



FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT

115 S. Andrews Avenue, Room 513 • Fort Lauderdale, Florida 33301 • 954-357-7130 • FAX 954-357-7134

E-mail: finance@broward.org

January 9, 2004

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

Ladies and Gentlemen:

We are pleased to present Broward County's (the County) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2003. The financial statements included in this report conform with accounting principles generally accepted in the United States (GAAP) established by the Governmental Accounting Standards Board. The County is responsible for the accuracy and fairness of the presentation of the financial statements and other information as presented herein. The data presented in this report is believed to be accurate in all material respects, and all statements and disclosures necessary for the reader to obtain a thorough understanding of the County's financial activities have been included.

The County's management is responsible for the establishment and maintenance of accounting and other internal controls to ensure compliance with applicable laws and County policies, that assets are safeguarded, and that financial transactions are properly recorded and documented to provide reliable information for the preparation of the County's financial statements in accordance with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

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

The County's financial statements have been audited by Ernst & Young LLP, certified public accountants. The independent auditor concluded, based upon the audit, that there

was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended September 30, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federal and state mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on the administration of federal and state awards. These reports are available in the County's separately issued Single Audit Report.

In accordance with GAAP, this CAFR includes a narrative introduction from management, which provides an overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A, and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors. The remainder of this letter provides an overview of local economic conditions and prospects for the future, and a report on some of the County's current and future initiatives.

PROFILE OF THE GOVERNMENT

The County was incorporated in 1915 and is located in the southeastern part of the state. With a developable area of 410 square miles and a population of almost 1.7 million people, the County is one of the largest counties in the country. The County is governed by its amended Charter, originally adopted in 1974, and functions as a home rule government under the Florida Constitution and the general laws of the state.

The Board of County Commissioners (the Board) is the legislative and policy-making body of the County. Each of the nine Commissioners are elected from a separate district. Annually, the Board elects a Mayor who serves as its presiding officer. Elections are held every two years for staggered four year terms. The Board appoints the County Administrator to



act as the County's chief executive officer. The Administrator implements policies of the Board, provides organizational leadership, and directs business and administrative procedures. In addition, there are four elected Constitutional Officers: the Clerk of the Circuit and County Courts; the Property Appraiser; the Sheriff; and the Supervisor of Elections. Circuit Court and County Court judges are also elected.

The County provides a broad range of services, including law enforcement and fire rescue protection, maintenance of streets, highways, bridges and traffic signals, parks, libraries, airports, a seaport, a convention center, water and sewer systems, and other community and human services. Certain legally separate entities are also included as an integral part of the County's financial statements as explained in Note 1 to the financial statements.

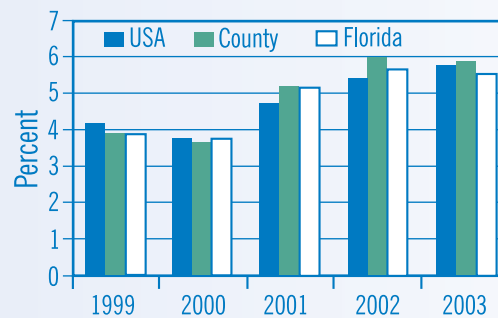
The annual budget serves as the foundation for the County's financial planning and control systems. Management's budget request is presented to the Board by the County Administrator. The Board holds public hearings on the proposed budget prior to adopting the final budget and setting the tax rates for the budget year. Budgetary control by the Board is maintained at the fund and department level. Legally, expenditures may not exceed the adopted budget at the individual fund level. By County policy, transfers between departments may not be made without the approval of the Board. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. These comparisons are presented in the other required supplementary information section of the financial statements.

THE BROWARD COUNTY ECONOMY IN 2003

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment within which the County operates. The County enjoys a diverse and growing economy and a relatively low unemployment rate, thanks to a vibrant tourism industry, an active construction industry, highly efficient and productive airport and seaport facilities, and other dynamic industry sectors. There are approximately 89,800 businesses established in Broward County. Although many of these are classified as small businesses, approximately 100 of these businesses are Fortune 500 companies or divisions thereof.

During fiscal year 2003, the Civil Labor Force within the County grew by approximately 3,200 or 0.4% over the last year. The County's unemployment rate at September 30, 2003 was 5.9% compared to 6.0% at September 30, 2002. In comparison, the unemployment rates for Florida and the United States were 5.5% and 5.8%, respectively.

Unemployment Rates



Tourism is an important economic factor in the County. The combination of a favorable climate (an average year-round temperature of 77 degrees Fahrenheit), together with diverse recreational opportunities, including theaters, parks, famous public beaches, yacht basins, fishing, golf, tennis, restaurants, thoroughbred racing, jai alai, and water recreational facilities, have made the County a major tourist center. Tourists visit the County year round and come from around the world. In fiscal year 2003, approximately 8.3 million visitors spent approximately \$5.2 billion in the local economy.

Building permits for residential construction, a measure of future construction activity, decreased from 11,906 units in 2002 to 9,353 in 2003. The County is maturing as an urban area, and little undeveloped property remains available. However, the County's population and tax base have continued to increase.

MAJOR INITIATIVES

During fiscal year 2003, the County achieved many significant accomplishments in furtherance of the goals established by the Board of County Commissioners. Those Challenge Goals are to: create a sense of place; expand economic opportunity; strengthen the social safety net; lead in quality public services; and implement Fire Rescue study recommendations. The accomplishments included:

- Increased Mass Transit ridership by 8.5% to an estimated 32.2 million passenger trips.
- Acquired or entered into agreements for 33 sites comprising almost 370 acres of natural land and open space under the Land Preservation Bond Program.
- Created the Office of Urban Planning and Redevelopment and initiated the concept for a Governmental Center Downtown Campus.
- Assisted 128 companies in relocation, attraction, expansion and retention that retained 1,741 jobs and created 962 new jobs.
- Accelerated spending under the Library Bond Program and completed several major projects.



- Continued the construction and expansion program at the Airport, which reached an all time high of 17.3 million passengers during 2002-2003, an increase of 7.6%.
- Celebrated the 75th Anniversary of Port Everglades, the 12th busiest container port in the United States and one of the busiest cruise ports.
- Increased funding for affordable housing projects by \$61 million.
- Increased direct spending to certified SDBE firms from \$28 million to \$54 million, an increase of 93%.
- Initiated VisionBROWARD, a community and economic development strategic visioning process designed to chart the County's future.
- Led the formation of a Florida Water Environmental Association workgroup to work with federal and state regulatory agencies to study the sources of nutrients in the near shore marine environment.
- Implemented a number of E-government initiatives, including online occupational license renewals, webcasting Board Meetings, providing data exchange between the Property Appraiser and County Records agencies, and automating the work order process in Traffic Engineering.
- Agreed to merge the Fire Rescue Division with the Sheriff's Office on October 1, 2003.

The County faces significant challenges in the coming years. These include: addressing the issues of annexation of the remaining unincorporated areas of the County; a shortage of affordable housing; preservation of the environment; and addressing the concerns of the various parties interested in the expansion plans of the Airport and Port. But the County is also a dynamic and growing location, providing the human and financial resources that it requires. The County has not increased its property tax millage rate for the sixth year in a row, and is well prepared financially to address the challenges ahead.

CASH MANAGEMENT

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

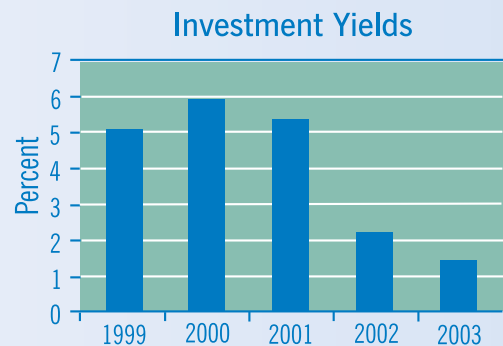
Substantially all of the County's investments are either insured, registered or physically held in the County's name. The significance of this is that the County has prudently safeguarded its investments to mitigate potential losses which could occur upon the bankruptcy or failure of an investment house/broker.

For purposes of maximizing interest earnings, substantially all the County's cash and investments are pooled, except where

separate cash and investment accounts are maintained in accordance with legal requirements. The County has consistently invested more than 99% of its available cash.

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

	2002	2003
Average Portfolio Balance (in thousands)	\$1,650,000	\$1,762,000
Average Investment Yield	2.19%	1.48%
Total Investment Earnings (in thousands)	\$38,467	\$29,934



During 2003, the County's interest yield consistently exceeded the 90 day U.S. Treasury bill rates which the County uses as a performance benchmark. Investment returns for fiscal years 2002 and 2003 were significantly below previous year levels due to general interest rates being the lowest seen for many years.

SELF-INSURANCE

Broward County is self-insured for general liability, professional, automobile liability, medical malpractice, workers' compensation, and Mass Transit bus liability through its Self-Insurance Fund. This fund also provides centralized procurement of all commercial insurance coverages, including group health and life insurance. Claim settlements and loss expenses are accrued and a liability simultaneously established in the Self-Insurance Fund for the estimated settlement value of claims reported and unreported for incidents during the period as determined by actuarial computation. As of September 30, 2003, the County has fully funded its estimated liability of \$46,662,000 on a discounted basis and has retained earnings of \$983,000.

GFOA CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Broward County, Florida for its comprehensive annual financial report for the fiscal year ended September 30, 2002. This was the 18th consecutive year that the government has achieved this

prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States and applicable legal requirements.

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

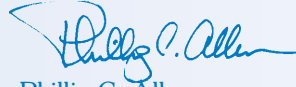
ACKNOWLEDGMENTS

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

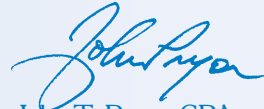
the County's independent auditors, Ernst & Young LLP for their cooperation and assistance in the preparation of this report.

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

Respectfully submitted,



Phillip C. Allen
CFO and Director
Finance and Administrative Services Department



John T. Pryor, CPA
Director
Accounting Division

