

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, 2003. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our Letters of Transmittal.

FINANCIAL HIGHLIGHTS

The following are key financial highlights for the fiscal year:

- The assets of the County exceeded its liabilities at September 30, 2003 by \$3.1 billion (*net assets*). Of this amount, \$813 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 \$220 million, \$139 million of which was from governmental funds, and \$81 million was from business-type activities.
- As of September 30, 2003, the County's governmental funds reported combined ending fund balances of \$799 million, an increase of \$41 million from the prior year. Of this amount, \$652 million is available for use at the County's discretion (*unreserved fund balance*).
- At September 30, 2003, unreserved fund balance for the General Fund was \$162 million, or 15 percent of total general fund expenditures and transfers out.
- The County's total bonded debt increased by \$23 million or 1 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 contain 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 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 balances 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 \$3.1 billion as of September 30, 2003.

Broward County’s Net Assets
As of September 30, 2003 and 2002
(In thousands of dollars)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
Current and other assets	\$ 982,176	\$ 933,680	\$ 805,668	\$ 873,720	\$ 1,787,844	\$ 1,807,400
Capital assets	1,651,584	1,544,491	2,159,555	2,009,368	3,811,139	3,553,859
Total assets	2,633,760	2,478,171	2,965,223	2,883,088	5,598,983	5,361,259
Long-term debt outstanding	887,209	826,938	1,349,527	1,239,117	2,236,736	2,066,055
Other liabilities	183,240	226,984	53,748	163,130	236,988	390,114
Total liabilities	1,070,449	1,053,922	1,403,275	1,402,247	2,473,724	2,456,169
Net assets:						
Invested in capital assets, net of related debt	844,166	714,804	1,093,035	1,097,841	1,937,201	1,812,645
Restricted	143,158	138,827	231,744	189,630	374,902	328,457
Unrestricted	575,987	570,618	237,169	193,370	813,156	763,988
Total net assets	\$1,563,311	\$1,424,249	\$1,561,948	\$1,480,841	\$3,125,259	\$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.

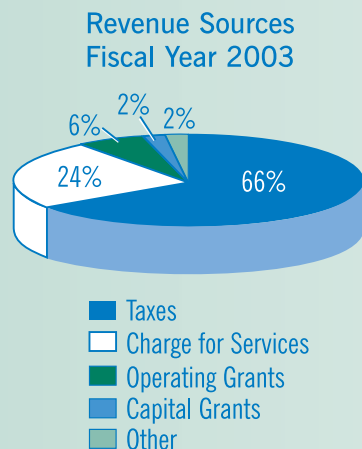
An additional portion of the County’s net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the County’s ongoing obligations to citizens and creditors. As of September 30, 2003 the County 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 \$139 million. Key elements of this increase are as follows:

Broward County's Changes in Net Assets For the Year Ended September 30, 2003 and 2002 (In thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues:						
Charges for services	\$ 316,503	\$ 300,692	\$ 427,219	\$ 412,733	\$ 743,722	\$ 713,425
Operating grants and contributions	85,293	81,364	22,491	26,102	107,784	107,466
Capital grants and contributions	29,652	12,733	50,205	56,350	79,857	69,083
General revenues:						
Property taxes	662,098	590,595			662,098	590,595
Other taxes	229,084	222,121			229,084	222,121
Other	24,337	40,742	5,111	(9,980)	29,448	30,762
Total revenues	1,346,967	1,248,247	505,026	485,205	1,851,993	1,733,452
Expenses:						
General government	193,343	147,147			193,343	147,147
Public safety	83,043	71,651			83,043	71,651
Transportation	43,141	41,275			43,141	41,275
Human services	120,149	106,595			120,149	106,595
Culture and recreation	137,466	128,532			137,466	128,532
Physical environment	23,529	22,177			23,529	22,177
Economic environment	21,749	21,899			21,749	21,899
Sheriff	425,696	424,500			425,696	424,500
Clerk of the Court	35,221	32,680			35,221	32,680
Property Appraiser	14,747	11,292			14,747	11,292
Supervisor of Elections	6,487	7,070			6,487	7,070
Interest on long-term debt	41,679	44,224			41,679	44,224
Aviation			116,567	106,532	116,567	106,532
Port Everglades			87,517	83,527	87,517	83,527
Water and wastewater			78,806	65,487	78,806	65,487
Resource recovery system			86,437	84,940	86,437	84,940
Mass transit			106,412	94,336	106,412	94,336
Other			9,835	11,423	9,835	11,423
Total expenses	1,146,250	1,059,042	485,574	446,245	1,631,824	1,505,287
Increase in net assets						
Before Transfers	200,717	189,205	19,452	38,960	220,169	228,165
Transfers	(61,655)	(48,093)	61,655	48,093		
Increase in net assets	139,062	141,112	81,107	87,053	220,169	228,165
Net assets - Beginning	1,424,249	1,283,137	1,480,841	1,393,788	2,905,090	2,676,925
Net assets - Ending	\$1,563,311	\$1,424,249	\$1,561,948	\$1,480,841	\$3,125,259	\$2,905,090



The County's governmental activities had net expenditures of (\$715 million) before general revenues. However, these services are funded primarily from general taxes, and those general revenues produced net revenues of \$200 million before transfers. Property tax revenues increased substantially due to both new construction and increased assessed values of property within the County. After transfers, governmental activities increased net assets by \$139 million.

The County's business-type activities had net revenue of \$14 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 and transfers, the business-type activities increased net assets by \$81 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, 2003, the County's governmental funds reported combined ending fund balances of \$799 million, an increase of \$41 million from the prior year. This increase resulted from a (\$13 million) decrease in the General Fund resulting from transfers to other funds, a (\$6 million) decrease in the County Transportation Trust Fund to fund transportation needs, offset by a \$55 million increase in the Capital Outlay Reserve, and a \$5 million increase in Other Governmental Funds.

Approximately 81% of the combined fund balances (\$652 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 (\$114 million), (2) to pay debt service (\$27 million), or (3) for other restricted purposes.

The General Fund is the chief operating fund of the County. At September 30, 2003, the unreserved fund balance of the General Fund was \$161.7 million and the total fund balance was \$167.8 million. As a measure of the General Fund's liquidity, the total fund balance represents approximately 16 percent of total General Fund expenditures and transfers out.

The other major governmental funds of the County include the Sheriff's Operations Fund, which by state law may not retain a fund balance, the County Transportation Trust Fund, which receives revenues dedicated to meeting various transportation needs, and the County's Capital Outlay Reserve Fund, which is the principal capital projects fund of the County.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.⁴

Aviation operating revenues increased \$6 million or 6% as air travel to and from the area recovered from the events of 2001. Unrestricted net assets of the Aviation Department were \$33 million at September 30, 2003.

Port Everglades operating revenues increased \$0.5 million or approximately one percent as the competition from other ports increased. Unrestricted net assets of the Port Everglades Fund were \$106 million at September 30, 2003.

Water and Wastewater System operating revenues increased \$1.5 million or 2% due to general growth in system usage. Unrestricted net assets of the Water and Wastewater System were \$27 million at September 30, 2003.

Resource Recovery System operating revenues increased \$5 million or 5% due to general service area growth. Unrestricted net assets of the Resource Recovery System were \$65 million at September 30, 2003.

Mass Transit operating revenues increased \$0.9 million or 5% due to increased ridership and fares. Unrestricted net assets of the Mass Transit Fund were \$4.6 million at September 30, 2003.

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 \$9,044 or 1% due primarily to increased estimated charges for services.
- Expenditures were increased \$21,091 or 4% due to general increases in most functional areas.
- Operating transfers in were reduced (\$36,219) or 66% due to changing expected results in other funds.
- Operating transfers out were increased \$12,611 due to increased transfers to constitutional officers, which were offset by \$14,974 in transfers back from constitutional officers.

General Fund actual total revenues were \$1,019,290 or 99% of the final budget amount. Total expenditures of \$469,370 were 85% of the final budget as most functional areas were under budget. Net transfers out of \$563,527 were 99% of budget. Expenditures and transfers exceeded revenues, resulting in a decrease in the General Fund balance of (\$13,607), which was a smaller decrease than was budgeted.

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, 2003 amounted to \$3.8 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 North Detention Center kitchen upgrade (\$8.3 million).
- Acquisition of land under the program to expand the County's park system and preserve open space (\$55 million).

- Additions to the County's Mass Transit fleet (\$6.5 million).
- Additions to the County's water and wastewater facilities (\$12 million).
- Continued construction and expansion of the Aviation Facilities in accordance with an ongoing master plan (approximately \$127 million net of depreciation).

Broward County's Capital Assets (in thousands)
(net of depreciation)
September 30, 2003

	<i>Governmental</i>	<i>Business-type</i>	<i>Total</i>	<i>2002 Total</i>
Land	\$ 372,248	\$ 345,509	\$ 717,757	\$ 695,145
Landfill		28,911	28,911	
Property held for leasing		260,461	260,461	261,208
Buildings	560,073	476,601	1,036,674	969,540
Improvements	429,698	303,077	732,775	559,230
Equipment	129,817	486,321	616,138	585,561
Construction in progress	159,748	258,675	418,423	483,175
Total	\$1,651,584	\$2,159,555	\$3,811,139	\$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, 2003, the County had total bonded debt outstanding of \$2.1 billion, only slightly higher than the prior year. Of this amount, \$334 million comprises debt backed by the full faith and credit of the government, \$260 million is special obligation debt secured by dedicated revenue sources, \$261 million is loans payable and other obligations, and \$1.3 billion is secured solely by specified revenue sources (i.e. revenue bonds).

Broward County's Outstanding Debt, in millions
General Obligation and Revenue Bonds
September 30, 2003

	<i>Governmental</i>	<i>Business-type</i>	<i>Total</i>	<i>2002 Total</i>
	<i>Activities</i>	<i>Activities</i>		
General obligation bonds	\$ 334,095		\$ 334,095	\$ 368,200
Special obligation bonds	260,275		260,275	271,375
Loans payable and other obligations	238,374	\$ 23,000	261,374	212,863
Revenue bonds		1,258,876	1,258,876	1,239,117
Total	\$ 832,744	\$1,281,876	\$2,114,620	\$2,091,555

The County's outstanding bonded indebtedness increased \$22.7 million during the year. New bonds issued during the year included an \$87 million Airport Refunding Issue and \$204 million Water and Sewer Utility Construction and Refunding Issues.

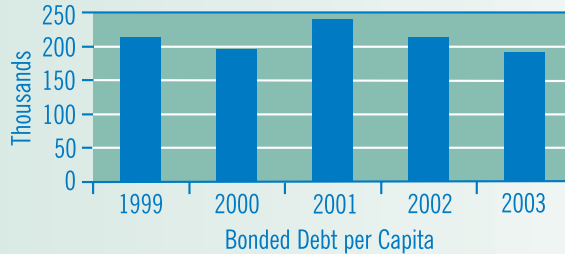
The County continues to meet its financial needs through prudent use of its revenues and creative debt financing programs. The County's financial strength and sound financial management practices are reflected in its general obligation bond investment

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. Additional information on the County's long-term debt can be found in Note 4 to the financial statements.

Net General Obligation



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 5.9% slightly higher than the rate for the state of Florida (5.5%) and the nation (5.8%).
- Tourist visitors during 2003 were 8.3 million, an increase over 2002.
- Net assessed value of real and personal property within the County increased 11%.
- Inflation in the region remains at a historically low level.

All of these factors were considered in preparing the County's budget for the 2004 fiscal year. For the sixth consecutive year, the County's property tax millage rate was not increased. Some cost reductions and revenue increases helped fund expanded library facilities, a women's detention center, regional fire rescue services, community redevelopment initiatives, and human services improvements in the 2004 budget

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:

Accounting Division Director
115 S. Andrews Avenue, Room 221
Fort Lauderdale, FL 33301.

