

Management's Discussion and Analysis

The management of Broward County offers this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2002. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our Letters of Transmittal. The new reporting model required by Governmental Accounting Standards Board Statement No. 34 was implemented during fiscal 2002. The new financial reporting model and the new financial statements associated with it are described in the following narrative as well as in the Notes to Financial Statements. Although fiscal 2002 financial data was converted for the new financial reporting model, comparative data for fiscal 2001 was not converted. In future CAFR's, comparative financial data will be presented.

FINANCIAL HIGHLIGHTS

The following are key financial highlights for the fiscal year:

- The assets of the County exceeded its liabilities at September 30, 2002 by \$2.9 billion (*net assets*). Of this amount, \$764 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's total net assets increased by \$228 million, \$141 million of which was from governmental funds, and \$87 million was from business-type activities.
- As of September 30, 2002, the County's governmental funds reported combined ending fund balances of \$758 million, a decrease of (\$4 million) from the prior year. Of this amount, \$625 million is available for use at the County's discretion (*unreserved fund balance*).
- At September 30, 2002, unreserved fund balance for the General Fund was \$176 million, or 18 percent of total general fund expenditures and transfers out.
- The County's total bonded debt decreased by \$84 million or 3 percent during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: government-wide financial statements; fund financial statements; and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Broward County's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of Broward County's assets and liabilities, with the difference between the

two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Broward County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, transportation, human services, culture and recreation, physical environment, and economic environment. The business-type activities of the County include water and wastewater, resource recovery, mass transit, aviation, and a seaport.

The government-wide financial statements include not only the County itself, but also the Housing Finance Authority and the Health Facilities Authority, legally separate entities for which the County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on the pages 17 and 18 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds; proprietary funds; and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund bal-

ances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Broward County maintains 35 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the Sheriff operations fund, the County transportation trust fund, and the capital outlay reserve, which are considered to be major funds. Data from the other 31 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund and other major governmental funds to demonstrate compliance with these budgets.

Proprietary funds – The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its water and wastewater, resource recovery, mass transit, aviation and seaport operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its self-insurance, vehicle fleet, and print shop operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for all five proprietary operations, all of which are considered to be major funds of the County. Conversely, the three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information containing budget to actual comparisons for the general and major special revenue funds. The combining statements referred to earlier in connection with nonmajor governmental funds, internal

service funds and fiduciary funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$2.9 billion as of September 30, 2002.

Broward County's Net Assets
(In thousands of dollars)

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
Current and other assets	\$ 933,680	\$ 873,720	\$1,807,400
Capital assets	1,544,491	2,009,368	3,553,859
Total assets	2,478,171	2,883,088	5,361,259
Long-term debt outstanding	826,938	1,239,117	2,136,279
Other liabilities	226,984	163,160	319,890
Total liabilities	1,053,922	1,402,247	2,456,169
Net assets:			
Invested in capital assets, net of related debt	714,804	1,097,841	1,812,645
Restricted	138,827	189,630	328,457
Unrestricted	570,618	193,370	763,988
Total net assets	\$1,424,249	\$1,480,841	\$2,905,090

The largest portion of the County's net assets reflects its investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets still outstanding. These capital assets are used to provide services to citizens; consequently these assets are not available for future spending. It should also be noted that the resources required to repay the related debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the County's ongoing obligations to citizens and creditors. As of September 30, 2002 the County reports positive balances in all three categories of net assets, both for the government as a whole as well as for its separate governmental and business-type activities.

Governmental activities

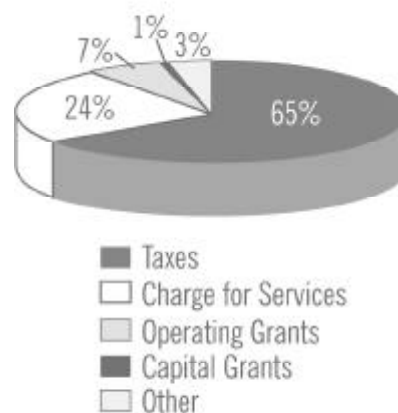
Governmental activities increased the County's net assets by \$141 million. Key elements of this increase are as follows:

Broward County's Changes in Net Assets

(In thousands of dollars)

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
Revenues:			
Program revenues:			
Charges for services	\$ 300,692	\$ 412,733	\$ 713,425
Operating grants and contributions	81,364	26,102	107,466
Capital grants and contributions	12,733	56,350	69,083
General revenues:			
Property taxes	590,595		590,595
Other taxes	222,121		222,121
Other	40,742	(9,980)	30,762
Total revenues	1,248,247	485,205	1,733,452
Expenses:			
General government	147,147		147,147
Public safety	71,651		71,651
Transportation	41,275		41,275
Human services	106,595		106,595
Culture and recreation	128,532		128,532
Physical environment	22,177		22,177
Economic environment	21,899		21,899
Sheriff	424,500		424,500
Clerk of the Court	32,680		32,680
Property Appraiser	11,292		11,292
Supervisor of Elections	7,070		7,070
Interest on Long-term Debt	44,224		44,224
Aviation		106,532	106,532
Port Everglades		83,527	83,527
Water and Wastewater		65,487	65,487
Resource Recovery System		84,940	84,940
Mass Transit		94,336	94,336
Other		11,423	11,423
Total expenses	\$1,059,042	\$ 446,245	\$1,505,287
Increase in net assets			
Before Transfers	189,205	38,960	228,165
Transfers	(48,093)	48,093	
Increase in net assets	141,112	87,053	228,165
Net assets - September 30, 2001	1,283,137	1,393,788	2,676,925
Net assets - September 30, 2002	\$1,424,249	\$1,480,841	\$2,905,090

Revenue Sources
Fiscal Year 2002



The County's governmental activities had net expenses of (\$664 million). However, these services are intended to be primarily funded by taxes, as opposed to charges for services and grants, and those taxes and other general revenues did exceed net expenses by \$141 million. The County experienced a substantial increase in property taxes due to growth in the assessed valuation of property within the County.

The County's business-type activities had net revenue of \$49 million, with all activities reporting surplus revenue except Mass Transit. Mass Transit relies upon transfers of other revenues to cover its net expenses. Including general revenues, the business-type activities had net revenue in excess of expenses of \$87 million.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of its fiscal year.

At September 30, 2002, the County's governmental funds reported combined ending fund balances of \$758 million, a decrease of (\$4 million) from the prior year. This decrease resulted from a (\$18 million) decrease in the County Transportation Trust Fund to fund transportation needs, offset by a \$3.5 million increase in the General Fund, an \$8.6 million increase in the Capital Outlay Reserve, and a \$2 million increase in Other Governmental Funds.

Approximately 82% of the combined fund balances (\$625 million) constitutes unreserved fund balance, which is available for

spending at the government's discretion. The remainder of the balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to liquidate prior year obligations (\$93 million), (2) to pay debt service (\$33 million), or (3) for other restricted purposes.

The general fund is the chief operating fund of the County. At September 30, 2002, unreserved fund balance of the general fund was \$175.7 million and total fund balance was \$181.5 million. As a measure of the general fund's liquidity, the total fund balance represents 18 percent of total general fund expenditures and transfers out.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Aviation operating revenues declined (\$124,000) or one tenth of one percent due to the protracted recovery of air travel following the events of September 11, 2001. Unrestricted net assets of the Aviation Department were \$28 million at September 30, 2002.

Port Everglades operating revenues increased \$9 million or 11% primarily due to increased cruise ship activity. Unrestricted net assets of the Port Everglades Fund were \$97.7 million at September 30, 2002.

Water and Wastewater System operating revenues increased \$5 million or 7% due to general growth in system usage. The System cancelled plans for an expansion of a water treatment facility and wrote off \$2.9 million in project design costs as a special item. Unrestricted net assets of the Water and Wastewater System were (\$2.3 million) reflecting the large investment of the System in capital assets.

Resource Recovery System operating revenues increased \$3 million or 3% due to general service area growth. The System settled litigation with the Property Appraiser regarding the assessed valuation of certain equipment at the System's two recovery plants. The settlement requires the plants' operator to pay taxes for previous years of \$23 million which, under the terms of the operating agreement, will be passed through the System. This settlement is reflected as a special loss to recognize this liability. Unrestricted net assets of the Resource Recovery System were \$62 million at September 30, 2002.

Mass Transit operating revenues increased \$755,000 or 5% due to increased ridership and fares. Unrestricted net assets of the Mass Transit Fund were \$3.5 million at September 30, 2002.

BUDGETARY HIGHLIGHTS

Budget and actual comparison schedules are provided in the *Basic Financial Statements* for the General Fund and all major special revenue funds. Budget and actual comparison schedules are also provided in the *Combining and Individual Fund Statements and Schedules* for all nonmajor funds with annually appropriated budgets as well as for the capital outlay reserve fund. The budget and actual comparison schedules show the original adopted budgets, the final revised budget, actual results, and variance between the final budget and actual results for the general and major special revenue funds.

After the original budget is approved, it may be revised for a variety of reasons such as unforeseen circumstances, new bond or loan proceeds, new grant awards, or other unanticipated revenues.

Differences between the original budget and the final amended budget for the General Fund were relatively minor and can be summarized as follows (in thousands):

- Revenues were increased \$28,515 or 3% due primarily to increased estimated charges for services.
- Expenditures were increased \$27,735 or 6% principally in the Public Safety and Human Services functions.
- Operating transfers in were reduced (\$32,400) or 63% due to changing results in other funds.
- Operating transfers out were increased \$14,572 due primarily to increased transfers to constitutional officers.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental and business type activities as of September 30, 2002 amounted to \$3.5 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, parks, roads, highways, and bridges. The total increase in the County's investment in capital assets for the current fiscal year was seven percent.

Major capital asset events during the fiscal year included the following:

- Completion of the expansion of the Convention Center (\$31.4 million).
- Completion of the North Detention Center (\$36 million).
- Completion of the new Coral Springs Library Branch (\$12 million).
- Completion of the new African American Library Branch (\$11.3 million).
- Completion of the County's new homeless facility (\$5 million).
- Continued construction and expansion of the Airport in accordance with an ongoing master plan (approximately \$100 million).

Broward County's Capital Assets (in thousands)
(net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 318,021	\$ 377,124	\$ 695,145
Property Held for Leasing		261,208	261,208
Buildings	541,251	428,289	969,540
Improvements	400,643	158,587	559,230
Equipment	135,355	450,206	585,561
Construction in progress	149,221	333,954	483,175
Total	\$1,544,491	\$2,009,368	\$3,553,859

Additional information on the County's capital assets can be found in Note 3 to the financial statements.

Long-term debt

At September 30, 2002 the County had total bonded debt outstanding of \$2 billion. Of this amount, \$368 million comprises debt backed by the full faith and credit of the government, \$271

million is special obligation debt secured by dedicated revenue sources, \$187 million is loans payable and other obligations, and \$1.2 billion is secured solely by specified revenue sources (i.e. revenue bonds).

Broward County's Outstanding Debt, in millions
General Obligation and Revenue Bonds

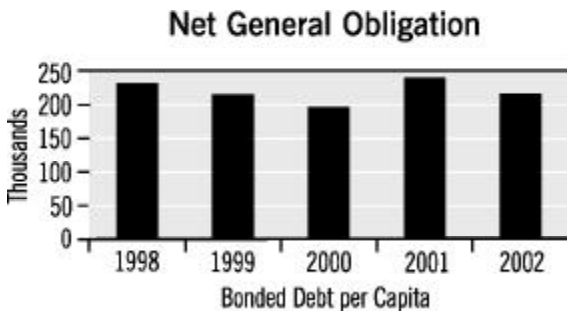
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
General obligation bonds	\$ 368,200		\$ 368,200
Special obligation bonds	271,375		271,375
Loans payable and other Obligations	187,363	25,500	212,863
Revenue bonds		\$1,239,117	1,239,117
Total	\$ 826,938	\$1,264,617	\$2,091,555

The County's outstanding bonded indebtedness declined \$84 million during the year. The only new bond issue during the year was the 2001 GOB refunding issue for \$146 million, which was offset by scheduled principal reductions.

The County continues to meet its financial needs through prudent use of its revenues and creative debt financing programs. The County's financial strength and sound financial management practices are reflected in its general obligation bond investment ratings, which are among the highest levels attained by Florida counties:

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

The County's required Annual Disclosure Statement may be found on line at www.broward.org/finance. This disclosure report details and updates certain statistics and financial performance which form the basis for the security for the County's indebtedness.



**ECONOMIC FACTORS AND
NEXT YEAR'S BUDGETS AND RATES**

Local, national and international economic factors influence the County's revenues. Positive economic growth is correlated with increased revenues from property taxes, sales taxes, charges for services, as well as state and federal grants. Economic growth in the

local economy may be measured by a variety of indicators such as employment growth, unemployment, new construction, assessed valuation, and Enterprise Fund revenues.

- The unemployment rate for the County is currently 5.8 percent, slightly higher than the rate for the state of Florida (5.4%) and the nation (5.6%).
- Tourist visitors during 2002 were 8 million, about the same as in 2001 despite the acts of terrorism committed September 11, 2001.
- Inflation in the region is 1.4 percent, which compares well with the nation.

All of these factors were considered in preparing the County's budget for the 2003 fiscal year. For the fifth consecutive year, the County's property tax millage rate was not increased. Some cost reductions helped fund new library facilities, a new detention center, regional fire rescue services, regional communications enhancements, economic development initiatives and human service improvements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Accounting Division Director, 115 S. Andrews Avenue, Room 221, Fort Lauderdale, FL 33301.