COUNTY OF VOLUSIA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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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 nearly 500,000 residents including public safety, transportation, health and social services, culture/recreation, planning, zoning, and other community enrichment and development services.

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

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

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

1. Discretely Presented Component Units

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

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

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

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

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

Volusia County Clerk of the Circuit Court
101 North Alabama Avenue
DeLand, FL 32724

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

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

2. Related Organizations

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

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

3. Dependent Special Districts

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

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.

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.

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.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgements, are recorded only when payment is due. As a general rule, expenditures related to debt service principal and interest payments are recognized in the period they come due. Because the County must fund those expenditures in the current period, large surpluses result even though the payments are due the first day of the new fiscal year. To avoid possible misinterpretation of the financial statements, the County has elected to recognize the expenditure and related fund liabilities in the current period for bonds for which the principal and interest payments are due October 1.

The County reports the following major governmental funds:

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

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

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

- The *County Transportation Trust Fund* accounts for the fiscal activity relating to County road and bridge maintenance and construction.

- The *Volusia Forever Fund* accounts for the fiscal activities primarily relating to the management and improvement of environmentally sensitive lands acquired through the Volusia Forever program.

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

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

- The *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 $5,059,711. Of this amount, $2,281,572 represents amounts that are deferred solely because they are not yet considered to be available. Therefore, $2,778,139 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 for property 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 $2,687,530, 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 120 days are subject to being considered uncollectible. The estimated amount allowance for doubtful accounts is as follows:

Allowance For Doubtful Accounts	
General fund	$ 152,927
Special revenue funds	95,018
Enterprise funds	1,832,488
Internal service funds	16,695
Total	**$ 2,097,128**

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, intangibles, 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. Software, which is reported as an intangible asset, is capitalized when its initial cost equals or exceeds $100,000 and possesses an estimated useful life of more than one year. 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 Use Lives

Assets	Years
Buildings	15 - 40
Improvements other than buildings	5 - 30
Equipment	3 - 20
Infrastructure	15 - 35
Intangibles	10 - 30

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

For the fiscal year 2011, the County has implemented the Governmental Accounting Standards Board (GASB) Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement has left unchanged the total amount of fund balance in the governmental funds, but more clearly defines its components. The reporting standard establishes a hierarchy for fund balance classifications to make more transparent the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances include amounts that cannot be converted to cash or are legally or contractually required to be maintained intact. The County considers inventory, prepayments, advances, deposits, and long-term receivables as nonspendable items. Spendable fund balances of governmental funds are classified based upon a hierarchy that identifies the constraints or specific purposes for which amounts in those funds can be spent. The classifications of spendable fund balances include:

- Restricted: includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers. Restricted amounts are presented in the general, special revenue, debt service, and capital project funds.

- Committed: includes amounts that can be used only for the specific purposes determined by formal action of the highest level of decision making authority. A commitment can only be modified or removed by the same formal action. The County Council is considered the highest level of decision making authority and, at this time, has not taken formal action to commit any fund balances. As such, no committed fund balances are reported.

- Assigned: includes amounts that either the County Council, by approval of the County's annual budget or other resolution, or through delegation to the County Manager, intends to be used for specific purposes and do not constitute either restricted or committed funds. Assigned amounts include carry forward of prior year's allocations relating to unspent capital funding and future capital outlay/improvements, all of which are reappropriated in the following year's budget.

- Unassigned: includes residual positive fund balance within the general fund or the fund balance for any special revenue, debt service, or capital projects fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The County spends restricted amounts first when both restricted and assigned/unassigned fund balance is available unless there are legal documents/contracts that prohibit this action, such as in grant agreements requiring dollar for dollar spending. Additionally, the County would use its assigned fund balance first, before unassigned, with the exception of the emergency reserve which can only be spent by approval of County Council. While the County has not adopted a formal fund balance policy that would allow the emergency reserve to be reported as a committed fund balance, specific procedures included in the County's adopted annual budget require that these funds are to be used only to the extent that other revenues or funds are not available.

M. RESTRICTED NET ASSETS

Certain amounts are classified as restricted net assets on the government-wide and business-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 funding for public safety, physical environment, transportation, human services, culture/recreation, and other legally restricted activities, based upon specific federal, state and local legislative requirements.
- accumulate funds necessary to meet debt service obligations.
- fund allowable expenditures from passenger facility charges.
- accumulate the necessary funds, as required by bond covenants, to cover the cost of replacement of capital assets (land and equipment).
- accumulate the necessary funds, as required by bond covenants, necessary to cover cost of future maintenance and operating expenses.

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, 2010 account balances have been reclassified in this report to conform with the financial statement presentation used in 2011.

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, and County Attorney 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, Special Revenue, and Debt Service funds are adopted on a basis consistent with generally accepted accounting principles.

- 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:

January 1, 2010	Valuation date
July 1, 2010	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 2010	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, 2010	Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable. (Levy date) A notice of taxes is mailed to each owner on the assessment roll. Taxes may be paid with the following applicable monthly discounts for November 1, 2010 through March 31, 2011: November – 4% Discount December – 3% Discount January – 2% Discount February – 1% Discount March – 0% Discount
April 1, 2011	All unpaid taxes on real and tangible personal property become delinquent.
April and May 2011	A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised.
May 31, 2011	Tax certificates are sold on all real estate parcels with unpaid real property taxes. (Lien date)
August 30, 2011	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; 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, and stocks. All are debt securities of the issuer, except for the stocks held by the Volunteer Firefighters Pension Trust Fund. Seventy-nine percent of the Volunteer Firefigher's Pension Trust is invested in the County's pooled cash fund and sixteen percent in common stock of Brown and Brown, Inc. The remaining five percent is invested in five other common stocks. 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 2011.

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 amortized principal of the County's remaining balance in Pool B was $9,187 on September 30, 2011.

As of September 30, 2011, the County's cash and investments are as follows:

Investments Type	Maturities	Credit Quality	Fair Value
U. S. Treasury notes and bills	March 2012 - September 2012	AAA/Aaa	$ 28,244,426
Federal instrumentalities	March 2012 - September 2016	AAA/Aaa	161,551,825
Corporate Notes - FDIC Insured	December 2011 - June 2012	AAA/Aaa	54,545,220
Stocks	N/A	N/A	840,883
Subtotal			**245,182,354**
Money Market - Mutual Funds	N/A	AAAm/Aaa	116,472,697
Local Government Surplus Funds Trust Fund Pool B	N/A	N/A	9,187
Carrying value of cash and restricted cash	N/A	N/A	56,665,653
Total			**$ 418,329,891**

Interest Rate Risk: 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, 2011, 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:	
13 to 58 days	**$ 116,472,697**
Debt Securities:	
7 days to 6 months	$ 36,328,728
6 months to 1 year	44,503,553
1 to 2 years	30,289,370
2 to 3 years	49,317,481
3 to 4 years	73,200,517
4 to 5 years	10,701,822
Total Debt Securities	**$ 244,341,471**

Credit Risk: 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. Other securities not held at the Federal Reserve, such as Commercial Paper, are held by the bank/custodian segregated from all assets/investments of other bank/custodian clients as well as their own.

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, which is specifically disallowed.

- 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.

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NOTE 5.
INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. INTERFUND RECEIVABLE AND PAYABLES

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, 2011 is as follows:

	Due From Other Funds	Advances To Other Funds	Due To Other Funds	Advances From Other Funds
Governmental funds:				
Major funds:				
General	$ 7,963,883	$ 11,942,412	$ 10,664	$ -
Municipal service district	-	-	64,974	471,849
Federal and state grants	8,264	-	4,788,500	-
Volusia Forever	-	-	713,795	10,873,252
Nonmajor funds:				
Special revenue funds:				
East Volusia Mosquito Control District	61,411	434,490	-	-
Resort tax	-	-	320,488	-
Sales tax trust	-	-	2,396,614	-
Convention Development Tax	2,400	-	-	-
Ocean Center	320,488	-	-	-
Stormwater utility	-	-	61,411	434,490
Proprietary funds:				
Major funds:				
Parking garage	-	-	-	597,311
Total	**$ 8,356,446**	**$ 12,376,902**	**$ 8,356,446**	**$ 12,376,902**

Interfund balances at September 30, 2011 are primarily related to:

- an interfund loan of $601,205 made in fiscal year 2009 from the general fund to the municipal service district fund to cover a one-time revenue short fall due to adjustments in the communication services tax received from the State of Florida. The remaining amount owed is $536,823.

- an interfund loan of $11,587,047 made in fiscal year 2011 from the general fund to the Volusia Forever fund for the purchase of the Deep Creek preserve conservation land that was designated for potential alternative water supply and storage development. The remaining amount owed is $11,587,047.

- an interfund loan of $585,478 from the East Volusia Mosquito Control District to stormwater utility for equipment acquired for use by its drainage task team. The remaining amount owed is $495,901.

- a $597,311 advance from the general fund to the parking garage to settle disputed costs incurred by a contracted management group operating the parking garage prior to the facility's acquisition by the County.

- interfund loans in the amount of $4,788,500 to cover cash deficits due to timing of grant reimbursements.

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

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

	Due From Component Units	Due From Primary Government	Due To Component Units	Due To Primary Government
Governmental funds:				
Major funds:				
General	$ 730,735	$ -	$ 1,620	$ -
Municipal service district	4,010	-	521	-
Federal and state grants	-	-	4,686	-
County transportation trust	-	-	73	-
Nonmajor funds:				
Special revenue funds:				
Ocean Center	-	-	2,528	-
Fire services	-	-	172	-
Law/beach enforcement trust	-	-	2,055	-
State Housing Incentive Program (S.H.I.P.)	-	-	145	-
Capital project funds:				
Bond funded road program	-	-	170	-
Component units:				
Clerk of the Circuit Court	-	9,256	-	734,745
Emergency Medical Foundation, Inc.	-	2,714	-	-
Total	**$ 734,745**	**$ 11,970**	**$ 11,970**	**$ 734,745**

B. INTERFUND TRANSFERS

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.

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Interfund transfers consist of the following:

TRANSFERS IN		TRANSFERS OUT	
GOVERNMENTAL FUNDS			
Major funds:			
General fund:			
from Federal and state grants	$ 55,242	to Federal and state grants	$ 232,177
from Municipal service district	20,599	to Volusia Forever	139,928
from Library	314,585	to Silver Sands/Bethune Bch MSD	3,254
from E-911 emergency telephone	775,000	to Debt service	10,009,256
from Manatee conservation	33,018	to Capital projects	563,394
from Sales tax trust	4,590,265	to Volusia Transportation Authority	13,012,803
from Beach capital	32,958		
Total General fund	5,821,667		23,960,812
Municipal Service District:			
from Sales tax trust	2,724,397	to General fund	20,599
from E-911 emergency telephone	40,363	to Transportation trust	3,100,000
		to Debt service	844,912
		to Federal and state grants	24,156
Total Municipal Service District	2,764,760		3,989,667
Federal and State Grants:			
from General fund	232,177	to General fund	55,242
from Municipal service district	24,156	to Fire services	83,486
from Transportation trust	35,804	to Stormwater utility	14,259
from Stormwater utility	461,565		
from Law enforcement trust	24,044		
from Park capital (other)	77,322		
Total Federal and State Grants	855,068		152,987
Transportation Trust:			
from Municipal service district	3,100,000	to Federal and state grants	35,804
		to Debt service	1,702,797
Total Transportation Trust	3,100,000		1,738,601
Volusia Forever:			
from General fund	139,928		
Total major funds:	**12,681,423**		**29,842,067**
Nonmajor funds:			
Special Revenue funds:			
Library:			
from Library endowment	8,254	to General fund	314,585
Resort Tax :			
		to Debt service	4,730,265
		to Ocean Center	2,035,419
Sales tax trust:			
		to General fund	4,590,265
		to Municipal service district	2,724,397
		to Ocean Center	1,279,979
		to Debt service	6,800,071
E-911 Emergency Telephone :			
		to Municipal service district	40,363
		to General fund	775,000
Ocean Center:			
from Resort tax	2,035,419	to Debt service	154,074
from Sales tax trust	1,279,979		

TRANSFERS IN		**TRANSFERS OUT**	
GOVERNMENTAL FUNDS			
Nonmajor funds - continued:			
Manatee Conservation:		to General fund	33,018
Library Endowment:		to Library	8,254
Road Impact Fees:		to Debt service	3,166,250
Fire Services:			
from Federal and state grants	83,486		
Fire Impact Fees:		to Vehicle maintenance	112,000
Silver Sands/Bethune Beach MSD:			
from General fund	3,254		
Stormwater utility:			
from Federal and state grants	14,259	to Federal and state grants	461,565
Volusia ECHO:		to Capital projects	1,348,924
Law/Beach Enforcement Trust:		to Federal and state grants	24,044
Total Special Revenue funds	3,424,651		28,598,473
Debt Service funds:			
Subordinate Lien Sales Tax Revenue Bonds:			
from Sales tax trust	5,884,831		
Gas Tax Revenue Bonds:			
from Transportation trust	1,702,797		
from Road impact fees	3,166,250		
Tourist Development Tax Refunding Revenue Bonds:			
from Resort tax	4,730,265		
Public Transportation Debt Service:			
from General fund	1,200,000		
Capital Improvement Revenue and Refunding Bonds:			
from General fund	461,309		
from Municipal service district	268,125		
from Sales tax trust	915,240		
Installment Purchase Agreements:			
from General fund	8,347,947		
from Municipal service district	576,787		
from Trails	71,959		
from Ocean Center	154,074		
Total Debt Service funds	27,479,584		-

TRANSFERS IN		TRANSFERS OUT	
GOVERNMENTAL FUNDS			
Major funds - continued:			
Capital Projects funds:			
Beach:			
from Volusia ECHO	348,924	to General fund	32,958
Trails:			
from Volusia ECHO	1,000,000	to Debt service	71,959
Branch jail expansion:			
		to Capital improvement projects	5,637,556
Capital Improvement Projects			
from Branch jail expansion	5,637,556		
Parks:			
		to Federal and state grants	77,322
Other Capital Projects:			
from General fund	563,394		
Total Capital Project funds	7,549,874		5,819,795
Total nonmajor funds	**38,454,109**		**34,418,268**
PROPRIETARY FUNDS:			
Major funds:			
Refuse Disposal:			
from Garbage collection	1,569,340		
Volusia Transportation Authority:			
from General fund	13,012,803		
Nonmajor funds:			
Garbage Collection:			
		to Refuse disposal	1,569,340
Internal Service Funds			
Vehicle maintenance:			
from Fire impact fees	112,000		
Total proprietary funds	**14,694,143**		**1,569,340**
Total Transfers	**$ 65,829,675**		**$ 65,829,675**

NOTE 6.
CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2011 was as follows:

Governmental Activities	Ending Balance 09/30/10	Increases	Decreases	Ending Balance 09/30/11
Capital assets, not being depreciated:				
Land	$ 126,734,221	$ 26,088,752	$ (85,669)	$ 152,737,304
Land - infrastructure	47,013,505	2,276,427	-	49,289,932
Easements	1,176,233	-	-	1,176,233
Intangibles	22,598,701	2,065,603	-	24,664,304
Construction in progress	7,240,725	4,175,373	(692,894)	10,723,204
Construction in progress - infrastructure	46,195,825	7,661,586	(36,963,706)	16,893,705
Total capital assets, not being depreciated	250,959,210	42,267,741	(37,742,269)	255,484,682
Capital assets, being depreciated:				
Buildings	325,680,049	1,731,558	(217,289)	327,194,318
Improvements other than buildings	31,786,789	712,292	-	32,499,081
Leasehold improvements	497,125	13,408	-	510,533
Equipment	129,232,680	12,345,164	(6,550,727)	135,027,117
Infrastructure	410,996,966	36,894,619	-	447,891,585
Total capital assets being depreciated	898,193,609	51,697,041	(6,768,016)	943,122,634
Less accumulated depreciation for:				
Buildings	(110,099,213)	(7,941,966)	88,171	(117,953,008)
Improvements other than buildings	(12,553,500)	(1,901,891)	-	(14,455,391)
Leasehold improvements	(440,138)	(24,231)	-	(464,369)
Equipment	(81,364,338)	(12,379,190)	6,265,532	(87,477,996)
Infrastructure	(269,382,205)	(5,625,256)	-	(275,007,461)
Total accumulated depreciation	(473,839,394)	(27,872,534)	6,353,703	(495,358,225)
Total capital assets, being depreciated, net	424,354,215	23,824,507	(414,313)	447,764,409
Governmental activities capital assets, net	$ 675,313,425	$ 66,092,248	$ (38,156,582)	$ 703,249,091

Business-type Activities	Ending Balance 09/30/10	Increases	Decreases	Ending Balance 09/30/11
Capital assets, not being depreciated:				
Land	$ 48,177,834	$ 5,006,500	$ -	$ 53,184,334
Intangibles	2,136,619	-	-	2,136,619
Construction in progress	5,680,182	2,474,323	(848,134)	7,306,371
Total capital assets, not being depreciated	55,994,635	7,480,823	(848,134)	62,627,324
Capital assets, being depreciated:				
Buildings	35,197,703	181,383	-	35,379,086
Improvements other than buildings	235,900,862	19,296,953	(259,315)	254,938,500
Equipment	49,174,389	2,151,715	(3,793,016)	47,533,088
Total capital assets being depreciated	320,272,954	21,630,051	(4,052,331)	337,850,674
Less accumulated depreciation for:				
Buildings	(15,201,358)	(1,261,779)	-	(16,463,137)
Improvements other than buildings	(114,714,760)	(8,310,625)	217,098	(122,808,287)
Equipment	(26,567,328)	(5,053,576)	3,591,222	(28,029,682)
Total accumulated depreciation	(156,483,446)	(14,625,980)	3,808,320	(167,301,106)
Total capital assets, being depreciated, net	163,789,508	7,004,071	(244,011)	170,549,568
Business-type activities capital assets, net	$ 219,784,143	$ 14,484,894	$ (1,092,145)	$ 233,176,892

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	Depreciation Expense
General government	$ 4,532,493
Public safety	6,810,159
Physical environment	452,621
Transportation	7,226,898
Economic environment	128,514
Human services	730,985
Culture/recreation	5,408,540
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	2,543,406
Total	$ 27,833,616

Business-type Activities	Depreciation Expense
Refuse disposal	$ 3,255,208
Daytona Beach International Airport	4,548,487
Volusia Transportation Authority	3,133,170
Water and sewer utilities	2,770,769
Parking garage	454,100
Garbage collection	-
Total	$ 14,161,734

Construction and other capital improvement commitments

The County has various projects as of September 30, 2011. At year-end the government's commitments with contractors are as follows:

Projects	**Spent-to-Date**	**Remaining Commitment**
Road construction	$ 8,724,195	$ 7,661,705
GPS Simulcast Upgrade	6,865,508	281,076
Voice over IP telephone system	2,841,683	1,421,050
Consolidated Dispatch/EOC	740,311	483,040
Water/sewer utility improvements	1,003,852	227,932
Airport-related construction:		
Phase I hangar construction	1,966,505	158,168
Integrated security system	1,784,655	2,642,416
Runway project	17,296,046	574,131
Total	$ 41,222,755	$ 13,449,518

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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, 2011 financial statements:

Governmental Activities

	Purpose	Interest Rates (%)	Revenue Pledged	Amount Outstanding	Final Maturity
Revenue Bonds:					
$23,985,000 Subordinate Lien Sales Tax Improvement Refunding Revenue Bonds, Series 2001B	Provide funds to refund a portion of the County's Sales Tax Improvement Refunding Revenue Bonds, Series 1991A	4.20	Local Government Half-cent Sales Tax and investment earnings	$ -	10/1/2010
$22,565,000 Tourist Development Tax Refunding Revenue Bonds, Series 2002	Refund all County's Tourist Development Tax Bonds, Series 1993	2.00 to 3.50	Tourist development tax revenues and all moneys including investment earnings	7,030,000	12/1/2013
$8,255,000 Subordinate Lien Sales Tax Refunding Revenue Bonds, Series 2003	Refund County's Sales Tax Improvement Refunding Revenue Bonds, Series 1993	2.00 to 4.00	Local Government Half-cent Sales Tax and investment earnings	5,565,000	10/1/2021
$64,710,000 Tourist Development Tax Revenue Bonds, Series 2004	Ocean Center expansion and renovation	3.00 to 5.00	Tourist development tax revenues and all moneys, including investment earnings	64,615,000	12/1/2034
$64,215,000 Gas Tax Revenue Bonds, Series 2004	Transportation improvements	2.75 to 5.00	Six Cent Local Option Fuel Tax and investment earnings	49,720,000	10/1/2024
$42,605,000 Subordinate Lien Sales Tax Refunding Revenue Bonds, Series 2008	Refund a portion of the County's Subordinate Lien Sales Tax Improvement Revenue Bonds Series 1998	3.00 to 5.25	Local Government Half-cent Sales Tax and investment earnings	42,605,000	10/1/2018
$3,718,000 Capital Improvement Revenue Bonds, Series 2009A	To acquire vehicles, communication equipment and a helicopter	2.63	Local Government Half-cent Sales Tax and investment earnings, non-ad valorem revenues budgeted and appropriated	3,168,000	10/1/2014
$5,812,000 Capital Improvement Revenue Bonds, Series 2009B	Refund remaining portion of County's Subordinate Lien Sales Tax Improvement Revenue Bonds, Series 1998	2.63	Local Government Half-cent Sales Tax and investment earnings, non-ad valorem revenues budgeted and appropriated	5,054,000	10/1/2016
Total Revenue Bonds				**$ 177,757,000**	

Governmental Activities

	Purpose	Interest Rates (%)	Revenue Pledged		Amount Outstanding	Final Maturity
General Obligation Bonds:						
$39,875,000 Limited Tax General Obligation Bonds, Series 2005	Environmentally sensitive lands acquisition and improvement	3.50 to 4.25	Limited property tax assessed and levied, not to exceed 0.20 mil on taxable property and investment earnings	$	29,985,000	10/1/2021
Total General Obligation Bonds				**$**	**29,985,000**	
Total Governmental Activities				**$**	**207,742,000**	

Business-type Activities

	Purpose	Interest Rates (%)	Revenue Pledged		Amount Outstanding	Final Maturity
Revenue Bonds:						
$5,085,000 Water & Sewer Refunding Revenue Bonds, Series 1998	Advance refund of remaining portion of County's Water & Sewer Bonds, Series 1989	4.60 to 4.88	Net revenues from water & sewer system, connection fees and investment earnings	$	1,035,000	10/1/2016
$30,795,000 Airport System Revenue Refunding Bonds, Series 2000	Provide funds to advance refund remaining portion of County's Airport System Revenue Bonds, Series 1991	6.35 to 7.00	Net revenues of Daytona Beach International Airport operations and all moneys, including investment earnings		21,275,000	10/1/2021
$6,975,000 Water & Sewer Refunding Revenue Bonds, Series 2003	Advance refund of remaining portion of County's Water & Sewer Refunding & Improvement Revenue Bonds, Series 1993	2.00 to 4.00	Net revenues from water & sewer system, connection fees and investment earnings		5,665,000	10/1/2019
$11,110,000 Airport System Revenue Refunding Bonds, Series 2003	Provide funds to refund all of County's Airport System Revenue Refunding Bonds, Series 1993	2.00 to 4.10	Net revenues of Daytona Beach International Airport operations and all moneys, including investment earnings		7,440,000	10/1/2021
$10,815,000 Parking Facility Revenue Bonds Series 2007	Ocean Center parking structure	5.13	Net revenues from parking facility operation and all moneys, including investment earnings		9,310,000	4/1/2024
Total Revenue Bonds				**$**	**44,725,000**	

B. NOTES PAYABLE

Notes payable outstanding as of September 30, 2011, are comprised of the following:

Governmental Activities	Purpose	Interest Rate (%)	Annual Principal Payment (thousands)	Amount Outstanding	Final Maturity
Installment purchase agreement	Pedestrian and bike trails	3.02	$364-497	$ 4,724,000	12/1/2021
Installment purchase agreement	Road and drainage improvements	3.02	$127-158	1,142,000	12/1/2018
Installment purchase agreement	Ocean Center improvements	3.02	$362-646	9,875,000	12/1/2030
Installment purchase agreement	Transportation and utility improvements	3.02	$72-90	648,000	12/1/2018
Installment purchase agreement	Commuter project "SunRail"	1.50	$1,164	5,621,000	10/1/2015
Total Government Activities				**$ 22,010,000**	

Business-type Activities	Purpose	Interest Rate (%)	Annual Principal Payment (thousands)	Amount Outstanding	Final Maturity
Installment purchase agreement	Acquire land	3.02	$208-245	$ 1,361,000	12/1/2016
State of Florida revolving loan	Deltona North Water Reclamation Facility	2.99	$88-115	643,117	6/15/2017
State of Florida revolving loan	Southwest Regional Water Reclamation Facility	3.05	$135-194	1,555,259	5/15/2020
State of Florida revolving loan	Southeast Wastewater Facility	3.24	$278-543	4,196,586	8/15/2020
State of Florida revolving loan	Reclamation Facility Expansion	3.05	$475-643	8,350,476	6/15/2022
Total Business-type Activities				**$ 16,106,438**	

C. DEBT SERVICE TO MATURITY

The annual requirements to amortize all government-wide debt outstanding as of September 30, 2011, including interest payments of $105,606,222, are as follows:

Governmental Activities:

Fiscal	Revenue Bonds		General Obligation Bonds		Notes Payable		
Year	Principal	Interest	Principal	Interest	Principal	Interest	Total
2012	$ 10,617,000	$ 6,846,247	$ 2,235,000	$ 1,194,388	$ 2,089,150	$ 276,449	$ 23,258,234
2013	11,091,000	6,517,682	2,320,000	1,113,369	2,098,147	547,833	23,688,031
2014	11,434,000	6,167,676	2,405,000	1,026,369	2,144,145	502,297	23,679,487
2015	11,790,000	5,802,285	2,500,000	933,175	2,192,397	455,464	23,673,321
2016	12,726,000	5,375,227	2,600,000	833,175	2,061,161	407,466	24,003,029
2017-2021	54,524,000	19,550,128	14,635,000	2,521,075	5,259,000	1,475,089	97,964,292
2022-2026	31,480,000	13,228,904	3,290,000	139,825	3,121,000	770,523	52,030,252
2027-2031	17,040,000	7,310,000	-	-	2,399,000	326,009	27,075,009
2032-2035	17,055,000	2,705,500	-	-	646,000	9,755	20,416,255
Total	**177,757,000**	**73,503,649**	**29,985,000**	**7,761,376**	**22,010,000**	**4,770,885**	**315,787,910**
Less:							
Unamortized							
bond costs	6,529,803	-	194,264	-	-	-	6,724,067
Total	**$ 171,227,197**	**$ 73,503,649**	**$ 29,790,736**	**$ 7,761,376**	**$ 22,010,000**	**$ 4,770,885**	**$ 309,063,843**

Business-type Activities:

					Total	Total
					Principal	Government-wide
	Revenue Bonds		Notes Payable		and	Principal and
Fiscal Year	Principal	Interest	Principal	Interest	Interest	Interest
2012	$ 3,060,000	$ 2,389,735	$ 1,322,526	$ 479,089	$ 7,251,350	$ 30,509,584
2013	3,215,000	2,239,138	1,365,729	438,471	7,258,338	30,946,369
2014	3,395,000	2,079,278	1,407,984	396,554	7,278,816	30,958,303
2015	3,575,000	1,907,912	1,450,324	353,371	7,286,607	30,959,928
2016	3,985,000	1,603,017	1,494,783	308,851	7,391,651	31,394,680
2017-2021	24,675,000	5,851,326	5,579,970	929,505	37,035,801	135,000,093
2022-2026	2,820,000	259,069	3,044,729	328,281	6,452,079	58,482,331
2027-2031	-	-	440,393	6,715	447,108	27,522,117
2032-2035	-	-	-	-	-	20,416,255
Total	**44,725,000**	**16,329,475**	**16,106,438**	**3,240,837**	**80,401,750**	**396,189,660**
Less:						
Unamortized						
bond costs	1,250,782	-	-	-	1,250,782	7,974,849
Total	**$ 43,474,218**	**$ 16,329,475**	**$ 16,106,438**	**$ 3,240,837**	**$ 79,150,968**	**$ 388,214,811**

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 an updated arbitrage rebate determination on the Limited Tax General Obligation Bonds, Series 2005. It was determined the arbitrage rebate liability payable was $146,690.

E. DEFEASED DEBT

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 November 23, 2010, the County entered into a loan agreement in the amount of $17,750,000 with an average interest rate of 3.02 percent to refund seven installment purchase agreements whose total remaining principal balance equaled $17,750,000. This new, 15-year note refinanced the following projects: debt service for the Ocean Center expansion ($9,875,000), improvements for Capri Drive and West Highlands Special Assessment Districts ($1,790,000), acquisition and construction of trails ($4,724,000), and land acquisition at the Daytona Beach International Airport ($1,361,000). The economic gain or present value savings over the life of the loan is $199,217.

F. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2011, was as follows:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	$ 186,405,000	$ -	$ (8,648,000)	$ 177,757,000	$ 10,617,000
General obligation bonds	32,145,000	-	(2,160,000)	29,985,000	2,235,000
Deferred amounts:					
Plus: for issuance premiums	5,285,541	-	(438,323)	4,847,218	-
Less: for issuance discounts	(7,132,041)	-	372,385	(6,759,656)	-
for issuance costs	(3,207,436)	-	266,523	(2,940,913)	-
on refunding	(2,090,573)	-	219,857	(1,870,716)	-
Total bonds payable	211,405,491	-	(10,387,558)	201,017,933	12,852,000
Notes payable	25,230,000	22,010,000	(25,230,000)	22,010,000	2,089,150
Compensated absences payable	28,646,416	6,893,808	(9,708,946)	25,831,278	7,075,185
Pollution remediation payable	212,097	-	(24,005)	188,092	4,036
Estimated claims payable	11,554,583	35,365,411	(33,228,201)	13,691,793	5,153,750
Net OPEB obligation	10,312,899	2,632,714	-	12,945,613	-
Total	**$ 287,361,486**	**$ 66,901,933**	**$ (78,578,710)**	**$ 275,684,709**	**$ 27,174,121**
Business-type Activities:					
Bonds payable:					
Revenue bonds	$ 47,630,000	$ -	$ (2,905,000)	$ 44,725,000	$ 3,060,000
Less deferred amounts:					
for issuance discounts	(1,335)	-	293	(1,042)	-
for issuance costs	(248,798)	-	(28,756)	(277,554)	-
on refunding	(1,162,966)	-	190,778	(972,188)	-
Total bonds payable	46,216,901	-	(2,742,685)	43,474,216	3,060,000
Notes payable	15,078,801	3,513,826	(2,486,189)	16,106,438	1,322,527
Compensated absences payable	2,214,778	891,679	(1,043,368)	2,063,089	565,080
Pollution remediation payable	2,039,371	112,688	(354,026)	1,798,033	178,558
Landfill closure costs	20,579,211	531,156	-	21,110,367	652,435
Total	**$ 86,129,062**	**$ 5,049,349**	**$ (6,626,268)**	**$ 84,552,143**	**$ 5,778,600**

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, these liabilities for the internal service funds include $13,691,793 in estimated claims payable, $597,859 in compensated absences payable, and $12,945,613 in net OPEB obligations. Also, for the governmental activities, claims and compensated absences payable are primarily liquidated by the resources of the general and municipal service district funds.

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, 2011 is comprised of the following:

Entity	Number of Series Outstanding	Original Issued	Aggregate Principal Outstanding
Volusia County Health Facilities Authority	1	$ 33,275,000	$ 20,640,000
Housing Finance Authority of Volusia County	13	94,175,000	83,035,000
Volusia County Industrial Development Authority	6	55,365,000	53,445,894
Volusia County Educational Facilities Authority	5	234,670,000	209,645,000

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, 2011, this portion of the receivable amounted to $28,710, net of estimated uncollectibles. On September 28, 2011, payroll EFT returns in transit amounting to $42,397 were outstanding. Additionally, the County administers a computer purchase plan as a benefit to its employees. At September 30, 2011, the amount owed to the County under this plan was $41,456, net of estimated uncollectibles. The total of the amounts owed is $112,563 and are recorded as Employee Receivables in the General Fund. Since these receivables are not a readily available resource, a portion of fund balance, equal to the amount owed, has been recorded as non-spendable.

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, 2011 as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Employee Contribution Rate	Employer Contribution Rate	Total Contribution Rate
Regular Class – Members who are eligible to participate in the plan, but do not qualify for membership in other classes.	3.00%	4.91%	7.91%
Senior Management Service Class – Members of senior management.	3.00%	6.27%	9.27%
Special Risk Class – Members employed as law enforcement officers, firefighters, or correctional officers.	3.00%	14.10%	17.10%
Special Risk Administrative Support Class – Special risk members who are transferred or reassigned to non-special risk law enforcement, firefighting, or correctional administrative support positions.	3.00%	6.04%	9.04%
Elected Officer's Class – Elected county officials.	3.00%	11.14%	14.14%
Deferred Retirement Option Program (DROP) – Members who have reached eligible retirement age and have elected to defer the receipt of benefits, allowing them to accumulate benefits within the FRS Trust Fund, while continuing their employment.	N/A	4.42%	4.42%

The contribution rate of current year covered payroll is 14.66 percent. For the years ending September 30, 2011, 2010, and 2009, total contributions were $18,780,224, $19,434,814, and $18,937,197, 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. Any benefit changes, such as cost of living adjustments, requires a plan amendment and is subject to Council approval.

3. Plan Membership

Membership in the plan consisted of the following at September 30, 2011, the date of the latest actuarial valuation update:

Retirees and beneficiaries receiving benefits	25
Terminated plan members entitled to, but not yet receiving benefits	12
Active plan members:	
Vested	5
Non-vested	58
Total plan members	**100**
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, 2010 and updated for October 1, 2011, determined the annual required contribution (ARC) for the fiscal year ended September 30, 2011. 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	(9,390)
ARC adjustment	21,103
Annual pension cost	**11,713**
Contributions made	-
Increase in net pension obligation	**11,713**
Net pension obligation 09/30/10	(170,726)
Net pension obligation 09/30/11	**$ (159,013)**

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
09/30/09	9,492	0	(181,819)
09/30/10	11,093	0	(170,726)
09/30/11	11,713	0	(159,013)

8. Funded Status and Funding Progress

As of October 1, 2011, the most recent actuarial valuation update, the plan was 108 percent funded. The actuarial accrued liability for benefits was $3,758,299, and the actuarial value of assets was $4,058,364 resulting in an unfunded actuarial accrued liability (UAAL) of ($300,065).

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, 2011 actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumption included a 5.5 percent investment rate of return. Assets are valued at market value. Since the membership of the plan is comprised of volunteers, no estimates for wage adjustments or inflation is included. 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, 2011 is 11 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 benefit, 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 be vested in the Florida Retirement System (FRS) and 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, 2011, membership consisted of:

Active Employees	2,769
Inactive Employees	360
Total members	**3,129**

D. FUNDING POLICY

The County establishes the individual premium to be paid by the retired employees. Under a new plan provision approved by County Council in fiscal year 2011, employees who retire with 20 or more years of service are eligible to convert their excess personal leave time to offset one-half of their annual health care premium cost, for up to five years.

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, 2011, retired employees contributed $1,420,446 to the plan. For those employees, through its self-insured Employee Group Insurance fund, the County paid $3,383,846 in claims and administrative costs resulting in a net contribution of $1,963,400. 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, 2010 and determined the employer's annual required contribution (ARC) for the fiscal year ended September 30, 2011. 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	$ 4,500,718
Interest on net OPEB obligation	515,645
Adjustment to annual required contribution	(420,249)
Annual OPEB cost	4,596,114
Contributions made	(1,963,400)
Increase in net OPEB obligation	2,632,714
Net OPEB obligation beginning of year	10,312,899
Net OPEB obligation end of year	**$ 12,945,613**

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and last two fiscal years were 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
09/30/10	4,457,799	1,027,314	23.05	10,312,899
09/30/11	4,596,114	1,963,400	42.72	12,945,613

F. FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of October 1, 2010, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	$ 51,582,362
Actuarial value of plan assets	N/A
Unfunded actuarial accrued liability (UAAL)	$ 51,582,362
Funded ratio (actuarial value of plan assets/AAL)	N/A
Covered payroll (active plan members)	$ 124,087,086
UAAL as a percentage of covered payroll	41.57

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, 2010 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, including inflation, of 10.0 percent decreasing to an ultimate rate of 5.0 percent by September 30, 2018 for pre-Medicare costs and 7.5 percent decreasing to an ultimate rate of 5.0 percent for post-Medicare costs by September 30, 2016, and salary scale growth of 4.5 percent. No post-retirement benefit increases are planned and, therefore, are not included. 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. Depending upon whether or not the retiree is eligible to use leave time to offset premium cost, 35 to 50 percent of new retirees under age 65 and 10 to 40 percent of new retirees over age 65 are assumed to elect medical coverage. Thirty to 80 percent of the under-65 age group 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, over a 30-year period on a closed basis. The remaining amortization period at September 30, 2011 was 25 years.

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NOTE 12.
SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable at September 30, 2011 consist of the following:

	Interest Rate %	Principal Current Receivable	Principal Deferred Receivable	Interest Receivable
Governmental Activities				
Major funds:				
Municipal Service District:				
Corbin Park	10.0	$ 249	$ -	$ 476
South Waterfront Park	10.0	862	-	947
Mobile Home Village	10.0	20,765	-	32,192
Corbin Park Unit 3 Napier Hull	8.0	24,133	-	18,479
Pine Island	8.0	3,057	-	1,550
Silverstone Court	8.0	3,308	9,088	496
Capri Drive	7.3	67,449	337,246	14,668
Shell Harbor Road	5.5	11,966	59,830	1,972
West Highlands/Highlands Park Subdivision	5.5	125,365	752,191	24,127
Total Municipal Service District		257,154	1,158,355	94,907
Business-type Activities				
Major funds:				
Water and Sewer Utilities:				
Waterfront Park	8.0	1,144	2,172	579
Stone Island Wastewater	8.0	8,690	26,070	1,391
DeBary Plantation Unit 7 Reclaimed Water	8.0	1,550	4,649	248
Total Water and Sewer Utilities		11,384	32,891	2,218
Agency Funds				
General Trust:				
Waterway Park	8.0	7,997	37,695	22,423
Hazelwood River Road	8.0	4,016	15,660	5,357
Total General Trust		12,013	53,355	27,780
Total		**$ 280,551**	**$ 1,244,601**	**$ 124,905**

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, whose original terms 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, 2011	
2012	$ 7,756,743
2013	7,072,741
2014	6,477,743
2015	4,814,684
2016	4,274,162
2017 - 2059	45,359,322
Total	**$ 75,755,395**

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, 2011, 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, 2011	
Land	$ 4,159,352
Buildings	4,431,113
Improvements other than buildings	29,973,649
Subtotal	**38,564,114**
Less: Accumulated depreciation	(14,641,828)
Total	**$ 23,922,286**

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 and perform certain maintenance and monitoring functions at these sites for 30 years after closure. 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 5.5 and 24.8 years, respectively. The Plymouth Avenue site and the South Cell of the Tomoka Road site are closed.

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 $21.1 million reported as landfill closure and post closure care liability at September 30, 2011 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, 71.1 percent of the estimated capacity of the combined Tomoka North and East Cell, and 35.8 percent of cost of closure and postclosure care of the estimated capacity of the Tomoka Class III Cell. In future years, the County will recognize a remaining amount of $11.1 million as the estimated cell capacities are filled. Actual costs may change due to inflation, deflation, changes in technology, or changes in regulation.

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, 2011, cash and investments of $10.5 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.
FUND BALANCE DEFICIT

The $4,980,480 deficit fund balance in the Volusia Forever fund resulted from an advance of $11,587,047 from the general fund to the Forever fund to finance the 4,806 acre Deep Creek Reserve purchase. This advance will be paid back over the next ten years from the Volusia Forever property tax.

NOTE 16.
COMMITMENT AND CONTINGENCIES

A. SELF-INSURANCE PROGRAMS

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; business interruptions; errors and omissions; injuries to employees; employee health; and natural disaster. As a result, it established two self insurance funds (internal service funds) to manage these risks internally and set aside assets for claims settlements and associated costs. The details of these funds are explained below.

1. Insurance Fund

In this fund, the County services all claims for risk of loss to which it is exposed, including workers' compensation, automobile and public liability, and property damage. All funds of the County participate in the program. Each fund is charged a "premium" which it pays to the insurance fund to cover the cost of prior and current year claims, claims reserves, and allocated claims adjustments. This charge considers past and recent trends in actual claims experience and makes provisions for catastrophic losses. Under this program, the insurance fund provides coverage for up to a maximum of $400,000 for each workers' compensation and $250,000 for each automobile and public liability claim, unless it meets the State of Florida sovereign immunity requirements, in which case, the limit is $200,000. The sovereign immunity limit increases to $300,000 for incidents reported after October 1, 2011. The County has secured commercial insurance to cover specific claims for worker's compensation and general and automobile liability claims for incidents that exceed the self-insured limits. The limits of this coverage are $1,000,000 and $5,000,000, respectively. Commercial insurance has also been secured for physical damage claims for incidents that exceed its self-insured limits of $25,000. The limit of this coverage is $524,724,990 with a deductible of $50,000 per occurrence for wind/hail events other than named storms and $25,000 for all other perils. For wind/hail named storms, a three percent deductible is applied to the value of the damaged property subject to a minimum $100,000. Commercial insurance is also purchased for any other risks not covered by the fund, such as, aviation coverage for Daytona Beach International Airport, the Sheriff's Office, and Mosquito Control with limits of coverage of $100,000,000, $10,000,000, and $5,000,000, respectively. 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.

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. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment yield assumptions. The present value of the liabilities for workers' compensation, general liability, and property damage claims, based upon expected losses of $12,663,946 discounted at four percent, is $10,824,793. Changes in the fund's claims liability amount in fiscal years 2010 and 2011 were:

Changes in Claims Liability

	2010	2011
Beginning fiscal year liability	$ 10,233,517	$ 8,883,615
Current year claims and changes in estimates	2,105,128	5,123,801
Claim payments	(3,455,030)	(3,182,623)
Balance at fiscal year end	$ 8,883,615	$ 10,824,793

2. Employee Group Insurance

In this fund, the County accounts for health, dental, and other medical-related claims of County employees and their covered dependents. All funds of the County participate in the program. The County allocates the cost of providing claims payment and associated administrative service to its employees by charging a "premium" to each fund based upon the number of employees in each organization. This charge considers recent and expected trends in healthcare claims costs. Employees pay a premium to cover their dependants. In addition, they are assessed a bi-weekly amount of $5.00 to help offset program costs. As of January 1, 2011, the $1,000,000 life time maximum benefit limitation requirement on employees under the County's group insurance program has been removed, as federally mandated by the Patient Protection and Affordable Care Act (H.R. 3590). In addition, for the 2011 plan year, the County discontinued its $200,000 specific loss commercial insurance because the cost of this coverage exceeded its benefit. The County maintains adequate reserves in the group insurance fund to mitigate this additional risk. 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 four years.

A liability is reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an estimated amount for healthcare related claims that have been incurred, but not paid. The nature of these claims is short-term in length. As a result, a liability of $2,867,000 has been reported as a current liability. Changes in the fund's claims liability amount in fiscal years 2010 and 2011 were:

Changes in Claims Liability

	2010	2011
Beginning fiscal year liability	$ 2,979,000	$ 2,670,968
Current year claims and changes in estimates	26,910,714	30,241,610
Claim payments	(27,218,746)	(30,045,578)
Balance at fiscal year end	$ 2,670,968	$ 2,867,000

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, 2011, 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 pre-cleanup and 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. In fiscal year 2011, the expected cash flow decreased by $21,303 from the previous year's estimate bringing the total adjusted expected cash flow to $847,766. The costs for cleanup will be shared equally between the FDEP (50 percent) and the County (50 percent). To date, $417,864 has been expended for clean up activities, of which $32,598 was spent in fiscal year 2011. As a result, the County's share of the liability has been reduced to $214,951.

Site 2: The County has 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. In fiscal year 2011, there were no changes to total adjusted expected cash flow, expected recoveries, costs incurred, or 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 to correct petroleum contamination 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. The remediation costs for the first spill was to be $70,463. Clean up efforts were completed in fiscal year 2011 at a cost of $68,482 leaving a remaining liability of $1,981, pending final completion of all documents and receipt of a site rehabilitation completion order (SRCO) from the appropriate state agency. The County was reimbursed for all costs it has incurred by the vendor who caused the contamination event.

The second spill was cleaned up in fiscal year 2010 and, therefore, the liability was extinguished.

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 contaminates to the groundwater at its landfill sites. The monitoring activities indicated there may be potential releases of contaminates 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, groundwater monitoring and evaluation plan, site assessment reporting, 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. In fiscal year 2011, the expected cash flow increased by $112,688 bringing the total adjusted expected cash flow to $2,181,188 with no expected recoveries at this time. The amount expended as of September 30, 2011 is $600,087. As a result, the remaining estimated liability for the three sites is $1,581,101.

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. In fiscal year 2011, the expected cash flow decreased by $5,411 bringing the total adjusted expected cash flow to $126,234 with no expected recoveries at this time. The amount expended as of September 30, 2011 is $122,198. The remaining liability is estimated to be $4,036, pending final completion of all documents and receipt of a site rehabilitation completion order (SRCO) from the appropriate state agency.

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 cost 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. ENCUMBRANCES

At September 30, 2011, the governmental fund balances include the following encumbrance amounts:

Major funds:	
General Fund	$ 2,560,426
Municipal Service District	1,950
Federal and State Grants	1,598,009
County Transportation Trust	580,544
Volusia Forever	59,703
Non-major funds:	13,566,344

D. 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.

E. COMMUTER RAIL

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 contributes one member to form the governing board of the commission.
The commission entered into two agreements with the Florida Department of Transportation 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. Volusia County has pledged $26.5 million, which will pay for two west side train stations, train sets, and track improvements. The County Council approved to have State Infrastructure Bank (SIB) loans in place to cover the county's share of the local capital costs. Currently, the County Council has two loans totaling $12.5 million approved by the SIB.

In fiscal year 2011, County Council approved to appropriate funds from the first SIB loan of $10.2 million to pay for the Phase I construction costs. During the fiscal year, the County received draws totaling $5.6 million of the $10.2 million note. The County intends to apply for an additional $12.4 million in SIB loans to complete Phase II construction.

NOTE 17.
SUBSEQUENT EVENTS

A. EMERGENCY MEDICAL SERVICES

On May 5, 2011, the County Council approved transitioning EVAC Ambulance, operated by Emergency Medical Foundation, Inc., a component unit of the County, to an agency of County government. On July 21, 2011, County Council established a new Emergency Medical Services (EMS), division in the department of Public Protection to provide emergency medical and ground transportation services to the residents of the County beginning fiscal year 2012. On October 1, 2011, EMS, retaining the name of EVAC Ambulance, began operating as a division of the County.

B. NOTES PAYABLE

On January 23, 2012, the County received $298,991 from the State of Florida's revolving loan program to finance the Southwest Regional Water Reclamation Facility expansion.