

**NOTES TO FINANCIAL STATEMENTS — CONTENTS**

September 30, 2001

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## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 - FINANCIAL REPORTING ENTITY**

Broward County, Florida (County) is a political subdivision of the State of Florida. It is guided by an elected Board of County Commissioners, which is governed by the Florida Statutes and a local County Charter. In addition there are four elected Constitutional Officers: the Clerk of the Circuit and County Courts (Clerk), Property Appraiser, Sheriff, and Supervisor of Elections. The Board of County Commissioners (BOCC) and the Constitutional Officers comprise the Broward County primary government.

The accompanying financial statements include those of the County (the primary government) and its component units. Component units are legally separate organizations for which the primary government is financially accountable or organizations which should be included in the County's financial statements because of the nature and significance of their relationship with the primary government.

The decision to include a potential component unit in the County's reporting entity is based on the criteria stated in Governmental Accounting Standards Board (GASB) Statement No. 14- "The Financial Reporting Entity," which include the ability to appoint a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County.

Based upon the application of the criteria in GASB Statement No. 14, the financial statements of the component units listed on the following pages have been included in the County's financial reporting entity as either blended or discretely presented component units. Component units are blended (reported as if they were part of the County's operations) if their governing body is substantively the same as the County's or the component unit provides services almost entirely to the County. Component units that do not meet one of the two criteria for blending are included within the financial statements as discrete presentation with separate columns.

Complete financial statements of the individual component units that issue separate statements may be obtained as follows:

#### **Broward County Health Facilities Authority**

Broward County  
Accounting Division  
P.O. Box 14740  
Fort Lauderdale, FL 33302

#### **Broward County Housing Finance Authority**

Broward County  
Accounting Division  
P.O. Box 14740  
Fort Lauderdale, FL 33302

The accompanying financial statements also include the financial position and results of operations of the Broward County Leasing Corporation (see note 8).

### **Blended Component Units**

Blended component units are entities which are legally separate from the County, but are so related to the County that they are, in substance, the same as the County. A blended component unit serves or benefits the primary government, and is reported as part of the County and blended into the appropriate fund. The blended component units include the operations of various water control districts and certain related boards, all of which are not material to the financial statements of the County.

The Water Control Districts are special taxing districts created to maintain and improve water resource and drainage programs in the County. All Water Control Districts are blended component units because their original budgets and subsequent amendments require approval by the County. The financial statements of the various individual Water Control Districts were combined into one Special Revenue Fund to facilitate presentation. The legal authority by which each of the following Water Districts was created and the financial statement requirements for them are as follows:

**Broward County Water Control District No. 2** - Section 298.01, F.S.; County Ord. No. 79-93. The governing body is the Board of County Commissioners. Separate financial statements are not required or prepared.

**Broward County Water Control District No. 4** - Section 298.01, F.S.; County Ref. 3/29/66. The governing body is the Board of County Commissioners. Separate financial statements are not required or prepared.

**Cocomar Water Control District** - Section 125.01(5)(a), F.S.; County Ord. No. 80-17. The governing body is the Board of County Commissioners. Separate financial statements are not required or prepared.

**Ravenswood Water Control District** - Section 298.01, F.S.; County Ord. No. 80-18. The governing body is the Board of County Commissioners. The district conducted no financial transactions during the year and has no assets, liabilities or fund balance.

**Twin Lakes Water Control District** - Section 298.01; County Ord. 79-83. The governing body is the Board of County Commissioners. Separate financial statements are not required or prepared.

The following organizations are also shown as blended component units:

The **Broward Economic Development Board** (BEDB) provides financial support to the Broward Economic Development Council, Inc. a not-for-profit corporation (dba the Broward Alliance), which was formed to promote economic development within the County. It was established by Florida Statute Section 63-1190, County Ord. No. 76-7. The governing body is the Board of County Commissioners. Separate financial statements are not required or prepared. The BEDB is reported within the Special Revenue Fund Type and is a blended component

unit because the members of the Board of County Commissioners and the BEDB are the same.

The **Broward County Community Redevelopment Agency (CRA)** acts in an advisory capacity to the County to establish and carry out redevelopment objectives in economically deprived areas of the County. It was established by Florida Statute Section 163.356 and County Ordinance No. 80-110. The governing body is the Board of County Commissioners. The agency conducted no financial transactions during the year and has no assets, liabilities or fund balance.

The **Broward County Educational Facilities Authority (EFA)** acts in an advisory capacity to the County in alleviating the shortage of educational facilities and projects in the County. It was established by Florida Statute Section 243.021 and County Ordinance No. 86-15. The Board of County Commissioners appoints the governing body. The authority conducted no financial transactions during the year and has no assets, liabilities or fund balance.

### Discretely Presented Component Units

The component unit columns in the accompanying financial statements represent the discrete presentation of the Broward County Health Facilities Authority (HeFA) and the Broward County Housing Finance Authority (HFA). These component units are presented in separate columns in order to emphasize they are legally separate from the County. Both the HeFA and the HFA are authorized to issue bonds in order to fulfill their corporate purposes. Bonds issued by HeFA and HFA shall not be deemed to constitute a debt of the HeFA, HFA, Broward County, or any political sub-division thereof. The accounts of the HeFA and HFA are maintained on the modified accrual basis and both have fiscal years ending September 30.

### Health Facilities Authority

The Broward County Health Facilities Authority (HeFA) was created to assist in the acquisition, construction, financing and refinancing of health facilities in the County. It was established by Florida Statute Section 154.207 and County Ordinance No. 77-35. The County appoints the HeFA's Board and has the ability to impose its will on the HeFA.

The HeFA is authorized to issue bonds in a principal amount for all projects not to exceed \$264,700,000. As of September 30, 2001, the HeFA has issued \$234,320,000 in revenue bonds of which \$39,175,000 are outstanding. These bonds are not deemed to constitute a debt of HeFA, the County, or any political sub-division thereof (see note 8).

With the issuance of each revenue bond series, the HeFA receives an initial nonrefundable application fee and an annual recurring fee. The HeFA participates in the County's pooled cash program (see note 4). As of September 30, 2001, the HeFA cash balance was \$170,000.

### Housing Finance Authority

The Broward County Housing Finance Authority (HFA) was established in 1979 by County Ordinance No. 79-41 for the purpose of encouraging the investment of private capital and

stimulating the construction of residential housing for low and moderate income families through the use of public financing.

The financial statements of the HFA include its General Fund, Debt Service Fund, General Fixed Asset Account Group and the Long-term Obligations Account Group. Staff of the HFA are employees of the County. The HFA's governing board is appointed by the County. Although the County does not have the authority to approve the HFA budget, HFA's contracts and negotiated bond issues must be approved by the County.

The HFA participates in the County's pooled cash program (see note 4). At September 30, 2001, the HFA had a pooled cash balance of \$199,000. Additionally, the HFA, under its own investment authority, has investments in U.S. Treasury money market funds, U.S. Agency mortgage backed securities and collateralized mortgage obligations. The market value of these investments is determined by an active market. Investments at September 30, 2001 are summarized as follows (in thousands):

	<i>Carrying/Fair Value</i>
U.S. Treasury Money Market Funds	\$7,662
U.S. Agency Mortgage Backed Securities	529
Collateralized Mortgage Obligations	2
	\$8,193

The U.S. agency mortgage backed securities and the collateralized mortgage obligations (CMOs) are considered category 3 risk investments (see note 4 explanation of the categorization levels of investment risks). The CMOs were acquired in conjunction with the redemption of the HFA 1982 Series A Bonds. The stated maturities on the mortgage backed securities and collateralized mortgage obligations range from 2020 to 2022. Actual maturities and market value may vary due to sensitivity to interest rate changes and prepayments on the underlying mortgages.

In accordance with GASB Statement No. 3, the money market funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

The HFA has an outstanding note payable to the County which is secured by an office building. The principal balance of the note was \$1,410,000 on September 30, 2001. The note is due in full on or before July 1, 2015 and bears interest at 4.0 to 5.7 percent. General Long-Term obligations also include a loan payable of \$2,195,000 and compensated absences in the amount of \$75,000. The HFA is authorized to issue revenue bonds and at September 30, 2001 has \$621,900,000 outstanding. These bonds are not deemed to constitute a debt of HFA, the County, or any political sub-division thereof (see note 8).

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounts of the County are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts which comprise its assets and other debits, liabilities, fund equities and other credits, revenue

and expenditures or expenses. The various funds are grouped by type in the accompanying financial statements. The County's reporting structure includes three fund types and two account groups as described below.

### Governmental Fund Types

Governmental Funds are those which are used to account for most governmental functions of the County. The measurement focus of these funds is based upon determination of changes in financial position or the financial flow measurement focus, rather than upon net income determination. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenue and other financing sources) and uses (expenditures and other financing uses) of available spendable resources during the period.

The following are the County's Governmental Fund Types:

**General Fund** - used to account for all revenue and expenditures applicable to the general operations of the County government which are not properly accounted for in another fund.

**Special Revenue Funds** - used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Debt Service Funds** - used to account for the accumulation of resources for, and the payment of interest and principal on, all general and special obligation debt.

**Capital Project Funds** - used to account for resources designated for the construction or acquisition of major capital facilities other than those financed by the Trust or Proprietary Funds.

### Proprietary Fund Types

Proprietary Funds are used to account for County operations which are similar to those often found in the private sector. The measurement focus of these funds is the determination of net income, through matching revenues earned with the expenses incurred to generate such revenues. All assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity is segregated into contributed capital and retained earnings components.

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 prior to November 30, 1989. In addition, in accordance with GASB Statement No. 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities", for refundings resulting in defeasance of debt, the County amortizes any difference between the reacquisition price and the net carrying amount of the old debt as a component of interest expense using the straight line method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

The following are the County's Proprietary Fund Types:

**Enterprise Funds** - used to account for operations that provide services on a user charge basis to the public and for activities where the periodic measurement of net income is deemed

appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Internal Service Funds** - used to account for the financing of certain goods or services provided by one department to other departments or governmental units.

### Fiduciary Fund Types

**Trust and Agency Funds** - used to account for assets held in a trustee capacity or as an agent. All County trust funds are of an expendable nature. The measurement focus for the Expendable Trust Funds is the same as for the Governmental Funds, while Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

### Account Groups

The two account groups are used to provide accounting control and accountability for the County's general fixed assets and general long-term obligations. These two account groups are:

**General Fixed Assets Account Group** - used to account for fixed assets of the County, other than those accounted for in the Proprietary Funds.

**General Long-Term Obligations Account Group** - used to account for capital lease obligations, accrued sick and vacation pay, legal contingencies and the outstanding principal balances of the long-term obligations of the County, except for debts of the County's Proprietary Funds.

### Basis of Accounting

The Governmental and Fiduciary Fund Types of the County use the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become measurable and available to pay liabilities of the current period, except for revenues susceptible to accrual. Intergovernmental revenues and interest income are the significant revenue sources considered susceptible to accrual. Property tax revenues are recognized when they become available. Delinquent taxes receivable are recorded with an offset to deferred revenue to reflect property taxes billed but uncollected for the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for interest on long-term debt which is considered an expenditure when paid.

Proprietary Fund Types use the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

### Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in the Governmental Fund Types. However, at fiscal year-end, only encumbrances relating to capital outlay items are retained. Appropriations for non-capital outlay items lapse at the end of the fiscal year and the succeeding year's budget is charged for these encumbrances.

The encumbered appropriations for capital outlay which are carried forward at year-end are reported as reservations of fund balances.

## Budgetary Requirements

State of Florida statutes require that all county governments establish budgetary systems and approve balanced annual budgets for such funds as may be required by law or by sound financial practices and generally accepted accounting principles. The elected board members (the "Board"), after review of the tentative budgets, holds a public hearing and then adopts the annual budget for the General, Special Revenue and Debt Service Funds. The Property Appraiser, the Supervisor of Elections, the Sheriff and the Clerk of the County and Circuit Courts prepare annual operating budgets for their general funds which are reflected as Special Revenue Funds in the accompanying financial statements. No budget is established for the Sheriff's Special Revenue Fund as all costs incurred are budgeted in the Sheriff's General Fund and reimbursed by the Sheriff's Special Revenue Fund to the extent of revenue exceeding expenditures. The County's budgeting process is based on estimates of revenues and expenditures and requires that all budgets be approved by the Board after a public hearing is held. Any subsequent increase to a budget must be approved by the Board. Transfers within department budgets require the approval of the department director, or depending on the amount, the Office of Budget Services. By County policy, management cannot transfer appropriations between departments or overexpend appropriations at the department level without the approval of the Board. These locally adopted budget policies are also the legal level of control. Budgets are prepared on the same basis of accounting as required for Governmental Fund Types.

Budgets are monitored at varying levels of classification detail. However, expenditures cannot legally exceed total appropriations at the individual fund level, the state legal level of budgetary control. Estimated beginning fund balances, net of reserves for inventory and other reserves not available for financing current appropriations, are considered in the budgetary process and are included in the financial statements of the Governmental Fund Types. All appropriations except capital outlay items within the Governmental Fund Types lapse at year end. During fiscal 2001, supplemental appropriations totaling \$68,393,000 in the General Fund and \$18,113,000 in the Special Revenue Funds were required to recognize unanticipated revenue including the award of federal and state grants and to provide funding for unanticipated program requirements. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reflects the original budget and all approved amendments for all governmental funds except the Sheriff Special Revenue Fund, since no budgets are established for this fund. Accordingly, the Combined Statement of Revenues, Expenditures and Changes in Fund Balance — Budget and Actual excludes \$20,546,000 of revenues and other sources and \$20,546,000 of expenditures for the Sheriff's Special Revenue Fund.

## Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of demand deposits with banks, investments with original maturities at time of purchase of three months or less, and equity in the County's cash management pool.

The County records all money market investments and

participating interest-earning investment contracts with a remaining maturity at time of purchase of one year or less at amortized cost plus accrued interest. All other investments are carried at fair value as determined from quoted market prices.

## Inventory

Inventory, consisting principally of materials and supplies held for consumption, is recorded at cost for Governmental Fund Types and lower of average cost or market for the Proprietary Fund Types.

In the General and Special Revenue Funds the cost of inventory items is recorded as an expenditure at the time of purchase. Reported inventory is offset by a fund balance reserve which indicates that they do not constitute available spendable resources.

## Property, Plant and Equipment

Fixed assets used in Governmental Fund Type operations are recorded as expenditures in the governmental funds, and are capitalized in the General Fixed Assets Account Group. Assets in this account group are recorded at cost, or estimated historical cost where original cost is not available at the time of acquisition.

No depreciation has been provided on general fixed assets. Upon disposal, the related cost is removed from the accounts.

Property, plant and equipment acquired by Proprietary Funds is stated at cost. Donated assets are carried at their fair market value on the date donated. The County follows the policy of depreciating assets acquired by Proprietary Funds on the straight-line basis over the following estimated useful lives:

Buildings, structures and improvements	20-65 years
Runways, aprons, taxiways and avigation easements	5-40 years
Furniture, fixtures and equipment	3-15 years

In the Mass Transit Fund, an Enterprise Fund, depreciation on fixed assets purchased or constructed with grant funds externally restricted is transferred to the related contribution account.

In the Proprietary Funds, major expenditures for additions and improvements are capitalized. Expenses for maintenance and repairs are charged to operations as incurred.

For the Enterprise Funds, interest is charged to expense as incurred except for interest which is capitalized during construction to Construction in Progress, and consists of construction period interest expense on certain tax-exempt borrowings in excess of interest earned on related investments acquired with the proceeds of tax-exempt borrowings. Interest capitalization ceases when the construction project is substantially complete.

## Employee Benefits

The County's policy is to permit employees to accumulate vacation and sick leave and related fringe benefits (compensated absences). The cost of earned but unused vacation leave is accrued as a liability in the period in which the leave is earned. A liability for earned but unused sick leave is accrued only to the extent that the leave will result in cash payments at termination.

In the Governmental Funds, the long-term liability for

compensated absences is recorded in the General Long-Term Obligations Account Group to reflect the County's obligation to fund such costs from future revenue.

The County records pension costs in the period salaries are earned (see note 12).

The County offers its employees a deferred compensation plan (the "Plan") established in accordance with Internal Revenue Code Section 457. The Plan, available to all County employees, permits them to defer a portion of their salary until termination, retirement, death, or unforeseeable emergency. In accordance with federal law, all assets and income of the Plan are held in trust, custodial accounts or annuity contracts by third party administrators for the exclusive benefit of the participants and their beneficiaries.

### Risk Management

The County is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Under the County's Risk Management Program, the Self-Insurance Fund provides coverage for up to a maximum of \$600,000 (Self-Insured Retention Limit) for each workers' compensation claim. In addition, the County has purchased excess coverage for losses above the self-insured retention limit. Mass transit, auto liability, medical malpractice, and general liability are entirely self-insured. The County (through the Self-Insurance Fund) purchases commercial insurance for life, disability, airport liability, property damage, and numerous smaller policies that are required by lease agreements, union contracts, state statutes, etc. Settled claims have not exceeded this commercial coverage in the past three years.

The Sheriff's Office operates a Self-Insurance Program for general, professional and auto liability risks. The Sheriff provides coverage up to the statutory limits of \$100,000 per person and \$200,000 per occurrence. Excess coverage for losses up to \$4,000,000 per occurrence is provided through commercial coverage. Settled claims have not exceeded this commercial coverage in the past three years.

Funds participating in the Risk Management Program make payments to the Self-Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish reserves for all losses. The actuarial estimates include the effects of specific, incremental claim adjustment expenses, salvage, subrogation and other allocated claim adjustments.

The reserves for the Self-Insurance Fund totalled \$44,337,000 at September 30, 2001 and are reported as a liability of the Self-Insurance Fund. Participating funds are indemnified against any losses in a given year in excess of the fees charged. Fees charged are expensed as incurred. The total claims liability at September 30, 2001 reflects management's loss estimates of \$26,506,000 for all reported claims and \$25,028,000 for claims incurred but not reported net of a discount of \$7,197,000 computed based on a projected interest rate of 5.00%. The retained earnings accumulated in the County's Self-Insurance Fund are designated for future catastrophic losses or for the purchase of additional commercial insurance against such losses when available at advantageous rates.

Changes in the Fund's claims liability amount in Fiscal 2000 and 2001 were (in thousands):

<i>Fiscal Year</i>	<i>Liability October 1</i>	<i>Current Year Claims and Changes in Estimates</i>	<i>Claim Payments</i>	<i>Liability September 30</i>
2000	\$43,018	\$7,703	\$10,138	\$40,583
2001	\$40,583	\$15,675	\$11,921	\$44,337

### Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds to provide services, construct assets, service debt, etc. These transactions are generally reflected as operating transfers except for transactions reimbursing a fund for expenditures made by it for the benefit of another fund. Such reimbursements are reflected in the accompanying financial statements as expenditures in the disbursing fund and as a reduction of expenditures in the receiving fund. Nonroutine or nonrecurring transfers of equity between funds are accounted for as equity transfers.

### Total Columns on Combined Statements

The total columns in the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

### Accounts Receivable

Accounts receivable of the County are presented in the accompanying financial statements net of an allowance for uncollectible accounts of approximately \$7,103,000 which relates primarily to the Enterprise Funds and emergency services. Additionally, the accounts receivable total includes \$8,432,000 that was unbilled as of September 30, 2001.

### Deferred Charges

Costs at the various Enterprise Funds which are expected to benefit future periods are deferred and amortized over such periods.

Deferred charges at September 30, 2001 totalled \$24,730,000 of which \$11,822,000 relates to the financing and construction of the Resource Recovery Facilities.

### Passenger Facility Charges

The Federal Aviation Administration ("FAA") authorized the Aviation Department to impose a Passenger Facility Charge ("PFC") of \$3 per departing passenger commencing January 1, 1995. Through initial and subsequent FAA approvals, the Aviation Department is authorized to collect PFC's up to \$288,765,000, including interest, of which \$127,891,000 has been collected as of September 30, 2001. The net receipts from PFCs are non-refundable and restricted to be used on FAA

“approved capital projects” and debt service on revenue bonds that fund approved PFC eligible projects. As of September 30, 2001, \$74,994,000 of the collected PFCs had been spent on approved projects or debt service, and the remaining \$52,897,000 was reflected as a restricted asset and a reservation of retained earnings.

**Government Grants and Matching Contributions (Proprietary Funds)**

Grants from federal and state governments which are to be used for capital outlay projects are credited directly to capital contributions in the Statement of Revenues, Expenses and Changes in Retained Earnings when such grant monies are earned, and the related project costs are capitalized as assets.

Contributions from federal and state governments and the Board for operating assistance subsidies are recorded as nonoperating revenue.

**(Governmental Funds)**

Grant revenues received as reimbursements for specific purposes are recognized when the expenditure is incurred. Grant revenues received but not earned are recorded as deferred revenues.

**Fund Equity**

At September 30, 2001, the Safe Parks and Land Preservation Fund had a fund deficit of \$32,322,000 due to a delay in the issuance of the Parks General Obligation Bonds, which will be issued in fiscal year 2002. The fund deficit was eliminated in October, 2001 by the proceeds of commercial paper (see Note 15).

**Other Reserves**

Other reserves of \$3,805,000 in the General Fund represent \$1,945,000 which are restricted by Florida Statute for specific public record modernization purposes and \$1,860,000 which are for long-term loans receivable.

**Contributed Capital**

Contributed capital consists primarily of grants and contributions from federal and state governmental agencies and from airlines. It is recognized as earned as related project costs are incurred. Donated property is recognized when received. As more fully discussed in note 14, Accounting Change, the County adopted GASB Statement No. 33 which requires capital contributions to be recognized as revenue. This is a prospective change and is reflected in the current fiscal year.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation.

**NOTE 3 - ENTERPRISE FUNDS RESTRICTED ASSETS AND RESERVES**

Restricted assets and reserves of the Enterprise Funds at September 30, 2001, represent amounts restricted for construction and restricted for debt service, maintenance and improvements under the terms of outstanding bond agreements and regulatory requirements.

Assets were restricted for the following purposes (in thousands):

Bond sinking and reserve accounts	\$126,179
Construction accounts	396,533
Landfill closure escrow	11,952
Other restricted accounts	123,301
	\$657,965

For certain assets restricted under bond agreements, ordinances, and other contractual agreements, a reserve is established by charging retained earnings in an amount equal to the restricted assets less any related liabilities. When the restricted assets are expended, the reserves are restored to retained earnings. At September 30, 2001, the County had debt service and other reserves of \$61,152,000 and \$84,308,000(exclusive of the Passenger Facility Charges reserve), respectively.

Amounts payable from restricted assets at September 30, 2001 consist of the following (in thousands):

Vouchers Payable	\$ 22,482
Revenue bonds and interest payable	61,090
Customers' deposits	6,570
Deferred Revenue	12,543
Accrued Closure Costs	305
	\$102,990

**NOTE 4 - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The County maintains a pool for substantially all cash and cash equivalents and investments. Each fund type's portion of the pool is displayed on the Combined Balance Sheet as “cash and cash equivalents” or “restricted assets” as appropriate. Earnings are allocated daily to each fund based on average daily balances of cash and investments.

At September 30, 2001, the County's cash and cash equivalents and investments totaled \$1,759,875,000, of which \$657,965,000 is included in restricted assets on the combined balance sheet. Cash on deposit in banks and petty cash totaled \$408,547,000. The corresponding bank balances were \$445,957,000.

All cash deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, “Florida Security for Public Deposits Act”. Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly

balance of all public deposits times the depositories' collateral pledging level. The pledging level may range from 50% to 125% depending upon the depositories' financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositories are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. Under Florida Statute 215.47, investments with the State Board of Administration are entirely collateralized and insured by the State.

The County's investment practices are governed by Chapters 125 and 218.415 of the Florida Statutes, County Ordinance 87-82 "Investment of Surplus Public Funds" (as amended) as well as the requirements of outstanding bond issues.

The County is authorized to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, commercial paper, repurchase agreements, certificates of deposit, the Local Government Surplus Funds Trust Fund (LGSF Trust Fund) an SEC Rule 2a-7 like fund which has the characteristics of a Money Market Fund, the Florida Tax Collectors Service Corporation, and the Florida Local Government Investment Trust.

County policy requires that securities underlying repurchase agreements must have a market value of at least 101 percent of the cost of the repurchase agreements.

There were no losses during the period due to default by counterparties to investment transactions and the County had no other types of investments during the period other than those enumerated above. The market value of securities underlying repurchase agreements met the required level during the year.

The County has \$5,926,000 in cash and cash equivalents and investments held in trust in accordance with the provisions of its loan agreement with the First Florida Governmental Financing Commission Loans (see note 8). These investments are insured or registered in the name of the First Florida Governmental Financing Commission (the "Commission"), and are carried at fair value as determined by quoted market prices. Deposits of the Commission are collateralized as public funds in accordance with Florida Statute, Chapter 280. The Commission is a separate legal government entity, established under Chapter 163, Florida Statute, regulated by the State's Division of Banking and Finance and is not registered with the Securities and Exchange Commission.

The County's investment pool includes investments in the Florida Local Government Investment Trust (FLGIT), a public entity investment trust organized under the laws of the State of Florida. The FLGIT reports all share information at Net Asset Value and reflects fair value accounting in accordance with GASB Statement No. 31. The fair value of the FLGIT investment increased by \$950,000 over the prior year's value.

Investments in the Florida Tax Collectors Service Corporation (a Florida service corporation for profit) are organized under the laws of Florida and are not Securities and Exchange registered. The net asset value is equal to one dollar per share.

The County's investments in the Local Government Surplus Fund (LGSF) Trust Fund pool, which is not Securities and Exchange Commission registered, is administered by the Florida

State Board of Administration, an agency of the State of Florida, with regulatory oversight exercised by the State. These investments are valued using the pooled share price. The LGSF Trust Fund investment reflects an \$888,000 increase over the previous year's value.

The County's investments are categorized to provide an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the County's name. Amounts included below as "Investments not Subject to Categorization" are denoted as such because they are not evidenced by securities that exist in physical or book-entry form.

At September 30, 2001, all the County's investments were categorized as indicated in the following table (in thousands):

<i>Description</i>	<i>Carrying Amount</i>	<i>Fair Value</i>
<b>Category 1:</b>		
U.S. Government and Agency securities	\$ 651,096	\$ 661,264
<b>Category 2:</b>		
Repurchase Agreements with the State Board of Administration	615,585	615,585
Investments held by First Florida Financing Commission	5,544	5,544
<b>Category 3:</b>		
Repurchase Agreements	33,217	33,217
	1,305,442	1,315,610
<b>Investments not Subject to Categorization:</b>		
LGSF Trust Fund	17,704	17,704
Florida Tax Collectors Service Corporation	10,000	10,000
Florida Local Government Investment Trust	9,853	9,853
Money Market Funds	8,329	8,329
<b>Total Investments</b>	<b>\$1,351,328</b>	<b>\$1,361,496</b>

**NOTE 5 - PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied and are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the County Revenue Collector. Taxes may be paid upon receipt of such notice at declining discounts through the month of February. All unpaid taxes on real and personal property become delinquent on April 1 of the year following the year in which taxes were levied or within 30 days after the mailing of the original tax notice on the final assessment date, whichever is

later. Delinquent real property taxes bear interest at the rate of one and one-half percent per month and interest continues to accrue until a certificate is sold at auction, from which time the interest rate shall be as bid by the buyer of the certificates. Personal property taxes bear interest at one and one-half percent per month from

April 1 until paid. On or before April 25 delinquent personal property taxes must be advertised and after May 1 a petition praying for the ratification and confirmation of tax warrants may be filed in the Circuit Court and upon issuance of an order the property may be levied, seized and sold.

**NOTE 6 - PROPERTY, PLANT AND EQUIPMENT**

The following is a summary of changes in the General Fixed Assets Account Group (in thousands):

<i>Description</i>	<i>Balance</i>			<i>Infrastructure Assets*</i>	<i>Balance Sept. 30, 2001</i>
	<i>Oct. 1, 2000</i>	<i>Additions</i>	<i>Deletions</i>		
Land	\$ 193,487	\$ 38,575		\$ 78,120	\$ 310,182
Buildings	514,701	213,329	\$ 1,016	(175,013)	552,001
Improvements	229,869	45,762		220,076	495,707
Equipment	314,516	67,727	41,772		340,471
Construction in Progress	296,504	91,271	218,784		168,991
<b>Total</b>	<b>\$1,549,077</b>	<b>\$456,664</b>	<b>\$261,572</b>	<b>\$ 123,183</b>	<b>\$1,867,352</b>

\*In preparation for the implementation of GASB Statement No. 34 - "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", for the fiscal year 2002, the County conducted an inventory of its capital assets during fiscal 2001. GASB Statement No. 34 requires that all capital assets, including infrastructure which was previously not capitalized, be capitalized for financial reporting purposes.

Property, plant and equipment of the Proprietary Funds as of September 30, 2001, consist of the following (in thousands):

<i>Description</i>	<i>Enterprise Funds</i>	<i>Internal</i>
		<i>Service Funds</i>
Buildings, Structures and Improvements	\$ 624,725	
Runways, Aprons, Taxiways and Avigation Easements	33,713	
Furniture, Fixtures, and Equipment	594,209	\$15,487
Property Held for Leasing	340,838	
	1,593,485	15,487
Less accumulated depreciation	517,535	10,794
	1,075,950	4,693
Land	384,831	
Construction in progress	416,319	
<b>Total</b>	<b>\$1,877,100</b>	<b>\$ 4,693</b>

Total interest costs incurred during fiscal year ended September 30, 2001 amounted to approximately \$59,705,000 of which approximately \$13,554,000 was capitalized.

Property held for leasing consists of land and buildings leased under operating leases to commercial enterprises by the Aviation and Port Everglades funds. Lease terms vary from one to ninety nine years and require, in some cases, the construction of leasehold improvements that will be contributed to the County at lease termination.

The following is a schedule by years of minimum future rentals on non-cancelable operating leases as of September 30, 2001 (in thousands):

<i>Years ending September 30:</i>	
2002	\$ 48,374
2003	47,132
2004	46,407
2005	41,139
2006	37,943
Later years	555,882
	<b>\$776,877</b>

Total minimum future rentals do not include contingent rentals that may be received under certain concession leases on the basis of a percentage of the tenant's gross revenue in excess of stipulated minimums. Contingent rentals for the fiscal year ended September 30, 2001 amounted to \$32,668,000.

The County has 25-year lease and use agreements with its major airline tenants (the signatory airline agreements). The agreements require that landing fees and terminal rentals be reviewed annually and adjusted as necessary so that the total revenue is sufficient to meet the Aviation Fund's requirements as determined by the rate and charges model of the signatory airline agreements. At the end of the fiscal year, after all required deposits have been made, any remaining excess funds are used to meet the requirements in the following fiscal year. These excess funds have been recorded as deferred revenue by the Aviation Fund at September 30, 2001 and have been included in current liabilities payable from restricted assets. For the year ended September 30, 2001 these funds amounted to \$12,543,000.

**NOTE 7 - CHANGES IN CONTRIBUTED CAPITAL**

Changes in contributed capital for the year ended September 30, 2001 are summarized as follows (in thousands):

<i>Enterprise Funds:</i>	<i>Water and Wastewater</i>	<i>Solid Waste</i>	<i>Mass Transit</i>	<i>Aviation</i>	<i>Port Everglades</i>	<i>Total</i>
Contributed Capital, October 1	\$246,581	\$1,583	\$73,803	\$201,428	\$46,327	\$569,722
Less: Depreciation			5,903			5,903
<b>Contributed Capital, September 30</b>	<b>\$246,581</b>	<b>\$1,583</b>	<b>\$67,900</b>	<b>\$201,428</b>	<b>\$46,327</b>	<b>\$563,819</b>

<i>Internal Service Funds:</i>	<i>Motor Pool</i>	<i>Print Shop</i>	<i>Total</i>
Contributed Capital, October 1	\$1,341	\$80	\$1,421
<b>Contributed Capital, September 30</b>	<b>\$1,341</b>	<b>\$80</b>	<b>\$1,421</b>

**NOTE 8 - LONG-TERM OBLIGATIONS**

The changes in the General Long-Term Obligations for the year ended September 30, 2001 are as follows (in thousands):

<i>Description</i>	<i>GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP</i>				<i>ENTERPRISE FUNDS</i>	
	<i>General Obligation Bonds</i>	<i>Special Obligation Bonds</i>	<i>Loans Payable and Other Obligations</i>	<i>Compensated Absences</i>	<i>Total</i>	<i>Revenue Bonds Payable</i>
Balance at October 1, 2000	\$292,880	\$292,130	\$176,702	\$37,076	\$798,788	\$978,237
Debt Issued	135,135		16,075		151,210	327,010
Accretion on Capital Appreciation Bonds						(773)
Net Increase in Accrued Compensated Absences				2,767	2,767	
Debt Retired	(22,840)	(10,145)	(28,289)		(61,274)	(28,661)
<b>Balance at September 30, 2001</b>	<b>\$405,175</b>	<b>\$281,985</b>	<b>\$164,488</b>	<b>\$39,843</b>	<b>\$891,491</b>	1,275,813
Less: Current Portion of Revenue Bonds Payable						33,395
Unamortized Bond Costs						7,636
<b>Net Revenue Bonds Payable</b>						<b>\$1,234,782</b>

The debt service requirements for all bonds and loans outstanding as of September 30, 2001 are as follows (in thousands):

<i>Year Ending September 30</i>	<i>GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP</i>						<i>ENTERPRISE FUNDS</i>			
	<i>General Obligation Bonds</i>		<i>Special Obligation Bonds</i>		<i>Loans Payable and Other Obligations</i>		<i>Total</i>	<i>Total</i>	<i>Revenue Bonds Payable</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2002	\$ 30,055	\$ 22,384	\$ 10,610	\$ 16,112	\$ 42,935	\$ 6,981	\$ 83,600	\$ 45,477	\$ 33,395	\$ 51,359
2003	32,270	21,390	11,100	15,600	10,346	6,489	53,716	43,479	38,236	50,050
2004	27,200	19,250	11,640	15,058	10,402	5,975	49,242	40,283	40,129	48,221
2005	29,265	17,087	12,200	14,480	10,835	5,437	52,300	37,004	42,119	49,831
2006	31,505	14,730	12,800	13,875	11,405	4,864	55,710	33,469	38,504	68,880
Thereafter	254,880	72,920	223,635	154,354	78,565	24,533	557,080	251,807	1,083,430	571,730
<b>Total</b>	<b>\$405,175</b>	<b>\$167,761</b>	<b>\$281,985</b>	<b>\$229,479</b>	<b>\$164,488</b>	<b>\$54,279</b>	<b>\$851,648</b>	<b>\$451,519</b>	<b>\$1,275,813</b>	<b>\$840,071</b>

Loans payable and other obligations above includes: capital leases amounting to \$1,113,000 of principal and \$61,000 of interest; First Florida loans amounting to \$72,290,000 of principal and \$34,795,000 of interest; Certificates of Participation amounting to \$57,795,000 of principal and \$19,402,000 of interest; the Clerk's loan payable amounting to \$215,000 of principal and \$21,000 of interest; commercial paper amounting to \$33,075,000.

Certain bond indentures contain provisions as to annual debt service, sinking fund, and minimum net revenue requirements. In addition, certain indentures require maintenance of various accounts and specify the deposits to be made to such accounts. At September 30, 2001, the County was in compliance with significant debt covenants.

The following is a summary of the major provisions and significant debt service requirements for the outstanding bonds at September 30, 2001 (dollars in thousands):

	Primary Purpose	Type	Interest Payment	
			Rate (%)	Dates
<b>General Obligation Bonds (GOB):</b>				
1986 Public Improvement Refunding	Refunding Issue	serial	12.5	1-1 7-1
1992 GOB A, B & C Refunding	Construction and Refunding Issue	serial	5.7-6.25	1-1 7-1
1992 GOB A & C Refunding	Construction and Refunding Issue	term	5.5	1-1 7-1
1993 GOB Refunding	Refunding Issue	serial	4.3-5.0	1-1 7-1
2001 GOB A	Library Project	serial	3.75-5.25	1-1 7-1
<b>Total General Obligation Bonds</b>				
<b>Special Obligation Bonds:</b>				
1994 Tourist Development Tax	Refunding Issue	serial	4.9-5.6	4-1 10-1
1994 Tourist Development Tax	Refunding Issue	term	5.625	4-1 10-1
1995 Special Obligation Refunding	Refunding Issue	serial	4.875-5.5	1-1 7-1
1995 Special Obligation Refunding	Refunding Issue	term	5.0	1-1 7-1
1996 Professional Sports Facilities	Civic Arena	serial	4.7-7.69	3-1 9-1
1996 Professional Sports Facilities	Civic Arena	term	5.62-8.11	3-1 9-1
1998 Gas Tax Refunding	Refunding Issue	serial	4.0-5.25	3-1 9-1
<b>Total Special Obligation Bonds</b>				
<b>Revenue Bonds:</b>				
<b>Water and Wastewater Fund</b>				
1988 Water and Sewer Utility	Construction and Refunding Issue	capital appreciation		
1988 Water and Sewer Utility	Construction and Refunding Issue	term	6.5	4-1 10-1
1991 Water and Sewer Utility	Construction and Refunding Issue	term	6.0	4-1 10-1
1993 Water and Sewer Utility	Refunding Issue	serial	2.3-5.375	4-1 10-1
1993 Water and Sewer Utility	Refunding Issue	term	5.0-5.125	4-1 10-1
<b>Total Water and Wastewater Bonds</b>				
<b>Aviation Fund</b>				
1993 C Airport System Revenue	Improvements and Refunding Issue	serial	4.1-5.25	4-1 10-1
1998 E Airport System Revenue	Refunding Issue	serial	4.8-5.1	4-1 10-1
1998 F Airport System Revenue	Construction and Improvement	serial	4.0-4.74	4-1 10-1
1998 G Airport System Revenues	Improvements	serial	3.70-5.125	4-1 10-1
1998 G Airport System Revenues	Improvements	term	5.00	4-1 10-1
1998 H-1 Passenger Facility Charge	Improvements	serial	3.10-5.25	4-1 10-1
1998 H-2 Passenger Facility Charge	Improvements	serial	4.70-5.125	4-1 10-1
1998 H-2 Passenger Facility Charge	Improvements	term	4.75	4-1 10-1
2001 I Passenger Facility Charge	Improvements	term	4.0-5.75	4-1 10-1
2001 J-1 Airport System Revenues	Improvements	term	5.25-5.75	4-1 10-1
2001 J-2 Airport System Revenues	Improvements	term	5.8-6.9	4-1 10-1
<b>Total Aviation Bonds</b>				
<b>Resource Recovery Fund</b>				
1993 A, B & C Solid Waste System	Refunding Issue	serial	5.1-5.875	1-1 7-1
1993 A & B Solid Waste System	Refunding Issue	term	5.75-6.0	1-1 7-1
<b>Total Resource Recovery Bonds</b>				
<b>Port Everglades Fund</b>				
1989 A Port Facilities Refunding	Refunding Issue	capital appreciation		
1989 A Port Facilities Refunding	Refunding Issue	term	5.0-7.5	3-1 9-1
1998 A Port Facilities Revenue Bonds	Refunding issue	serial	4.4-4.8	3-1 9-1
1998 B Port Facilities Revenue Bonds	Refunding Issue	serial	4.4-4.8	3-1 9-1
1998 B Port Facilities Revenue Bonds	Refunding Issue	term	5.25-5.3	3-1 9-1
1998 C Port Facilities Revenue Bonds	Capital Improvements	serial	5.375	3-1 9-1
1998 C Port Facilities Revenue Bonds	Capital Improvements	term	5.25-5.3	3-1 9-1
1998 Subordinate Port Facilities Bonds	Refunding Issue	serial	5.073	3-1 9-1
<b>Total Port Everglades Bonds</b>				
<b>Total Revenue Bonds</b>				

<i>Optional Redemption</i>		<i>Final Maturity Date</i>	<i>Original Amount Issued</i>	<i>Retired/Refunded</i>	<i>Accretion</i>	<i>Outstanding September 30</i>
<i>Year</i>	<i>Premium</i>					
N/A	N/A	7-1-2006	\$174,385	\$(131,225)		\$ 43,160
2002	2%	1-1-2008	203,410	(101,290)		102,120
2002	2%	1-1-2012	59,260			59,260
2004	1%	1-1-2010	92,440	(26,940)		65,500
2011	1%	1-1-2021	135,135			135,135
						<b>\$ 405,175</b>
2004	2%	10-1-2009	25,565	(8,345)		\$ 17,220
2004	2%	10-1-2013	10,690			10,690
2006	1%	1-1-2010	37,605	(10,715)		26,890
2006	1%	1-1-2012	7,790			7,790
2006	1-2%	9-1-2010	36,815	(5,230)		31,585
2006	1-2%	9-1-2028	147,285			147,285
N/A	N/A	9-1-2010	51,760	(11,235)		40,525
						<b>\$ 281,985</b>
N/A	N/A	10-1-2008	8,466	(2,322)	\$12,270	\$ 18,414
N/A	N/A	10-1-2018	51,665	(40,800)		10,865
2001	1%	10-1-2020	32,155			32,155
2003	2%	10-1-2011	82,175	(17,610)		64,565
2003	2%	10-1-2018	52,720			52,720
						178,719
2003	2%	10-1-2009	150,865	(24,325)		126,540
2008	1%	10-1-2013	75,560			75,560
2008	1%	10-1-2009	10,530	(1,370)		9,160
2008	1%	10-1-2018	44,635			44,635
2019	N/A	10-1-2023	18,880			18,880
2008	1%	10-1-2015	66,620	(5,355)		61,265
2008	1%	10-1-2018	20,270			20,270
2019	N/A	10-1-2023	39,780			39,780
2011	1%	10-1-2026	41,855			41,855
2011	1%	10-1-2026	135,970			135,970
2016	N/A	10-1-2021	149,185			149,185
						723,100
2003	2%	7-1-2008	48,960	(21,905)		27,055
2003	2%	7-1-2013	26,960			26,960
						54,015
N/A	N/A	9-1-2010	37,875	(16,385)	30,319	51,809
2000	2%	9-1-2016	79,580	(26,395)		53,185
2008	1%	9-1-2012	13,195			13,195
N/A	N/A	9-1-2006	615	(90)		525
2008	1%	9-1-2027	79,825			79,825
2008	N/A	9-1-2012	43,795			43,795
2008	N/A	9-1-2027	28,645			28,645
2008	2%	9-1-2027	49,000			49,000
						319,979
						<b>\$1,275,813</b>

## **General Obligation Bonds**

In fiscal year 2001, the County issued \$135,135,000 Series 2001A Bonds to finance the cost of planning, acquisition, design, construction, reconstruction, expansion and equipping of library facilities within the County (the "Library Project") and repay certain commercial paper notes used to finance a portion of the Library Project prior to the Series 2001A Bonds being issued.

The issuance of the Series 2001A Bonds was approved by a majority of the qualified electors of the County voting in a bond referendum held on March 9, 1999. The Series 2001A Bonds are payable from ad valorem taxes levied without limitation as to rate or amount on all taxable property within the County sufficient in amount to pay the principal of and interest on the Series 2001A Bonds.

The full faith and credit of the Board of County Commissioners has been pledged for the payment of the principal and interest on the General Obligations Bonds.

## **Special Obligation Bonds**

The Operating Agreement of the Professional Sports Facilities Civic Arena provides for the "County's Preferred Revenue Allocation" which is paid to the County by the Operator from Facilities Operating Revenues prior to paying Facility Operating Expenses or making any other payments. The "County's Preferred Revenue Allocation" is the annual amount equal to the difference between (a) the actual amount of the County's debt service on the Series 1996 Bonds and (b) \$10,000,000. During fiscal year 2001, the "County's Preferred Revenue Allocation" totaled \$3,936,000 and is reflected in miscellaneous revenue in 1996 Professional Sports Facilities and Civic Arena Bonds Debt Service Fund.

## **Revenue Bonds**

The Broward County Airport System Revenue Bond Series 2001 J1 and J2 were issued to provide funds for a new joint use facility to house the 12 rental car companies and to provide additional public parking.

The Broward County Passenger Facility Charge/Airport System Revenue Convertible Lien Bonds Series 2001 I were issued to provide funds toward a new passenger concourse and terminal improvements.

The County has entered into an interest rate swap agreement for \$49,000,000 of its variable rate 1998 Series Subordinate Port Facilities Bonds for the outstanding period of the bonds. Based on the swap agreement, the County pays a synthetic fixed rate of 5.003% to the counter party to the swap. In return, the counter party owes the County interest based on a variable rate that matches the rate required by the bonds. Only the net difference in interest payments is actually exchanged with the counter party. The \$49 million in bond principal is not exchanged; it is the initial notional amount upon which the interest payments are calculated.

The interest rate swap agreement does not affect the obligation of the County under the Indenture to pay the principal of, and variable interest on, the Series 1998 Bonds. However, during the term of the swap agreement, the County effectively pays a fixed rate on the debt. The debt service requirements to maturity for these bonds (presented in this note) are based on that fixed rate.

The County will be exposed to variable rates if the counter party to the swap defaults or if the swap agreement is terminated. A termination or default of the swap agreement may also result in the County making or receiving a termination or default payment, generally equal to the fair value of the swap agreement at the time of termination.

## **First Florida Governmental Financing Commission Loans Payable**

The First Florida Governmental Financing Commission (the "Commission") was created pursuant to the Florida Interlocal Cooperation Act of 1969, Section 163.01, Florida Statutes, as amended. The current members of the Commission are: Broward County, Florida; City of Hollywood, Florida; City of Boca Raton, Florida; City of Gainesville, Florida; City of Clearwater, Florida; City of Sarasota, Florida and the City of St. Petersburg, Florida.

The Commission is a separate legal entity and public body permitted to authorize, issue and sell bonds for the purpose of financing or refinancing any capital projects for its members. The Commission's stated purpose is to enable its participating members to benefit from the economies of scale associated with large financings.

The proceeds of the Commission's bonds are used to fund loans to the participating members. The repayment terms of the loan agreements are designed to provide for the payment of principal and interest on the bonds when due.

It is the Bond Counsel's opinion that each member of the Commission is liable only to the extent of the payments on its loan agreement.

At September 30, 2001, the County had loans payable to the Commission totaling \$72,290,000.

The total of loans outstanding increased in fiscal year 2001 by \$4,075,000. Proceeds of these loans were used to currently refund certain outstanding loans issued in 1989. As a result of the refinancing, the County reduced its total debt service requirements by \$708,000, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$288,000.

The loans are included in loans payable and other obligations in the General Long-Term Obligations Account Group and are due in annual installments through 2028. Interest on these loans is at fixed rates ranging from 3.375% to 7.5% payable semi-annually.

## **Sales Tax Revenue Commercial Paper Program**

The County utilizes a multi-purpose commercial paper program (the "Program") for financing a variety of public projects. The Program is supported by a \$125,000,000 credit facility agreement and a pledge of the County's share of the Local Government Half Cent Sales Tax. Under the Program, maturing commercial paper will either be refunded with new commercial paper or retired from general or project related revenues, proceeds from new bond issues or proceeds from State or Federal grants.

As of September 30, 2001, the County had Sales Tax Revenue Commercial Paper Notes outstanding of \$33,075,000. Interest rates on outstanding notes during fiscal year 2001 ranged from 2.20% to 2.60%. The notes are included in Loans Payable

and Other Obligations in the General Long-Term Obligations Account Group.

**Obligation Under Lease Purchase Agreements - Certificates of Participation**

The County has entered into Master Lease-Purchase Agreements (the "Lease Agreements") with the Broward County Commission Governmental Leasing Corporation (the "Corporation"), a single purpose not-for-profit Florida Corporation, to finance the acquisition, construction and or equipping of certain facilities. The Corporation was formed by the County solely for the purpose of acting as lessor of the facilities, with the County as lessee. The County Commissioners serve as the Board of Directors of the Corporation. The Corporation has title to the facilities subject to the rights of the County under the terms of the Lease Agreements. A Trustee has been appointed to collect and disburse all amounts due under the Lease Agreements.

Simultaneously with the Lease Agreements, the Corporation issued Certificates of Participation Series 1994 and Series 1998 (the "Certificates"), to third parties, evidencing undivided proportionate interest in basic lease payments to be made by the County, as lessee.

The Lease Agreements further provide for successive one year renewal lease terms unless earlier termination following an event of default or a non-appropriation of funds to make the lease payments. Failure to appropriate funds to pay the lease payments will result in termination of the Lease Agreements and the return of certain of the leased property to the Trustee.

The basic rent payments and, consequently, the principal and interest components payable to the owners of Certificates are payable solely from revenue appropriated by the County for that purpose. The County is not legally required to appropriate sums for the purpose of making the lease payments and the Certificates are not general obligations or a pledge of the faith and credit of the County. Payments of principal and interest on the Series 1994 and Series 1998 Certificates are insured by Municipal Bond Investor Assurance Corporation (MBIA) and AMBAC Indemnity Corporation, respectively, under municipal bond insurance policies.

Basic lease payments represented by the Certificates are payable to the owners of the Certificates on each December 1 and June 1, and will be reflected as debt service expenditures when remitted to the Trustee.

The obligation through maturity to the holders of the Certificates, which will be serviced by the annual lease payments, is as follows (in thousands):

<i>Year ended September 30</i>	<i>Total Payments</i>
2002	\$ 6,903
2003	6,910
2004	6,910
2005	6,906
2006	6,894
Thereafter	42,674
Total	77,197
Less Interest	19,402
<b>Principal Outstanding</b>	<b>\$57,795</b>

Interest on the Certificates ranges from 3.65% to 5.70%. The principal amount of the Certificates has been included in Loans Payable and Other Obligations in the General Long-Term Obligations Account Group at September 30, 2001.

**Defeased Bonds**

The County has entered into refunding transactions whereby refunding bonds have been issued to facilitate the retirement of the County's obligation with respect to certain bond issues already outstanding. The proceeds of the refunding issues have been placed in irrevocable escrow accounts and invested in U.S. Treasury obligations that, together with interest earned thereon, will provide amounts sufficient for future payments of interest and principal on the bond issues being refunded. Refunded bonds are not included in the County's outstanding long-term debt since the County has legally satisfied its obligations through the refunding transactions.

The following is a summary of the County's defeasance transactions (in thousands):

<i>Year of Defeasance</i>	<i>Bond Issue(s) Defeased</i>	<i>Principal Outstanding Sept. 30, 2001</i>
1978	Water and Sewer Revenue Bonds Series 1963, 1965, 1968, 1971, 1975 & 1977	\$ 7,573
1986	Port Refunding and Improvement Revenue Bonds Series 1966	3,475
1988	Water & Sewer Revenue 1978 Series A	29,050
1989	Port Facilities Revenue Bonds Series 1986	79,380
1993	Water & Sewer Revenue Series 1988 (Partial)	63,130
1993	Water & Sewer Revenue 1991 Series (Partial)	44,370
1993	General Obligation Refunding Bonds Series 1992 A & B (Partial)	5,460
1994	Tourist Development Tax Special Revenue Bonds Series 1988	5,404
1998	Port Facilities Refunding Bonds Series 1989A (Partial)	28,961

**Conduit Debt**

The two component units of the County, Broward County Health Facilities Authority (HeFA) and Broward County Housing Finance Authority (HFA), are authorized to issue bonds to fulfill their corporate purposes. Bonds issued by HeFA and HFA shall not be deemed to constitute a debt of the HeFA, HFA, the County, or any political sub-division thereof. As of September 30, 2001, the total revenue bonds outstanding of HeFA and HFA is \$661,075,000.

The County authorized the issuance of the Resource Recovery Refunding Revenue Bonds, Series 2001A (Wheelabrator North Broward Inc. Project and the Wheelabrator South Broward Inc. Project) in the aggregate principal amount of \$150,700,000 and \$175,665,000, respectively. The proceeds of the Series 2001 Bonds (North and South Sites) will be used to refund all of the County's Resource Recovery Revenue Bonds, Series 1984 (Broward Waste Energy Company, L.P. North Project and SES Broward Company, L.P. South Project) which were outstanding

and pay certain costs of issuance of the Series 2001 Bonds (North and South Sites).

There are also other industrial development bonds issued by the County which are not deemed to constitute a debt to the County or any political sub-division thereof. The County does not maintain the total outstanding balance of these bonds.

**NOTE 9 - ACCRUED LANDFILL CLOSURE COSTS — INTEGRATED WASTE FUNDS**

State laws and regulations require the County to place a final cover on its landfills when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for up to thirty years after closure. Although closure and postclosure care costs will be paid only near or after the landfill stops accepting waste, the County recognizes a portion of these costs as an operating expense in each period based on landfill capacity utilized.

At September 30, 2001, the County estimates that the cost of permanently capping and maintaining its landfills in accordance with existing regulations will be \$31,409,000. Of this amount, the County has accrued a liability of \$12,601,000 based on amortizing the total estimated cost over the operational life of the landfills.

Of the total liability, \$305,000 is included in current liabilities payable from restricted assets and \$12,296,000 is included in other long-term liabilities on the Combined Balance Sheet.

The County’s three landfills are the Davie landfill, which has been closed, the interim contingency landfill and the resource recovery landfill.

A summary of the landfill accounts is as follows (in thousands):

	<i>Davie Landfill</i>	<i>Interim Contingency Landfill</i>	<i>Resource Recovery Landfill</i>
Liability 9/30/01	\$3,685	\$5,650	\$3,266
Estimated total closure and postclosure care costs remaining to be recognized		9,651	9,157
Estimated remaining life of landfill (in years)	N/A-closed	23	10
Capacity used to date	100%	37%	26%

The \$31,409,000 cost estimate is considered sufficient by County management and the County’s engineer. However, existing regulations may change which may require the County to incur additional closure and postclosure costs.

The County is required by state laws and regulations to make annual deposits to finance closure and postclosure care. At September 30, 2001, cash and investments of \$11,952,000 are held for these purposes. These are reported as restricted assets on the Combined Balance Sheet. The County expects that future inflation costs will be paid from interest earnings on these annual

deposits. However, if interest earnings are inadequate or additional closure or postclosure care requirements are determined, these costs may need to be covered by charges to future landfill users.

**NOTE 10 - LARGE USER AGREEMENTS - ENTERPRISE FUNDS**

The County has entered into agreements with large (wholesale) users of the North Regional Wastewater System (the “System”). These agreements provide that the cost of operating the System be charged to each large user on the basis of each user’s proportionate share of total gallons processed. In addition, each large user is charged a debt service fee for the principal, interest and debt coverage requirements on debt issued to finance the construction of the North Regional Wastewater Treatment Facility. The debt service charge is based on the relative percentage of reserve capacity designated for each user to total reserved capacity.

**NOTE 11 - RELATED PARTY TRANSACTIONS**

The County allocates certain support department costs which include legal, fiscal, purchasing, personnel, internal audit and communication costs to other County departments. Certain funds are also charged for the cost of services provided by the Self-Insurance, Fleet Services and Print Shop Funds. Costs of approximately \$44,093,000 for the above-mentioned services were allocated between funds during the year ended September 30, 2001.

**NOTE 12 - PENSION COSTS**

The County participates in the Florida Retirement System (FRS), a cost-sharing, multiple-employer Public Employment Retirement System (PERS), which covers substantially all permanent full and part-time County employees. The FRS is noncontributory and is totally administered by the State of Florida.

Benefits are computed on the basis of age, average final compensation and service credit. Average final compensation is the average of the five highest fiscal years of earnings. The Florida Retirement System provides vesting of benefits after six years of creditable service. Early retirement may be taken any time after vesting; however, there is a 5% benefit reduction for each year prior to normal retirement age or date. The FRS also provides death and disability benefits. A State statute establishes benefits.

FRS issues an annual financial report. A copy can be obtained by sending a written request to:

Division of Retirement  
 Cedars Executive Center, Bldg. C  
 2639 North Monroe Street  
 Tallahassee, FL 32399-1560

The County’s required contribution rate is established by State statute, and ranges from 7.30% to 18.44% of covered payroll, based on employee risk groups. The required contribution by the County to the FRS for the fiscal year ended September 30, 2001

was approximately \$58.0 million compared to \$59.5 million for the year ended September 30, 2000, and \$70.9 million for the year ended September 30, 1999. This represents an average contribution of approximately 12.2% of covered payroll in fiscal year 2001, 13.6% in fiscal year 2000, and 17.3% in fiscal year 1999. The County has met all contribution requirements for the current year and two preceding years.

### ***NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES***

The County is currently actively engaged in various lawsuits including cases where the redress sought is for other than monetary damages, i.e., mandamus, injunction, declaratory relief and cases for which the County has insurance or is named as a nominal defendant. The County Attorney is of the opinion that the possible exposure resulting from any ultimate resolution of litigation in which the County is a defendant would not have a material effect upon the financial statements of the County.

The Clerk is party to various legal proceedings which normally occur in governmental operations. It is the opinion of the Clerk and the Clerk's legal counsel that these legal proceedings are not likely to have a material adverse impact on the Clerk's financial statements.

Federal and State of Florida grants are subject to audit by the granting agencies to determine if activities comply with conditions of the grant. Management believes that no material liability will arise from any such audits.

The County leases office facilities and equipment under various leases, most of which have been executed on a year-to-year basis.

Rental expenses for equipment leases and office facilities for the year ended September 30, 2001 amounted to \$4,782,000. Future commitments under operating leases at September 30, 2001, are not material.

At September 30, 2001, the County had in process various uncompleted construction projects with remaining balances totaling \$269,887,000. The retainage payable on these contracts totaled \$28,517,000. Funding of these projects is to be made primarily through the proceeds of the related bond issues, loans and future taxes.

In connection with the financing and construction of two recovery plants, the County and twenty-four municipalities have entered into agreements requiring, among other things, the delivery of a minimum number of tons of processable waste to the plants during each of the next ten years. To the extent that the minimum annual tonnage is not delivered, the County and the contract municipalities are required to make payments sufficient to compensate the operators of the plants for the undelivered tonnage at the then current tipping fees. In addition, the agreement with the operators of the plants provides for an annual adjustment to the base tipping fee.

The County and the contract municipalities have agreed to assess, through the Broward County Solid Waste Disposal District, uniform service fees on all improved real property sufficient to pay any system cost not covered by tipping fees, including the cost of any undelivered tonnage.

During fiscal year 2001, the County was obligated to deliver 1,095,000 tons of processable waste to the plants. Actual deliveries were 1,077,000 tons. As a result, the County did not exceed the minimum tonnage commitment.

In connection with the Resource Recovery Refunding Revenue Bonds, Series 2001A (Wheelabrator North Broward Inc. Project and the Wheelabrator South Broward Inc. Project) (see Note 8), the refunding of the outstanding Resource Recovery Bonds will generate a net present value savings of approximately \$43.8 million. These savings will be realized over the next ten years. Based on a refunding savings sharing agreement, Waste Management, Inc. will receive approximately \$13.1 million with the balance of \$30.7 million going to the Solid Waste System (the County and twenty-four municipalities).

### ***NOTE 14 - ACCOUNTING CHANGE***

In fiscal 2001, the County adopted the provisions of GASB Statement No. 33 - "Accounting and Financial Reporting for Nonexchange Transactions." In accordance with GASB Statement No. 33, the County changed its method of accounting for capital contributions in the Enterprise Funds by recognizing such contributions as revenues during the fiscal year, rather than as additions to contributed capital. The amount of such revenue recognized in fiscal 2001 was \$50,623,000.

### ***NOTE 15 - SUBSEQUENT EVENTS***

Due to the tragic events that occurred on September 11, 2001, the County experienced some decline in tourism revenues and increases in security expenses. While the long-term impact of the events is undeterminable, the County does not believe that it will have a material effect on its financial position.

On October 23, 2001, the County issued \$146,620,000 General Obligation Refunding Bonds, Series 2001B. The proceeds were used to refund, on a current basis, a portion of the County's General Obligation Bonds, Series 1992A, General Obligation Refunding Bonds, Series 1992B and Series 1992C. As a result of the refunding, the County will recognize an economic gain of \$12,648,000.

On November 7, 2000, the voters of Broward County authorized the issuance of \$400 million of Safe Parks and Land Preservation General Obligation Bonds. The County intends to issue a portion of the authorized amount in fiscal year 2002.

**NOTE 16 - SEGMENT INFORMATION OF THE ENTERPRISE FUNDS**

Segment information for the Enterprise Funds for the year ended September 30, 2001 is as follows (in thousands):

	<i>Water &amp; Wastewater</i>	<i>Solid Waste</i>	<i>Resource Recovery System</i>	<i>Unincorporated Area Waste Collection</i>	<i>Mass Transit</i>	<i>Aviation</i>	<i>Port Everglades</i>	<i>Total</i>
Operating Revenue	\$ 71,274	\$ 463	\$93,505	\$11,922	\$ 16,730	\$ 100,825	\$ 79,748	\$ 374,467
Operating Expense	38,789	1,757	76,645	11,085	79,162	56,157	42,444	306,039
Depreciation Expense	16,227	116	1,404	35	5,912	12,031	14,253	49,978
Operating Income (Loss)	16,258	(1,410)	15,456	802	(68,344)	32,637	23,051	18,450
Non-Operating Income (Expense)	(5,789)	1,510	(732)	366	17,690	21,872	(10,872)	24,045
Capital Contributions	6,649				8,121	24,663	11,190	50,623
Operating Transfers In		200			45,049	30		45,279
Operating Transfers Out				(200)				(200)
Net Income	17,118	300	14,724	968	2,516	79,202	23,369	138,197
Total Assets	525,071	9,983	152,378	4,164	78,173	1,387,014	636,166	2,792,949
Total Liabilities	193,348	4,294	72,890	116	6,360	805,195	320,434	1,402,637
Fund Equity	331,723	5,689	79,488	4,048	71,813	581,819	315,732	1,390,312
Acquisition of Fixed Assets	30,376	26	185	59	8,121	124,746	29,302	192,815
Operating Grants		1,176		34	16,489			17,699
County Operating Assistance Subsidy		200			45,049	30		45,279
Bonds and Other Long-Term Liabilities Payable From Operating Revenues	167,575	3,380	59,419	1	68	721,138	295,944	1,247,525
Net Working Capital	13,201	2,336	60,918	3,906	3,288	29,698	67,685	181,032

**NOTE 17 - INTERFUND RECEIVABLES AND PAYABLES AND INTERFUND TRANSFERS**

Interfund receivable and payable balances at September 30, 2001 and the amount of interfund transfers for the fiscal year ended September 30, 2001 are as follows (in thousands):

<i>Fund</i>	<i>Interfund Receivable</i>	<i>Interfund Payable</i>	<i>Transfers In</i>	<i>Transfers Out</i>
<b>General</b>	\$16,170	\$ 7,932	\$ 17,364	\$464,629
<b>Special Revenue:</b>				
County Transportation Trust	91		5,547	66,029
Tourist Development Tax		469	9,444	28,664
Broward Economic Development Board	282			
Other Special Revenue	152	152		2,401
Sheriff Operations	4,192	10,847	338,490	
Sheriff Special Revenue	1	474		
Clerk Operations	740	646	29,920	
Clerk Special Revenue	363		300	
Property Appraiser Operations	214	578	7,581	
Supervisor of Elections Operations	21	1	5,037	
	6,056	13,167	396,319	97,094
<b>Debt Service:</b>				
General Obligation Refunding Bonds			597	
Tourist Tax Revenue Bonds			7,902	4,784
1995 Special Obligation Refunding Bonds			17,135	13,178
1996 Professional Sports Facilities and Civic Arena Bonds	469		14,229	6,632
1998 Gas Tax Revenue Refunding Bonds			5,427	
Florida Financing Loan Pool			8,463	359
Certificates of Participation			6,737	
	469		60,490	24,953
<b>Capital Projects:</b>				
Capital Outlay Reserve	33,000		43,196	14,273
Engineering Road Projects			21,593	7,249
1987 General Obligation Bonds				371
1988 Tourist Development Tax Revenue Bonds			4,522	
Beach Renourishment			3,382	
Unincorporated Area Capital Projects			22,677	263
Safe Parks and Land Preservation		33,000		
	33,000	33,000	95,370	22,156
<b>Enterprise:</b>				
Solid Waste			200	
Unincorporated Area Waste Collection				200
Mass Transit			45,049	
Aviation	33		30	
	33		45,279	200
<b>Internal Service:</b>				
Self-Insurance	3,151			
Fleet Services	272		78	30
Print Shop	22			
	3,445		78	30
<b>Trust and Agency:</b>				
General Trust	3			
Park, Open Space and Recreational Trust				6,327
Law Enforcement Trust	103			
Other Trust			489	
Sheriff Trust		28		
Revenue Collection		282		
Clerk Agency		2,444		
Sheriff Agency	1,186	3,612		
	1,292	6,366	489	6,327
<b>Total</b>	<b>\$60,465</b>	<b>\$60,465</b>	<b>\$615,389</b>	<b>\$615,389</b>