liability. The costs for cleanup will be shared between the FDEP and the County. The County is responsible for 49 percent of these costs. The liability is estimated to be \$184,056.

Site 3: The County commenced pollution remediation activities due to petroleum contamination resulting from two fuel spills at a transportation facility. The cost elements associated with these events include confirmatory sampling, well abandonment, and post-active remediation monitoring. The County contracted with a professional environmental engineering firm which provided the County an estimate of a reasonable range of potential outlays of the costs elements. The County multiplied these outflows by their probability of occurring to develop the liability. One of the spills estimated to cost \$93,616 will be fully recovered from the vendor who caused the contamination. The second spill estimated at \$28,500 will be the sole responsibility of the County.

Site 4: In accordance with Florida Administrative Code, the County is required to conduct an evaluation monitoring program and prepare a contamination evaluation plan to address potential release of contaminants to the groundwater at its landfill sites. The monitoring activities indicated there may be potential releases of contaminants into the groundwater at these sites, and therefore the County has voluntarily commenced pollution remediation activities at these locations. The cost elements associated with these events include chemical oxidation groundwater remediation, remedial action plan development, and post-active remediation monitoring. The County contracted with a professional environmental engineering firm which provided the County an estimate of a reasonable range of potential outlays of the costs elements. The County multiplied these outflows by their probability of occurring to develop the liability. The liability estimated for the two sites is \$1,637,500.

Site 5: Pesticide contamination occurred at a pest control facility. The cost elements associated with this event include soil removal, well installation, and post-active remediation monitoring. The County contracted with a professional environmental engineering firm which provided the County an estimate of a reasonable range of potential outlays of the costs elements. The County multiplied these outflows by their probability of occurring to develop the liability. The liability is estimated to be \$80,000.

Site 6: Petroleum contamination occurred at a fire station. No assessment has been performed. However, upon completion of an assessment and approval from FDEP, the County will be liable for 25 percent of the cost with remainder being borne by the FDEP. The costs associated with the clean up is not yet reasonably measurable and, as such, no liability is reported.

All estimates of liability are subject to change over time due to changes in the cost of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation efforts.

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.

D. COMMUTER RAIL PROJECT

On July 31, 2007, the County joined Orange, Osceola, and Seminole counties, and the City of Orlando to create the Central Florida Commuter Rail Commission. The purpose of this commission is to provide for the operation and creation of a funding plan for a light rail system that will serve the central Florida area. The four counties and city are the local governing partners that each contribute one member to form the governing board of the commission.

The commission entered into two agreements with the Florida Department of Transportation (FDOT) who will provide the funds for a 50 percent match of federal funds for the acquisition and construction of a commuter rail system. As a commission partner, the County is responsible for providing a portion of the capital costs, including debt service payments. Because the timetable on this project has significantly changed, the FDOT has placed the County and its other partners on notice that the financing plans are being restructured to meet federal funding requirements. As a result, the financial impact of the County's commitment cannot be estimated at this time.