



December 21, 2001

To the Citizens, Chair and  
Members of the Board of  
County Commissioners  
of Broward County, Florida

Ladies and Gentlemen:

We are pleased to present Broward County's (the County) Comprehensive Annual Financial Report for the fiscal year ended September 30, 2001. The financial statements included in this report, which have earned an unqualified audit opinion, conform with generally accepted accounting principles established by the Governmental Accounting Standards Board. The County is responsible for the accuracy and fairness of the presentation of the financial statements and other information as presented herein. Included within this report are the funds and account groups of all agencies, boards, commissions, and authorities that have been identified as the primary government or a component unit (more fully described in the subsection "Reporting Entity"). The data presented in this report is believed to be accurate in all material respects and all statements and disclosures necessary for the reader to obtain a thorough understanding of the County's financial activities have been included.

This report (and particularly this transmittal letter) is intended to provide informative and relevant financial information for the citizens of the County, Board Members, investors, creditors and other concerned readers. All are encouraged to contact the Department of Finance and Administrative Services with any comments or questions concerning this report. This report may also be accessed via the internet at [www.broward.org/accounting](http://www.broward.org/accounting).

This report is divided into three sections:

- The **Introductory Section** includes this letter of transmittal (providing an overview of the County's economy, achievements and its financial condition), and an organizational overview of the County government.
- The **Financial Section** contains the independent auditors' report, the general purpose financial statements and related footnotes, the combining and individual fund statements, and the account group statements and schedules for all the organizations, activities and functions of the County as the primary government and its component units.
- The **Statistical Section** includes a number of tables of unaudited data depicting the financial history of the County for the past ten years, as well as demographic trends and other information.

The remainder of this letter provides an overview of local economic conditions and prospects for the future, a report on some of the County's current and future initiatives and highlights of the County's financial results.

### **REPORTING ENTITY**

For financial reporting purposes, the County's reporting entity consists of (1) the County as primary government, (2) other entities, though legally separate, which are in substance, part of the primary government's operations and for which the primary government is financially accountable (blended component units), and (3) other organizations which are financially accountable to the primary government, or whose relationship with the primary government is such that an exclusion would cause the reporting entity's financial statements to be misleading or incomplete (discretely presented component units). Discretely presented component units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the primary government and to differentiate their financial position and results of operations, from those of the primary government. The entities incorporated into the financial statements as component units are:

#### **Blended Component Units**

Broward County Commission Governmental Leasing Corporation  
Broward County Community Redevelopment Agency  
Broward County Educational Facilities Authority  
Broward County Water Control District No. 2  
Broward County Water Control District No. 4  
Broward Economic Development Board  
Cocomar Water Control District  
Ravenswood Water Control District  
Twin Lakes Water Control District

#### **Discretely Presented Component Units**

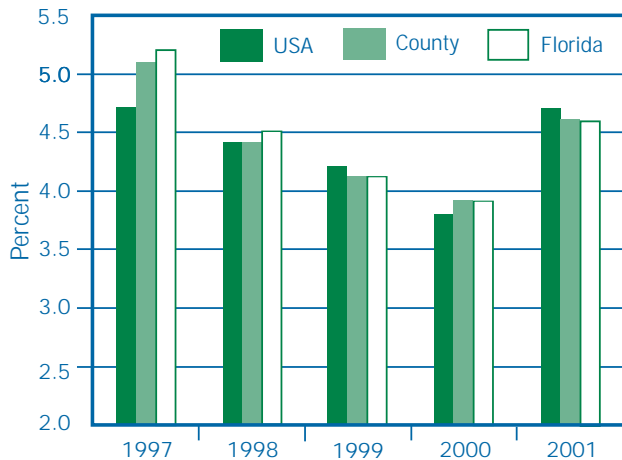
Broward County Housing Finance Authority  
Broward County Health Facilities Authority

The School Board of Broward County, and the North and South Broward Hospital Districts have not met the established criteria for inclusion in the reporting entity and, accordingly, are excluded from this report.

## ***THE BROWARD COUNTY ECONOMY IN 2001***

The County enjoys a diverse and growing economy and a low unemployment rate, thanks to a vibrant tourism industry, an active construction industry, and other dynamic industry sectors. There are approximately 79,000 businesses established in Broward County. Although many of these are classified as small businesses, approximately 100 of these businesses are Fortune 500 companies or divisions thereof.

Unemployment Rates



During fiscal year 2001, the Civil Labor Force within the County grew by approximately 17,553 or 2.2% over the last year. The County's unemployment rate at September 30, 2001 was 4.6% compared to 3.9% at September 30, 2000. In comparison, the unemployment rates for Florida and the United States were 4.6% and 4.7%, respectively.

Tourism is an important economic factor in the County. The combination of a favorable climate (an average year-round temperature of 75.9 degrees Fahrenheit), together with diverse recreational opportunities, including theaters, parks, famous public beaches, yacht basins, fishing, golf, tennis, restaurants, thoroughbred racing, jai alai, and water recreational facilities, have made the County a major tourist center. Tourists visit the County year round and come from around the world. In calendar year 2001, approximately 7.8 million visitors spent approximately \$4.3 billion.

While the events of September 11, 2001 caused a reduction in tourism for the month of September, the months leading up to that point broke records and resulted in a substantial gain for the County for the year. Numerous efforts were launched after September by the tourism industry and Greater Fort Lauderdale Convention and Visitors Bureau to promote a recovery in visitors to the area.

Building permits for residential construction, a measure of future construction activity, increased from 11,166 units in 2000 to 11,353 in 2001. The County's population and tax base have also increased.

## ***MAJOR INITIATIVES***

During fiscal year 2001, the County achieved many significant accomplishments in furtherance of the goals established by the Board of County Commissioners. Those goals are to: enhance economic development efforts; protect the environment; strengthen the connections between the Airport and Seaport; increase Mass Transit ridership and reduce traffic congestion; develop a new organizational culture; and develop strategies to assist children, the elderly and low income families. The accomplishments included:

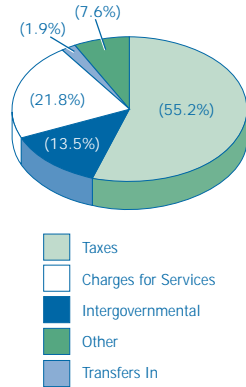
- Received certification as Blue Wave Beaches for five beaches from the National Clean Beaches Council, placing them among the nation's cleanest, safest and most user-friendly beaches.
- Received a grant to construct eight hybrid-electric ferry boats to increase water transportation options and improve accessibility for boat landing.
- Began acquiring land under the Safe Parks and Land Preservation Bond Program approved by voters in fiscal year 2000.
- Continued expansion of the Airport to better serve its 17 million passengers, and developed a long term plan for the facility.
- Completed a long term plan for continued growth and development of Port Everglades and its varied revenue sources that include cruise lines, container and bulk cargo carriers, petroleum storage, and others.
- Continued support for construction of the Nova Southeastern University Library, Research and Information Technology Center, a unique public/private university library that will be Florida's largest library when opened.
- Led the community through an extensive strategic planning process to address the needs of children, involving hundreds of youth, parents, service providers and policymakers.
- Expanded services to the homeless population with increased federal grant funding won by the Homeless Continuum of Care Program in competition with over 400 communities.
- Began site work on the African-American Research Library and Cultural Center that will be the third of its kind in the country, and that has received extensive community support.
- Issued innovative bonds, including a first of its kind Airport System Revenue Convertible Lien Bonds and refunding bonds for the Resource Recovery System's two incinerator plants.
- Implemented a number of e-government initiatives, including buying or renewing auto tags and vessel registrations on line, obtaining handicapped parking permits on line, making property tax payments on line, and benefits open enrollment for County employees on line.

Broward County is a dynamic and growing location. Millions of visitors each year enjoy its beaches, climate, sport and recreational options, and cruise line offerings. Insuring the safety of these visitors and its residents is of paramount importance in these difficult times. The County has reduced its property tax millage rate for the fourth year in a row, and is well prepared financially to address the challenges of the new century.

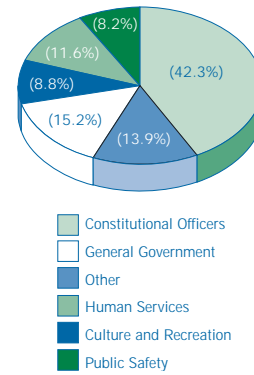
## GENERAL FUND SUMMARY

The following is a summary of the General Fund operations for the years ended September 30, 2001 and 2000 (in thousands):

General Fund Revenue Sources  
Fiscal Year 2001



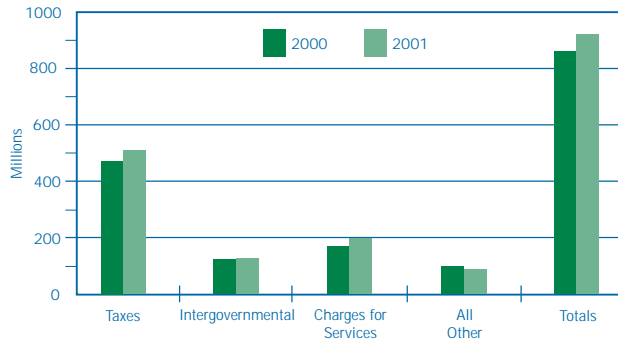
General Fund Expenditures  
Fiscal Year 2001



Revenue and Other Sources	2001	2000	Increase (Decrease)
Taxes	\$508,522	\$471,678	7.8 %
Special Assessments	11,114	24,653	(54.9)
Licenses and Permits	15,831	13,681	15.7
Intergovernmental Revenues	124,612	123,125	1.2
Charges for Services	200,368	171,369	16.9
Fines and Forfeitures	6,314	6,540	(3.5)
Interest Income	18,783	18,858	(0.4)
Other	17,792	13,348	33.3
Transfers	17,364	17,116	1.4
<b>Total</b>	<b>\$920,700</b>	<b>\$860,368</b>	<b>7.0%</b>

Revenue and Other Sources increased by 7%, reflecting increases in ad valorem taxes and charges for services of \$30,537,000 and \$28,999,000 respectively. Ad valorem taxes increased 6.7% primarily due to the continued development of the western portion of the County as well as rising property values elsewhere. Charges for services increased 16.9% mainly due to higher revenue from the Broward Sheriff's Office for contractual services with cities. During 2001 additional cities decided to contract with the Broward Sheriff's Office rather than maintain their own police departments.

General Fund Revenue Trends  
Fiscal Year 2001  
Total \$920,700,000



Expenditures and Other Uses increased \$53,869,000 or 6.4%, slightly lower than the rate of revenue increase. One principal reason for the increase was that transfers to the Broward Sheriff's Office rose \$27,579,000 for expanded police services including contracts for services to other cities mentioned above. Other expenditures increased \$7,701,000 primarily due to retiring commercial paper related to the purchase of a new building at One University Drive. General increases in other costs primarily related to increased personnel and benefits costs.

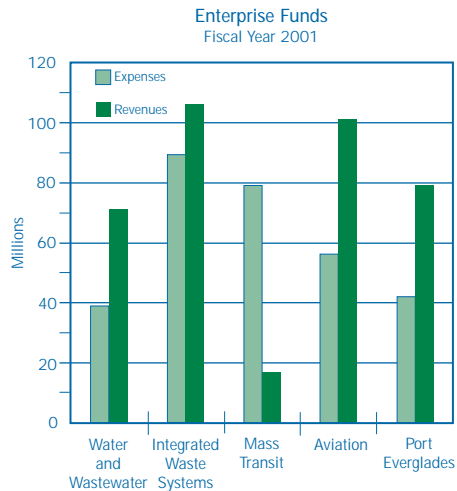
The unreserved fund balance represents the uncommitted resources available for reappropriation to meet General Fund operational costs in ensuing fiscal years. The unreserved fund balance at September 30, 2001 was \$165,218,000 or approximately 18.3% of 2001 expenditures and other uses.

Expenditures and Other Uses	2001	2000	Increase (Decrease)
General Government	\$136,838	\$138,015	(0.9)%
Public Safety	73,944	70,824	4.4
Human Services	104,396	95,584	9.2
Culture and Recreation	79,957	75,182	6.4
Other	42,184	34,483	22.3
Transfers:			
To Debt Service Funds	32,573	32,593	(0.1)
To Constitutional Offices	381,328	349,664	9.1
To Other Funds	50,728	51,734	(1.9)
<b>Total</b>	<b>\$901,948</b>	<b>\$848,079</b>	<b>6.4%</b>

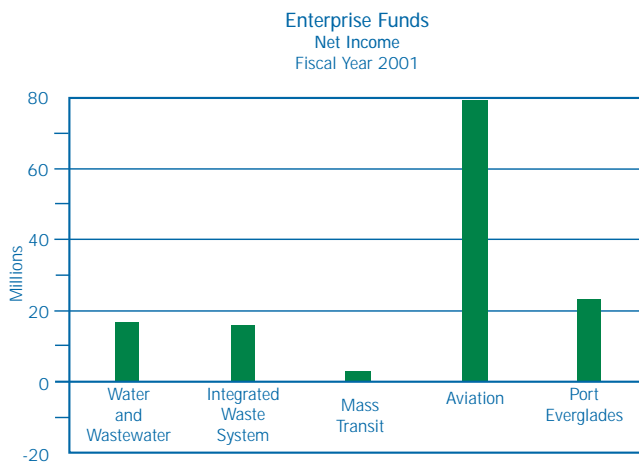
## ENTERPRISE FUNDS

The County maintains seven Enterprise Funds: Water and Wastewater, Solid Waste, Resource Recovery System, Unincorporated Area Waste Collection, Mass Transit, Aviation and Port Everglades. Enterprise Funds are established to finance and account for the acquisition, operation and maintenance of facilities and services which are intended to be entirely or predominantly self-supported by charges collected from the users served.

A combined summary of Enterprise Funds operations is as follows (dollars in thousands):



	2001	2000	Change
Operating Revenue	\$374,467	\$361,503	3.6%
Operating Expenses	306,039	292,216	4.7
Depreciation Expense	49,978	45,539	9.7
Operating Income	18,450	23,748	(22.3)
Net Non-Operating Income	24,045	9,241	160.2
Capital Contributions	50,623		
Operating Transfers In	45,279	38,858	16.5
Operating Transfers Out	(200)	(427)	(53.2)
<b>Net Income</b>	<b>\$138,197</b>	<b>\$71,420</b>	<b>93.5%</b>



As discussed in Note 14, the County changed its accounting method for capital contributions during 2001. The following is a brief discussion of the operating results of the various Enterprise Funds:

**Water and Wastewater Fund:** This Fund accounts for the revenue and expenses of the County's Water and Wastewater Facilities. Operating revenue and operating expenses increased 0.2% and 4.5%, respectively. The Fund reported a net income of \$17,118,000 in fiscal year 2001, compared to a net income of \$9,623,000 in fiscal year 2000.

**Integrated Waste Funds:** The Solid Waste, Resource Recovery System and Unincorporated Area Waste Collection Funds, collectively referred to as the Integrated Waste Management System, posted net income of \$15,992,000 in 2001 against \$14,270,000 in 2000.

The Solid Waste Fund accounts for the cost of the County's closed landfill and recycling programs. The Fund's net income was \$300,000 in 2001 compared to \$27,000 in 2000.

The Resource Recovery System Fund reflects the activities of the County's Waste to Energy System. Operating revenue decreased 5.2% due in part to a decrease in tonnage. Operating expenses decreased 8.4%. As a result, the Fund realized a net income of \$14,724,000 compared to net income of \$13,127,000 in 2000.

The Unincorporated Area Waste Collection Fund accounts for the trash collections in the unincorporated areas of the County. Operating revenue in 2001 decreased 7.1%. Operating expenses decreased 6.5%, resulting in net income for 2001 of \$968,000 compared to net income for 2000 of \$1,116,000.

**Mass Transit:** Mass Transit ridership increased 13.7% to approximately 30 million passenger trips. The operating loss before operating grants and the County subsidy was \$68,344,000 in 2001 and \$60,765,000 in 2000.

**Aviation Fund:** The Aviation Department serves the air travel needs of the citizens of Broward County and the surrounding area. This Department operates Fort Lauderdale/Hollywood International and North Perry Airports. Aviation Fund revenue increased from \$86,643,000 to \$100,825,000 or 16.4% primarily due to increases in parking revenues, concession revenues and terminal rentals. Operating expenses increased by \$9.6 million or 16.4%. The number of passengers served increased by more than 11.1% to 17 million during 2001.

The County collected Passenger Facility Charges (PFC) totaling \$24.6 million in 2001 and \$20.4 million in 2000. The Fund posted net income of \$79,202,000 in 2001 as compared with \$39,913,000 in 2000.

**Port Everglades Fund:** The Port Everglades Department serves the seaport needs of the citizens of Broward County and the surrounding area. Economic activity supported at the Port include import/export cargo, including fuel, and passenger cruise operations. Revenues at the Port increased 5.4% from \$75,642,000 to \$79,748,000, while operating expenses increased by 14.4%. The Fund posted net income of \$23,369,000 in 2001 compared to net income of \$12,485,000 in 2000, an increase of 87%.

## **FIDUCIARY FUNDS**

The County maintains six expendable trust funds and four agency funds. Trust and Agency Funds are established to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units or other funds.

The largest agency funds of the County are the Revenue Collection Fund and the Clerk's Agency Fund. The Revenue Collection Fund, which has assets of \$23,611,000 accounts for the collection and distribution of taxes and licenses for the County

and other taxing bodies. The Clerk's Agency Fund, which has assets of \$19,895,000, accounts for funds collected and held in a fiduciary capacity for governmental units and others. The total assets for all the Trust and Agency Funds was \$90,778,000 as of September 30, 2001.

### CASH MANAGEMENT

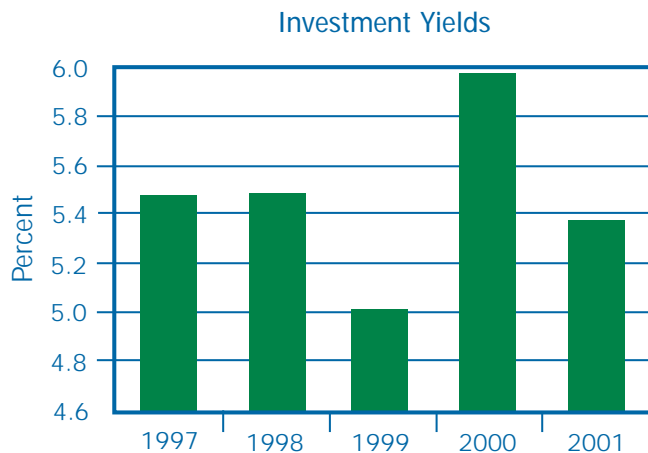
The Finance Department strives to keep abreast of current trends in cash and investment management in order to achieve maximum financial return on available cash resources. Idle cash balances are invested on a daily basis within the constraints imposed by Florida Statutes and the County's investment policy. The primary objective of the County's policy is preservation of capital.

Substantially all of the County's investments are either insured, registered or physically held in the County's name. The significance of this is that the County has prudently safeguarded its investments to mitigate potential losses which could occur upon the bankruptcy or failure of an investment house/broker.

For purposes of maximizing interest earnings, substantially all the County's cash and investments are pooled, except where separate cash and investment accounts are maintained in accordance with legal requirements. The County has consistently invested more than 99% of its available cash.

A summary and comparison of the County's Investment Portfolio Performance is as follows:

	2001	2000
Average Portfolio Balance (in thousands)	\$1,418,000	\$1,379,000
Average Investment Yield	5.38%	5.98%
Total Investment Earnings (in thousands)	\$75,023	\$79,869



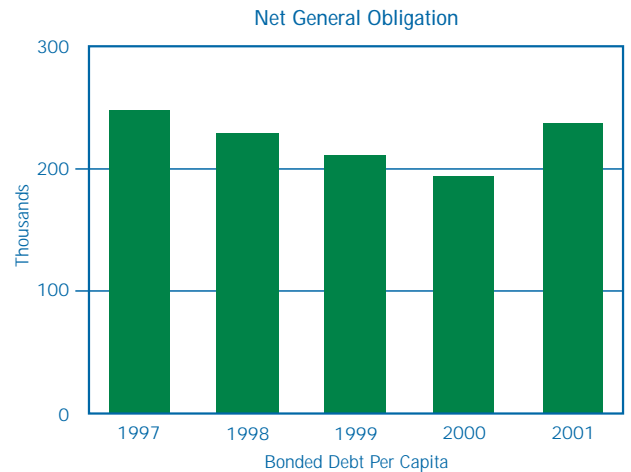
During 2001, the County's interest yield consistently exceeded the 90 day U.S. Treasury bill rates which the County uses as a performance benchmark.

### DEBT MANAGEMENT

The County continues to meet its financial needs through prudent use of its revenues and creative debt financing programs.

At September 30, 2001, the County had \$2,127,461,000 of long-term obligations outstanding consisting of:

General Obligation Bonds	\$ 405,175,000
Special Obligation Bonds	281,985,000
Revenue Bonds	1,275,813,000
Loans Payable	72,290,000
Commercial Paper and Other Obligations	92,198,000



The following table provides information relative to the County's general obligation debt:

	2001	2000
Net Taxable Assessed Property Valuation January 1 (in thousands)	\$75,882,217	\$70,294,093
Net Direct General Obligation Debt September 30 (in thousands)	\$392,817	\$290,370
Net Direct General Obligation Debt as a Percent of Net Taxable Assessed Property Valuation	.52%	.41%
Population (in thousands)	1,650	1,496
Net Direct General Obligation Debt per Capita	\$238.07	\$194.12

The County's continued financial strength and sound financial management practices are reflected in its investment ratings, which were increased during 2001 and represent the second highest levels attained by Florida counties:

- Aa1 Moody's Investor Services
- AA+ Standard & Poor's Corporation
- AA+ Fitch IBCA, Inc.

## ***SELF-INSURANCE***

Broward County is self-insured for general liability, professional, automobile liability, medical malpractice, workers' compensation, and Mass Transit bus liability through its Self-Insurance Fund. This fund also provides centralized procurement of all commercial insurance coverages, including group health and life insurance. Claim settlements and loss expenses are accrued and a liability simultaneously established in the Self-Insurance Fund for the estimated settlement value of claims reported and unreported for incidents during the period as determined by actuarial computation. As of September 30, 2001, the County has fully funded its estimated liability of \$44,337,000 on a discounted basis and has retained earnings of \$7,700,000.

## ***GENERAL FIXED ASSETS***

General fixed assets of the County are those fixed assets used in the performance of general government functions and do not include the fixed assets of Enterprise and Internal Service Funds, which are reported in the Balance Sheets of those funds. Depreciation of general fixed assets is not recognized in the County's accounting system. As of September 30, 2001, the cost of General Fixed Assets of the County was \$1,867,352,000 which represented an increase of 20% over that of 2000. A substantial portion of the increase resulted from an inventory of all capital assets owned by the County that was conducted and recorded in preparation for the implementation of Governmental Accounting Standards Board Statement Number 34 in fiscal year 2002.

## ***INTERNAL AND BUDGETARY CONTROLS***

The County's management is responsible for the establishment and maintenance of accounting and other internal controls to ensure compliance with applicable laws and County policies, that assets are safeguarded and financial transactions are properly recorded and documented. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits obtained, and the valuation of costs and benefits requires estimates and judgments by management. The County's external auditors performed a study and evaluation of the County's internal control as required by generally accepted auditing standards, in connection with the audit of the accompanying financial statements. The results of their study and evaluation are the subject of a separate report.

Budgetary control by the Board of County Commissioners is maintained at the fund level. The accounting system maintains budgetary control by line item by division and rejects encumbrance or expenditure transactions for which there is insufficient remaining appropriation. Open capital purchase orders are reported as reservations of fund balance at year-end and are subsequently reappropriated in the new year via supplementary budgets.

## ***INDEPENDENT AUDIT***

The September 30, 2001 general purpose financial statements were audited by Ernst & Young LLP, and their opinion resulting from the audit is included in this Comprehensive Annual

Financial Report. Their audit was performed in accordance with auditing standards generally accepted in the United States, Government Auditing Standards, and the rules of the Auditor General of the State of Florida.

## ***GFOA CERTIFICATE OF ACHIEVEMENT***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Broward County, Florida for its comprehensive annual financial report for the fiscal year ended September 30, 2000. This was the 16th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## ***ACKNOWLEDGEMENTS***

The timely preparation and publication of this Comprehensive Annual Financial Report represents a significant effort by many of the accountants throughout the County as well as the excellent cooperation and assistance of other County employees who contributed to its preparation. In particular, we wish to express our appreciation to the entire Accounting Division Staff who were responsible for assimilating and compiling the data comprising this report and to the Public Information/Graphics Office staff whose efforts have greatly enhanced the appearance of this report. We also wish to thank the County's independent auditors, Ernst & Young LLP for their cooperation and assistance in the preparation of this report.

Sincere appreciation is also expressed to the Commissioners, County Administrator and Directors of Divisions, Departments and Offices, for their assistance throughout the year in matters pertaining to the financial affairs of this County.

Respectfully submitted,



Matthew Lalla  
Interim Director  
Finance and Administrative Services Department



John T. Pryor, CPA  
Director  
Accounting Division