

# NOTES TO FINANCIAL STATEMENTS - CONTENTS

September 30, 2004

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. 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 present the County (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the County's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the County.

**Blended Component Units**

Water Control Districts are special taxing districts created to maintain and improve water resource and drainage programs in the County and are governed by a board comprised of the BOCC. The financial results of the five individual Water Control Districts (District No. 2, District No. 3, District No. 4, Cocomar, and Twin Lakes) are 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. 3** - Section 298.01, F.S.; County Ref. 4/15/69. 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 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.

The **Broward County Governmental Leasing Corporation** (the Corporation) has entered into master lease-purchase agreements with the County to finance the acquisition, construction or equipping of certain facilities and is governed by the BOCC. The Corporation was formed by the County solely for the purpose of acting as lessor of the facilities. The Corporation has no financial activity to report.

**Discretely Presented Component Units**

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 HeFA is governed by a Board appointed by the BOCC and is financially accountable to the County. The HeFA is authorized to issue bonds which are not deemed to constitute a debt of HeFA, the County, or any political sub-division thereof (see Note 4).

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 HFA is governed by a Board appointed by the BOCC, and the County must also approve HFA's contracts and bond issues. The HFA is authorized to issue revenue bonds that are not deemed to constitute a debt of HFA, the County, or any political sub-division thereof (see Note 4).

The HFA has an outstanding note payable to the County which is secured by an office building. The principal balance of the note was \$1,185,000 on September 30, 2004. The note is due in full on or before July 1, 2015 and bears interest at 5.1 to 5.7 percent.

Complete financial statements for each of the individual component units that issue them may be obtained at the entities administrative offices as follows. Financial statements are not required for other component units.

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

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

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

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

### **B. Basis of Presentation Government-wide Statements**

The government-wide financial statements (i.e. the statement of net assets and the changes in net assets) report information on all of the nonfiduciary activities of the primary government (the County) and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

### **Fund Financial Statements**

Separate financial statements are provided for the County's funds, including governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Separate statements for each fund category are presented. The emphasis of the fund financial

statements is on major governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

*General Fund* – This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Sheriff Operations Fund* – This is the County Sheriff's primary operating fund. It accounts for all financial resources of the Sheriff's Office, except those required to be accounted for in another fund.

*County Transportation Trust Fund* – This is used to account for funds received for the construction and maintenance of roads, bridges, and traffic engineering.

*Capital Outlay Reserve Fund* – This is used to account for special capital outlay projects not routine in nature and not considered ordinary operating expenditures.

The County reports the following major enterprise funds:

*Aviation Fund* – This fund accounts for the operations of the Fort Lauderdale-Hollywood International and North Perry Airports.

*Port Everglades Fund* – This fund accounts for the operation, maintenance, and construction of the County's seaport system.

*Water and Wastewater Fund* – This fund accounts for water and sewerage treatment services provided to certain incorporated and unincorporated areas of the County.

*Resource Recovery Fund* – This fund accounts for the operations of the County's Resource Recovery System and other solid waste activities.

The County also reports the following fund types:

*Internal Service Funds* – These funds account for self-insurance coverage for workers' compensation claims, public liability, medical malpractice, and County-owned vehicle accidents, for consolidated vehicle management services, and for printing services, all of which are provided to other County functions on a cost-reimbursement basis.

*Agency Funds* – These funds account for taxes and licenses collected on behalf of the County and other taxing entities; funds received and disbursed by the Clerk's Office in a fiduciary capacity; funds received and disbursed by the Sheriff's Office in a fiduciary capacity; and various other funds and fees received and disbursed in a fiduciary capacity.

### **C. Measurement Focus, Basis of Accounting**

*Government-wide and Proprietary Fund Financial Statements* – The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

*Governmental Fund Financial Statements* – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of

accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period except for grants which are collected within 6 months. Intergovernmental revenues, property taxes and interest are significant revenue sources considered to be susceptible to accrual in the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. While governments have the option of following subsequent private-sector guidance for their business-type activities, the County has elected not to follow subsequent private-sector guidance.

*Proprietary Fund Financial Statements* – Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds and of the internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

*Fiduciary Fund Financial Statements* – Agency funds report only assets and liabilities, have no measurement focus, and use the accrual basis of accounting.

## **D. Assets, Liabilities and Net Assets or Equity**

### *1. Deposits and Investments*

The County maintains an investment pool for substantially all cash and cash equivalents and investments of all funds. All money market investments and participating interest-earning investment contracts with a remaining maturity at time of purchase of one year or less are recorded at amortized cost plus accrued interest. All other investments are carried at fair value as determined from quoted market prices. Each fund's portion of the pool are presented as "cash and cash equivalents" or "restricted assets." Earnings are allocated to each fund based on average daily balances of cash and investments.

The County considers cash and cash equivalents to be cash on hand, demand deposits, investments with original maturities at

time of purchase of three months or less, and equity in the County's cash management pool.

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. All cash deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act," and are collateralized with eligible securities having a market value equal or greater than the average daily or monthly balance of all public deposits. The County's investment practices are governed by Chapters 125 and 218.415 of the Florida Statutes, County Ordinance 87-82, and the requirements of outstanding bond issues.

### *2. Receivables and Payables*

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible accounts of \$14,236,000. Additionally, the accounts receivable total includes \$6,734,000 that was unbilled as of September 30, 2004. Revenues of the Port Everglades fund are reported net of estimated uncollectible amounts of \$1,325,000 for the current period.

### *3. Disaggregation of Receivables and Payables Balances* *Receivables*

Receivables in the General Fund are 50 percent liens receivables, 11 percent are receivables for emergency ground and air transportation of the sick and injured, 30 percent are vendor receivables and 9 percent are receivables due from the Sheriff. The majority of the liens receivables and a large portion of the emergency services receivables in the General Fund are not expected to be collected within one year. Receivables in the Special Revenue Fund are 48 percent tourist development tax receivables from hotels and motels, 45 percent local housing assistance receivables consisting principally of long term notes receivable, 100 percent of which are not scheduled to be collected in the subsequent year, and 7 percent other receivables. Receivables in the Enterprise Funds are 61 percent due from customers and 39 percent due from a contractor which operates the resource recovery plants. The receivables in the Enterprise Funds are shown net of a \$4.4 million customer receivable that is in chapter 7 and which is fully reserved.

*Payables*

Accounts payables balances in each fund are 100 percent payable to vendors.

4. *Property Tax Calendar*

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, and may be paid upon receipt of the 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 the taxes were levied. 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 certificate. Personal property taxes bear interest at one and one-half percent per month from April 1 until paid. After May 1 of each year and following proper procedures, a court order may be issued to seize and sell the property.

5. *Inventories*

Inventories consist principally of materials and supplies held for consumption and are recorded at cost for Governmental Funds and lower of average cost or market for Proprietary Funds. In the Governmental Funds the cost of inventories are recorded as expenditures at the time of purchase, while in the other funds, the cost of inventories are recorded as expenditures when consumed. In the Governmental Funds, reported inventories are offset by a fund balance reserve which indicates that they do not constitute available spendable resources.

6. *Restricted Assets*

Restricted assets and reserves of the Enterprise Funds at September 30, 2004 represent amounts restricted for construction, debt service, maintenance and improvements under the terms of outstanding bond agreements or some other legal outside party requirements. These requirements establish a restriction on net assets in an amount equal to the restricted assets less any related liabilities.

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

Bond sinking and reserve accounts	\$126,762
Construction accounts	185,378
Landfill closure escrow accounts	16,732
Other restricted accounts	43,978
	<b>\$372,850</b>

Amounts payable from restricted assets at September 30, 2004 consist of the following (in thousands):

Accounts payable	\$14,990
Revenue bonds and interest payable	66,389
Customers' deposits	7,579
Deferred revenue	22,071
Accrued closure costs	374
	<b>\$111,403</b>

Reclassified on government-wide statements

Current liabilities payable from restricted assets	\$ 68,225
Noncurrent liabilities due within 1 year	\$ 43,178

7. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), including those assets acquired prior to fiscal year ended September 30, 1980, are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the business-type activities during fiscal 2004 was \$63,323,000. Of this amount, \$18,937,000 was included as part of the cost of capital assets under construction in connection with various construction projects.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements .....	20-65 years
Runways, aprons, taxiways and aviation easements ..	5-40 years
Furniture, fixtures and equipment .....	3-15 years
Roads and streets .....	40 years
Bridges .....	50 years
Sidewalks and traffic signals .....	30 years
Lakes, waterways and water control structures ....	50-75 years

8. *Compensated Absences*

It is the County's policy to permit employees to accumulate earned but unused vacation and sick leave and related fringe benefits. The cost of earned but unused vacation pay is accrued when earned in the government-wide and proprietary financial statements. A liability for earned but unused sick leave is accrued only to the extent that the leave will result in cash payments at termination. A liability for these amounts is reported in governmental funds only if they have matured, due to employee retirement or resignation.

9. *Long-term Obligations*

In the government-wide and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, deferral amounts on refunding as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount and deferral amounts on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, deferral amounts on refunding, as well as bond issuance costs, during the current period. The face amount of the debt issues are reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances and deferral amounts on refunding are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## 10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

### 11. 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 \$416,421,000, including interest, of which \$203,883,000 has been collected as of September 30, 2004. The net receipts from PFC's 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, 2004, \$133,148,000 of the collected PFCs had been spent on approved projects or debt service, and the remaining \$70,735,000 was reflected as a restricted asset and a restriction of net assets.

### 12. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

## E. Stewardship, Compliance, and Accountability Budgetary Information

State 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 accounting principles generally accepted in the United States. The BOCC, after review of the tentative budgets, holds public hearings and then adopts the annual budget for the General, Special Revenue and Debt Service Funds. The Constitutional Officers prepare annual operating budgets for their general funds which are reflected as Special Revenue Funds in the fund financial statements. No budget is established for the Sheriff's Special Revenue Fund since all costs incurred are budgeted in the Sheriff's General Fund and are reimbursed by the Sheriff's Special Revenue Fund. All governmental fund appropriations lapse at year end except capital outlay items.

The appropriated budget is prepared by fund, department and division on the same basis of accounting as required for governmental fund types and conforms with GAAP. By local budget policy, transfers of appropriations between activities and overexpenditure of appropriations at the activity level require the approval of the Board. The State legal level of budgetary control, the level at which expenditures may not legally exceed appropriations, is at the individual fund level.

The BOCC made several supplemental budgetary appropriations throughout the year. In the General Fund, supplemental appropriations during fiscal 2004 were \$60,529,785 and in the Special Revenue Funds were \$14,811,360. These appropriations were primarily to recognize unanticipated revenues, including the award of federal and state grants, and to provide funding for unanticipated program requirements.

## F. Deficit Fund Equity

At September 30, 2004, the Mass Transit Capital Grants Fund had a fund deficit of \$3,011,000, and the Self Insurance Fund had a fund deficit of \$493,000.

## NOTE 2 - DEPOSITS AND INVESTMENTS

### A. Summary of Deposit and Investment Balances

The following is a reconciliation of the County's deposit and investment balances as of September 30, 2004 (in thousands):

	<i>Pooled Cash and Investments</i>
Investments	\$977,622
Accrued interest	3,576
<b>Total</b>	<b>\$981,198</b>

	<i>Government-wide Statement of Net Assets</i>	<i>Component Units Statement of Net Assets</i>	<i>Fiduciary Funds Statement of Net Assets</i>	<i>Total</i>
Cash and cash equivalents	\$1,190,186	\$ 2,263	\$58,452	\$1,250,901
Investments	10,898	6,709		17,607
Restricted assets	372,850	72,064		444,914
<b>Total</b>	<b>\$1,573,934</b>	<b>\$81,036</b>	<b>\$58,452</b>	<b>\$1,713,422</b>

The County has a formal investment policy that, in the opinion of management, is designed to insure conformity with State Statutes and seeks to limit exposure to investment risks. The investment policy specifies the types, issuer, maturity and performance measurement of investment securities that are permissible. Qualified institutions utilized for investment transactions are also addressed within the policy, as well as diversification requirements for the investment portfolio.

### B. Cash Deposits

The County maintains a pool for substantially all cash and cash equivalents and investments. These balances are reflected in the financial statements 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, 2004, the carrying amount of the County's bank deposits was \$169,891,000 and the respective bank balances were \$233,607,000. All cash deposits are held in qualified public depositories pursuant to State Statutes. Under the Statutes, 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 potential 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.

### C. Investments

Under State Statutes and County Ordinances, 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 counter parties to investment transactions and, in the opinion of County management, no types of investments during the period other than those permitted as enumerated above.

As of September 30, 2004, the County's investments consisted of the following (in thousands):

<i>Investment Type</i>	<i>Fair Value</i>	<i>Weighted Average</i>
		<i>Maturity (Days)</i>
U. S. Treasuries	\$ 176,103	226
U. S. Agencies	862,480	192
Repurchase Agreements with the State Board of Administration	287,240	9
Commercial Paper	37,100	55
Certificates of Deposit	5,500	46
Florida Local Government Investment Trust	35,620	1
<b>Total Fair Value</b>	<b>\$1,404,043</b>	
<b>Portfolio Weighted Average Maturity</b>		<b>197 days</b>

*Interest Rate Risk* - In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio within the following maturity categories: overnight – 25%, 2-3 days – 70%, 30-365 days – 80%, 366-547 days – 30%, 548 days-5years – 15%. As of September 30, 2004 the portfolio weighted average maturity was 197 days.

*Credit Risk* - The County's investments in U. S. Treasuries and U. S. Agencies are rated AAA by Standard & Poor's and Fitch Ratings, and Aaa by Moody's Investor Services. Under Florida Statutes, investments with the State Board of Administration are entirely collateralized and insured by the State. Amounts held by the First Florida Governmental Financing Commission (the Commission) are in accordance with the County's loan agreement with the Commission and are insured or registered in the name of the Commission. The investments are carried at fair value as determined by quoted market prices. Deposits of the Commission are collateralized as public funds in accordance with Florida Statutes. The Commission is a separate legal government entity established under Chapter 163 of the Florida Statutes, is regulated by the State's Division of Banking and Finance, and is not registered with the Securities and Exchange Commission. The LGSF Trust Fund pools investments, is not

registered with the Securities and Exchange Commission, and 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 and increased \$321,000 over the previous year's value. Investments with the Florida Tax Collectors Service Corporation (a Florida service corporation for profit organized under the laws of Florida) are not registered with the Securities and Exchange Commission. The net asset value is equal to one dollar per share. The Florida Local Government Investment Trust (FLGIT) is 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 these investments increased by \$97,000 over the prior year's value. No credit ratings are available for these investments.

*Concentration of Credit Risk* - The County places no limit on the amount that may be invested in securities of the U. S. Government or its agencies. The County does limit the amounts that may be invested in repurchase agreements and other investments to 40% and 20% of the portfolio, respectively. These investments as of September 30, 2004 were substantially below the limits.

### NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2004 is as follows (in thousands):

	<i>Beginning</i>			<i>Ending</i>
<i>Governmental Activities:</i>	<i>Balances</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balances</i>
<i>Capital assets</i>				
<i>not being depreciated:</i>				
Land	\$ 372,248	\$ 21,193	\$ 2,386	\$ 391,055
Construction in progress	159,748	63,112	60,227	162,633
Total capital assets not being depreciated	531,996	84,305	62,613	553,688
<i>Capital assets being depreciated:</i>				
Buildings	694,172	39,700	80	733,792
Improvements	583,120	85,650		668,770
Equipment	424,307	158,944	32,781	550,470
Total capital assets being depreciated	1,701,599	284,294	32,861	1,953,032
<i>Less accumulated depreciation for:</i>				
Buildings	134,099	28,391	61	162,429
Improvements	153,422	18,041		171,463
Equipment	294,490	84,241	32,288	346,443
Total accumulated depreciation	582,011	130,673	32,349	680,335
Total capital assets being depreciated, net	1,119,588	153,621	512	1,272,697
<b>Governmental activities capital assets, net</b>	<b>\$1,651,584</b>	<b>\$237,926</b>	<b>\$63,125</b>	<b>\$1,826,385</b>

The 2004 increase in accumulated depreciation of \$130,673,000 is comprised of depreciation expense in the amount of \$80,859,000 and an increase of \$49,814,000 in beginning accumulated depreciation resulting from the reclassification of Mass Transit from enterprise to governmental funds. Assets reclassified from Mass Transit totalled \$128,896,000.

<i>Business-type Activities:</i>	<i>Beginning Balances</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balances</i>
Capital assets not being depreciated:				
Land	\$ 345,509	\$ 244	\$ 7,328	\$ 338,425
Construction in progress	258,675	243,303	84,078	417,900
<b>Total capital assets not being depreciated</b>	<b>604,184</b>	<b>243,547</b>	<b>91,406</b>	<b>756,325</b>
Capital assets being depreciated:				
Landfill	36,216			36,216
Property held for leasing	355,284	4,574		359,858
Buildings	651,478	15,327	22,308	644,497
Improvements	420,793	41,638	2,234	460,197
Equipment	708,060	17,286	109,031	616,315
<b>Total capital assets being depreciated</b>	<b>2,171,831</b>	<b>78,825</b>	<b>133,573</b>	<b>2,117,083</b>
Less accumulated depreciation for:				
Landfill	7,305	129		7,434
Property held for leasing	94,823	6,192		101,015
Buildings	174,877	21,258	10,217	185,918
Improvements	117,716	15,178	1,284	131,610
Equipment	221,739	26,356	48,330	199,765
<b>Total accumulated depreciation</b>	<b>616,460</b>	<b>69,113</b>	<b>59,831</b>	<b>625,742</b>
<b>Total capital assets being depreciated, net</b>	<b>1,555,371</b>	<b>9,712</b>	<b>73,742</b>	<b>1,491,341</b>
<b>Business-type activities capital assets, net</b>	<b>\$2,159,555</b>	<b>\$253,259</b>	<b>\$165,148</b>	<b>\$2,247,666</b>

Depreciation expense was charged to functions/programs of the primary government as follow (in thousands):

Governmental Activities:	
General government	\$ 19,522
Public safety	5,836
Transportation	21,711
Human services	780
Culture and recreation	10,160
Physical environment	2,687
Economic environment	304
Sheriff	15,740
Clerk of the Court	933
Property Appraiser	169
Supervisor of Elections	3,017
<b>Total depreciation expense - governmental activities</b>	<b>\$ 80,859</b>
Business-type Activities:	
Aviation	\$ 24,105
Port Everglades	17,478
Water and Wastewater	25,992
Resource Recovery	1,419
Other	119
<b>Total depreciation expense - business-type activities</b>	<b>\$ 69,113</b>

### Construction Commitments

At September 30, 2004, the County had in process various uncompleted construction projects with remaining balances totaling approximately \$325,625,000. The retainage payable on these contracts totaled \$27,163,000. Funding for these projects is to be made primarily through the proceeds of related bond issues, loans and future taxes.

### Property Held for Leasing

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 of minimum future rentals on non-cancelable operating leases as of September 30, 2004 (in thousands):

Years ending September 30:	
2005	\$ 51,757
2006	48,144
2007	44,022
2008	42,379
2009	42,538
2010-2014	155,158
2015-2019	92,619
2020-2024	21,629
2025-2029	11,984
2030-2034	8,939
2035-2039	3,391
2040-2044	3,842
2045-2049	4,675
2050-2054	5,687
2055-2059	6,920
2060-2064	8,419
2065-2069	10,243
2070-2074	12,462
2075-2079	15,162
2080-2084	18,446
2085-2089	22,443
2090-2094	17,590
<b>Total</b>	<b>\$648,449</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, 2004 amounted to \$35,928,000.

The County has a 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, 2004 and have been included in current liabilities payable from restricted assets. For the year ended September 30, 2004 these funds amounted to \$21,469,000.

#### Discretely Presented Component Units

Capital asset activity for the year ended September 30, 2004 is as follows (in thousands):

<i>Governmental Activities:</i>	<i>Beginning Balances</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balances</i>
Capital assets not being depreciated:				
Land	\$2,249		\$ 967	\$1,282
Construction in progress	41	\$34		75
Total capital assets not being depreciated	2,290	34	967	1,357
Capital assets being depreciated:				
Buildings	2,478		1,363	1,115
Equipment	92	41		133
Total capital assets being depreciated	2,570	41	1,363	1,248
Less accumulated depreciation for:				
Buildings	383	28	136	275
Equipment	73	30		103
Total accumulated depreciation	456	58	136	378
Total capital assets being depreciated, net	2,114	(16)	1,227	871
<b>Governmental activities capital assets, net</b>	<b>\$4,404</b>	<b>\$18</b>	<b>\$2,194</b>	<b>\$2,228</b>

## NOTE 4 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended September 30, 2004 are as follows (in thousands):

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
<b>Governmental Activities:</b>					
General Obligation Bonds	\$334,095	\$234,410	\$ (76,365)	\$ 492,140	\$34,670
Special Obligation Bonds	260,275	19,280	(34,640)	244,915	10,400
Loans Payable and Other Obligations	238,374	36,518	(153,990)	120,902	17,882
Unamortized Bond Premiums, Discount and Deferred Amount on Refunding	2,388	13,623	(636)	15,375	
Claims and Judgments	46,662	17,747	(11,335)	53,074	20,322
Compensated Absences	52,077	78,013	(52,282)	77,808	20,741
<b>Total</b>	<b>\$933,871</b>	<b>\$399,591</b>	<b>\$(329,248)</b>	<b>\$1,004,214</b>	<b>\$104,015</b>
<b>Business-type Activities:</b>					
Revenue Bonds Payable	\$1,258,876	\$45,860	\$(87,123)	\$1,217,613	\$42,804
Loan Payable and Other Obligations	23,000	25,066		48,066	18,000
Unamortized Bond Premiums, Discount and Deferred Amount on Refunding	(13,031)	(1,277)	230	(14,078)	
Compensated Absences	5,169	3,084	(1,826)	6,427	3,302
Other	16,532		(608)	15,924	374
<b>Total</b>	<b>\$1,290,546</b>	<b>\$72,733</b>	<b>\$(89,327)</b>	<b>\$1,273,952</b>	<b>\$64,480</b>

For the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund. For the business-type activities, other long-term liabilities at September 30, 2004 included: landfill closure and postclosure costs of \$14,106,000 and arbitrage rebate liabilities of \$1,818,000.

The debt service requirements for all bonds and loans outstanding as of September 30, 2004 are as follows (in thousands):

<i>Year Ending September 30</i>	<i>GOVERNMENTAL ACTIVITIES</i>						<i>BUSINESS-TYPE ACTIVITIES</i>			
	<i>General Obligation Bonds</i>		<i>Special Obligation Bonds</i>		<i>Loans Payable and Other Obligations</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>
2005	\$ 34,670	\$25,691	\$ 10,400	\$ 13,589	\$ 17,882	\$ 5,062	\$ 62,952	\$ 44,342	\$ 42,804	\$ 59,273
2006	33,830	21,847	12,765	13,345	12,420	4,678	59,015	39,870	42,954	57,872
2007	30,995	20,017	13,395	12,728	13,475	4,198	57,865	36,943	50,853	53,638
2008	35,405	18,508	14,015	12,109	14,035	3,636	63,455	34,253	54,192	54,275
2009	40,145	16,781	14,660	11,453	10,460	3,030	65,265	31,264	57,126	51,979
2010-2014	97,570	63,656	52,840	47,314	35,830	9,099	186,240	120,069	305,625	194,882
2015-2019	97,315	46,041	33,550	36,337	12,010	3,640	142,875	86,018	222,730	151,998
2020-2024	122,210	14,066	45,415	24,260	4,790	1,859	172,415	40,185	261,035	85,867
2025-2029			47,875	7,872			47,875	7,872	180,294	20,082
<b>Total</b>	<b>\$492,140</b>	<b>\$226,607</b>	<b>\$244,915</b>	<b>\$179,007</b>	<b>\$120,902</b>	<b>\$35,202</b>	<b>\$857,957</b>	<b>\$440,816</b>	<b>\$1,217,613</b>	<b>\$729,866</b>

Governmental loans payable and other obligations above includes: First Florida loans amounting to \$69,065,000 of principal and \$26,535,000 of interest; Certificates of Participation amounting to \$46,000,000 of principal and \$8,668,000 of interest and commercial paper amounting to \$5,837,000.

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, 2004, the County was in compliance with significant debt covenants.

Business-type loans payable and other obligations above include an interest-free State Infrastructure Bank Loan amounting to \$30,066,000 with repayment terms of \$8 million in fiscal year 2006, \$4.8 million in fiscal years 2007 and thru 2010, \$2.8 million in fiscal year 2011 and commercial paper amounting to \$18,000,000, to be repaid during fiscal year 2005.

The Following is a summary of the major provisions and significant debt service requirements for the outstanding bonds at September 30, 2004 (dollars in thousands):

	<i>Primary Purpose</i>	<i>Type</i>	<i>Interest Payment Rate (%)</i>	<i>Dates</i>
<b>Governmental Activities</b>				
<b>General Obligation Bonds (GOB):</b>				
1986 Public Improvement Refunding	Refunding Issue	serial	12.5	1-1 7-1
1993 GOB Refunding	Refunding Issue	serial	4.4-5.0	1-1 7-1
2001 GOB A	Library Project	serial	4.0-5.25	1-1 7-1
2001 GOB B	Refunding Issue	serial	4.0-5.0	1-1 7-1
2003 GOB Refunding	Refunding Issue	serial	2.0-5.0	1-1 7-1
2004 GOB	Parks and Land Preservation Project	serial	2.0-5.0	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	4.8-7.69	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
2004 Tourist Development Tax	Refunding Issue	term	3.0-3.375	4-1 10-1
<b>Total Special Obligation Bonds</b>				
<b>Business-type Activities</b>				
<b>Revenue 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	5.0	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
2003 K Airport System Revenues	Refunding Issue	serial	2.0-6.0	4-1 10-1
<b>Total Aviation Bonds</b>				
<b>Port Everglades Fund</b>				
1989 A Port Facilities Refunding	Refunding Issue	capital appreciation	7.4-7.45	3-1 9-1
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	4.25-4.5	3-1 9-1
1998 B Port Facilities Revenue Bonds	Refunding Issue	term	5.0	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	5.0	3-1 9-1
1998 Subordinate Port Facilities Bonds	Refunding Issue	serial	5.003	Monthly
<b>Total Port Everglades Bonds</b>				
<b>Water and Wastewater Fund</b>				
1988 Water and Sewer Utility	Construction and Refunding Issue	capital appreciation	7.0-7.5	4-1 10-1
1993 Water and Sewer Utility	Refunding Issue	serial	2.75-5.375	4-1 10-1
2003 A Water and Sewer Utility	Construction and Refunding Issue	serial	2.0-5.0	4-1 10-1
2003 A Water and Sewer Utility	Construction and Refunding Issue	term	4.625	4-1 10-1
2003 B Water and Sewer Utility	Refunding Issue	serial	2.5-5.0	4-1 10-1
<b>Total Water and Wastewater 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
2003 A Solid Waste System	Refunding Issue	serial	2.913-3.476	1-1 7-1
2003 B Solid Waste System	Refunding Issue	serial	4.0	1-1 7-1
<b>Total Resource Recovery Bonds</b>				
<b>Total Revenue Bonds</b>				

<i>Optional Redemption Year</i>	<i>Premium</i>	<i>Final Maturity Date</i>	<i>Original Amount Issued</i>	<i>Retired/Refunded</i>	<i>Accretion</i>	<i>Outstanding September 30</i>
N/A	N/A	7-1-2006	\$174,385	(\$153,915)		\$20,470
2004	1%	1-1-2010	92,440	(92,440)		-
2011	1%	1-1-2021	135,135	(11,805)		123,330
N/A	N/A	1-1-2012	146,620	(32,690)		113,930
N/A	N/A	1-1-2010	46,640	-		46,640
2014	N/A	1-1-2024	187,770	-		187,770
						<b>\$492,140</b>
2004	2%	10-1-2009	25,565	(25,565)		-
2004	2%	10-1-2013	10,690	(10,690)		-
2006	1%	1-1-2010	37,605	(18,390)		\$19,215
2006	1%	1-1-2012	7,790	-		7,790
2006	1-2%	9-1-2010	36,815	(14,125)		22,690
2006	1-2%	9-1-2028	147,285	-		147,285
N/A	N/A	9-1-2010	51,760	(23,105)		28,655
2011	N/A	10-1-2013	19,280	-		19,280
						<b>\$244,915</b>
2003	2%	10-1-2009	150,865	(150,865)		-
2008	1%	10-1-2013	75,560			\$75,560
2008	1%	10-1-2009	10,530	(3,655)		6,875
2008	1%	10-1-2018	44,635	(4,410)		40,225
2019	N/A	10-1-2023	18,880			18,880
2008	1%	10-1-2015	66,620	(15,190)		51,430
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	(1,695)		40,160
2011	1%	10-1-2026	135,970			135,970
2016	N/A	10-1-2021	149,185			149,185
N/A	N/A	10-1-2009	87,360			87,360
						<b>\$665,695</b>
N/A	N/A	9-1-2010	37,875	(27,983)	\$19,859	\$29,751
N/A	N/A	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	(390)		225
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	(2,175)		46,825
						<b>\$295,446</b>
N/A	N/A	10-1-2008	8,466	(8,370)	10,611	\$10,707
2003	2%	10-1-2011	82,175	(82,175)		-
2014	N/A	10-1-2025	84,415			84,415
2014	N/A	10-1-2027	20,215			20,215
2014	N/A	10-1-2027	99,370			99,370
						<b>\$214,707</b>
2003	2%	7-1-2008	48,960	(48,960)		-
2003	2%	7-1-2013	26,960	(26,960)		-
N/A	N/A	7-1-2011	34,800			\$34,800
N/A	N/A	7-1-2006	11,060	(4,095)		6,965
						<b>\$41,765</b>
						<b>\$1,217,613</b>

## General Obligation Bonds

In fiscal year 2004, the County issued \$46,640,000 Series 2003 Bonds to refund, on a current basis, a portion of the County's General Obligation Refunding Bonds, Series 1993. The reacquisition price of refunded debt exceeded the net carry amount of the old debt by \$1,514,000. This amount is being netted against the new debt and amortized over the new debt's life, which equals to the life of the old debt. As a result of the refunding, the County reduced its total debt service requirements by \$2,661,000, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,292,000.

Also in fiscal year 2004, the County issued \$187,770,000 Series 2004 Bonds to finance the cost of preserving, acquiring, reclaiming, constructing and improving neighborhood and regional park facilities, land and open spaces within the County (the "Park and Land Preservation Project") and to repay certain commercial paper notes used to finance a portion of the Park and Land Preservation Project prior to the Series 2004 Bonds being issued.

The issuance of the Series 2004 Bonds was approved by a majority of the qualified electors of the County voting in a bond referendum held on November 7, 2000. The Series 2004 Bonds are payable from ad valorem taxes levied without limitation as to the rate or amount on all taxable property within the County sufficient in the amount to pay principal of and interest on the Series 2004 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 Obligation Bonds.

## Special Obligation Bonds

In fiscal year 2004, the County issued \$19,280,000 Tourist Development Tax Special Revenue Refunding Bonds (Convention Center) Series 2004 to refund the outstanding Tourist Development Tax Special Revenue Bonds (Convention Center) Series 1994.

As a result of the refunding, the County reduced its total debt service requirement by \$5,189,000 which resulted in an economic gain (the difference between the present value of debt service payment on the old and new debt) of \$1,369,000.

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. In fiscal year 2004, the County entered into an agreement with the management of the Operators of the Sports Facilities that provided for the waiver of the "County's Preferred Revenue Allocation" fee for fiscal year 2004.

## Revenue Bonds

The Broward County Solid Waste Revenue Refunding Bond Series 2003 were issued to provide funds for the refunding, prior to maturity, of the County's Solid Waste System Revenue Bonds,

Tax-Exempt Series 1993A and the County's Solid Waste System Revenue Bonds Tax-Exempt (AMT) Series 1993B. There was no economic gain or loss by the refunding and the total debt service requirements did not change.

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, 2004, the County had loans payable to the Commission totaling \$69,065,000.

The loans are included in Loans Payable and Other Obligations of Governmental Activities in the Long-Term Obligations and are due in annual installments through 2028. Interest on these loans is at fixed rates ranging from 3.6% to 8.0% 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, 2004, the County had Sales Tax Revenue Commercial Paper Notes outstanding of \$5,837,000 included in Loans Payable and Other Obligations of the Governmental Activities in the Long-Term Obligations and \$18,000,000 in the Business-Type Activities respectively. Interest rates on outstanding notes during fiscal year 2004 ranged from 1.25% to 1.67%.

Short-term debt activity for the year ended September 30, 2004 was as follows (in thousands):

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Commercial Paper	\$112,650	\$25,587	\$114,400	\$23,837

The majority of this interim financing was used for the temporary funding of the Safe Parks and Land Preservation Projects until the General Obligation Bonds were issued.

### 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. During fiscal 2004, the County issued Refunding Certificates of Participation, Series 2004. The proceeds were used to refund the outstanding Certificate of Participation, Series 1994. As a result of the refunding, the County reduced its debt service requirements by \$1,805,000 which resulted in an economic gain (the difference between the present value of debt service payments on old and new debt) of \$1,527,000. Of the 2004 Certificates, \$28,920,000 are due serially on June 1 of each year through 2013 and bear interest of 2.00% to 4.38% payable semi-annually on December 1 and June 1.

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 1998 and Series 2004 Certificates are insured by AMBAC Indemnity Corporation and Municipal Bond Investor Assurance Corporation (MBIA), 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>
2005	\$6,705
2006	6,693
2007	6,717
2008	6,721
2009	6,719
2010-2028	21,113
Total	54,668
Less Interest	8,668
<b>Principal Outstanding</b>	<b>\$46,000</b>

Interest on the Certificates ranges from 2.00% to 5.70%. The principal amount of the Certificates has been included in Loans Payable and Other Obligations of Governmental Activities in the Long-Term Obligations at September 30, 2004.

### Derivative Disclosure - Interest Rate Swap

*Objective of the interest rate swap* - The County entered into an interest rate swap agreement for \$49,000,000 of its variable rate 1998 Series Subordinated Port Facilities Bonds for the outstanding period of the bonds as a means to lower its true borrowing costs when compared against fixed-rate bonds at the time of issuance. The intention of the swap was to effectively change the County's variable interest rate on the bonds to a synthetic fixed rate of 5.003%.

*Terms* - The bonds and the related swap agreement mature on September 1, 2027, and the swap's notional amount of \$49,000,000 matches the principal amount of the bonds issued. The swap was entered into at the same time that the bonds were issued (September 1998). The notional value of the swap and the principal amount of the associated debt decline beginning in fiscal 2003. The bonds are also subject to optional redemption beginning in 2008. Under the swap, the County pays the counterparty a fixed payment of 5.003% and receives a variable

payment computed by the remarketing agent that would cause the bonds to have a market value equal to the principal thereof, plus accrued interest, under prevailing market conditions as of the date of the determination.

*Fair value* - As of September 30, 2004, the swap had a negative fair value of \$4,762,691 because interest rates have declined since the execution of the swap. However, the bonds do not have a corresponding fair value increase because the coupons on the County's variable-rate bonds adjust to changing interest rates. The fair value was estimated using the proprietary valuation model developed by the counterparty. This method calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value. All rates used in the valuation are mid-market levels (mid-way between bid and ask), or are model-based mid-market levels when actual levels are not available.

*Credit risk* - As of September 30, 2004, the County was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value become positive, the County could be exposed to credit risk in the amount of the swap's fair value. The swap counterparty has guaranteed all payments and is rated Aaa/AAA/AAA by the major rating agencies. To mitigate potential credit risk, if the counterparty's ratings are downgraded, it will collateralize the swap liability to the County with securities, consisting of obligations of the United States Government, mortgage participation certificates of the Federal Home Mortgage Corporation or the Federal National Mortgage Association, or such other securities as the parties mutually agree to. Collateral would be deposited with a third-party custodian.

*Basis risk* - Municipal interest rate swaps are normally based on a fixed payment and an indexed variable receipt instead of the actual variable debt payment. Any difference between the indexed variable receipt and the actual market-determined variable rate paid on the bonds is called "basis risk." Under the swap, the County will be paid the actual market-determined variable borrowing rate on the swap, as determined by the remarketing agent, which eliminates the basis risk.

*Termination risk* - Under certain conditions, the County or the counterparty may terminate the swap. If the swap is terminated, the variable-rate bonds would no longer carry a synthetic interest rate but would become fixed-rate bonds. While this could increase the County's total debt service if at the time of termination the swap has a negative fair value by approximately the amount of such negative fair value, the counterparty would have no claim against the County for any other compensation.

*Swap payments and associated debt* - As interest rates vary, the variable-rate interest payments and swap payments will vary. Using rates as of September 30, 2004, debt service requirements of the variable-rate bonds and the swap payments, assuming current interest rates remain the same for their term, were as follows (in thousands):

<i>Year Ending</i>	<i>Variable-Rate Bonds</i>		<i>Total</i>
	<i>Principal</i>	<i>Interest</i>	
<b>September 30</b>			
2005	\$ 1,165	\$ 2,226	\$ 3,391
2006	1,220	2,170	3,390
2007	1,280	2,112	3,392
2008	1,340	2,052	3,392
2009	1,405	1,988	3,393
2010-2014	8,085	8,872	16,957
2015-2019	10,195	6,759	16,954
2020-2024	12,860	4,094	16,954
2025-2028	9,275	895	10,170
<b>Total</b>	<b>\$46,825</b>	<b>\$31,168</b>	<b>\$77,993</b>

The interest rate swap agreement does not affect the obligation of the County under the Indenture to repay the principal, 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 of the swap agreement may also result in the County making or receiving a termination payment.

#### **Derivative Disclosure - Swaption Agreements**

*Objective of the Swaption* - The County entered into the Swaptions as a means to refund the Professional Sports Facilities Tax and Revenue Bonds, Series 1996 A&B (Broward County Civic Arena Project) on or around the call date of September 1, 2006, and achieve upfront savings. The Series 1996 A&B Bonds were originally issued to provide funds for the construction of a multi-purpose arena to serve as home to the Florida Panthers, an NHL hockey team. Following the pricing of the Swaptions the net present value savings of the transaction were estimated at \$15,049,000 or 9.22% of the refunded Series 1996 A&B Bonds.

*Terms* - As of September 30, 2004 the County has received a total of \$17,232,000 from the Swaption counterparties, which exclusively represents the up-front option payments. The total payment was recorded as "General Revenues" (miscellaneous) in the government-wide financial statements and as "Other Financing Sources" in the government fund financial statements. The County has not made any payments to the Swaptions counterparties. The County sold to counterparties the right to enter into interest rate swaps with the County, in which the County would pay a specified fixed rate and receive a floating rate based on an index in exchange for up-front option premium payments. If the counterparties exercise the option, the swap would be effective three (3) months following the exercise date, and then the County would enter into the swaps whereby the County would pay a fixed rate and receive a floating rate. The County would then issue variable rate refunding bonds. The variable rate received on the swap and paid on the refunding bonds was established to track closely, effectively leaving the County with a fixed rate obligation. The fixed rate on the swap was set so the County's swap payments and support cost on the variable rate debt, are approximately equal

to the debt service prior to the refunding. No additional material debt service savings are expected to be achieved from the actual refunding, but rather the entire benefit of the Swaptions is realized through the up-front payments.

*Fair value* - As of September 30, 2004, the Swaptions had a negative fair value of \$19,148,070. The negative fair value signifies the amount that the County would have to pay the counterparties upon the termination of the Swaptions. The fair value of the Swaptions has decreased relative to the time that they were priced, due to a flattening of the yield curve resulting in a decline in the forward interest rates. The fair value was calculated using a model which analyzes the option value of the underlying swaps.

*Credit risk* - As of September 30, 2004, the County was not exposed to credit risk because the Swaptions had a negative fair value. However, should interest rates change and the value of the Swaptions become positive, the County could be exposed to credit risk in the amount of the Swaptions' fair value. The provisions of the Swaptions agreements contain certain counterparty requirements that mitigate the potential for credit risk to the County. For the Swaptions, if the counterparty or the counterparty guarantor's long-term unsecured unsubordinated debt ratings are suspended by either Standard & Poor's or Moody's or ratings fall below "Aa3," "AA-" or "AA-" by Moody's, Standard & Poor's and Fitch, respectively, the fair value of the associated swap will be fully collateralized with cash or securities. Collateral would be posted with an independent third party custodian.

As of September 30, 2004 none of the counterparties respective ratings had fallen below these levels, therefore, none of the counterparties were required to collateralize the Swaptions. The County is not required to collateralize the Swaptions.

*Basis risk* - As of September 30, 2004, the Swaptions do not expose the County to basis risk. The County is not obligated to make or receive payments on the Swaptions unless and until the options are exercised. The exercise dates for the Swaptions are May 1, 2006 and November 1, 2006. If the options are exercised, the swaps related to the Swaptions will expose the County to basis risk.

*Termination risk* - The Swaptions provide for certain events that could cause the counterparties of the County to terminate the swaps. The swaps may be terminated by the counterparties or the County if the other party fails to perform under the terms of the swap agreements. The County has the right to optionally terminate the Swaption agreement at any time. The termination amount owed by either the County or the counterparties is determined by market quotation. If at the time of termination, one of its swaps has a negative fair value, the County would be liable to the counterparty for a payment equal to the swap's fair value.

## 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):

Year of Defeasance	Bond Issue(s) Defeased	Principal Outstanding Sept. 30, 2004
1978	Water and Sewer Revenue Bonds Series 1965, 1968, 1975 & 1977	\$ 139
1986	Port Refunding and Improvement Revenue Bonds Series 1966	1,100
1989	Water & Sewer Revenue 1978 Series A	21,780
1989	Port Facilities Revenue Bonds Series 1986	70,435
1994	Tourist Development Tax Special Revenue Bonds Series 1988	2,955
1998	Port Facilities Refunding Bonds Series 1989A (Partial)	20,554
2004	Tourist Development Tax Bonds (Refunding)	23,000

## 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, 2004 the total revenue bonds outstanding of HeFA and HFA are \$663,525,000.

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 5 - 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 \$2,000,000 (Self-Insured Retention Limit) for each workers compensation occurrence. 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, with the County providing coverage up to the statutory limits of \$100,000 per person and \$200,000 per occurrence. 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 \$5,000,000 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 \$53,074,000 at September 30, 2004 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 in all funds. The total claims liability at September 30, 2004 reflects management’s loss estimates of \$35,546,000 for all reported claims and \$23,798,000 for claims incurred but not reported, net of a discount of \$6,270,000 computed based on a projected interest rate of 3.36%. The net assets 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 2003 and 2004 were (in thousands):

<i>Fiscal Year</i>	<i>Liability October 1</i>	<i>Current Year Claims and Changes in Estimates</i>	<i>Liability Claim Payments</i>	<i>September 30</i>
2003	\$47,878	\$14,203	\$15,419	\$46,662
2004	\$46,662	\$23,613	\$17,201	\$53,074

**NOTE 6 - INTERFUND BALANCES AND INTERFUND TRANSFERS**  
**Interfund Balances**

Interfund balances at September 30, 2004 are as follows (in thousands):

		<i>Due From</i>				
		<i>General Fund</i>	<i>Sheriff Operations</i>	<i>Resource Recovery</i>	<i>Nonmajor Governmental</i>	<i>Total</i>
<i>Due To</i>	General Fund		\$15,155		\$1,567	\$16,722
	Sheriff Operations				853	853
	County Transportation Trust	\$ 91				91
	Water and Wastewater			\$18		18
	Nonmajor Governmental	1,212			7,111	8,323
	Internal Service	5,866	113		56	6,035
<b>Total</b>		<b>\$7,169</b>	<b>\$15,268</b>	<b>\$18</b>	<b>\$9,587</b>	<b>\$32,042</b>

The \$15,155,000 due from the Sheriff Operations to the General Fund represents \$15,117,000 for unexpended County appropriation and the remaining \$38,000 is for services provided to the Sheriff that includes maintenance, warehouse use, and legal. The \$5,866,000 due from the General Fund to Internal Service represents the liability incurred in BSO Self Insurance Fund in FY 04.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

## Interfund Transfers

Interfund transfers for the year ended September 30, 2004 are as follows (in thousands):

		<i>Transfer From</i>							
		<i>General Fund</i>	<i>Sheriff Operations</i>	<i>County Transportation Trust</i>	<i>Capital Outlay Reserve</i>	<i>Resource Recovery</i>	<i>Nonmajor Governmental</i>	<i>Nonmajor Enterprise</i>	<i>Total</i>
<i>Transfer To</i>	General Fund		\$15,117	\$35,951	\$9,719		\$ 16,855		\$ 77,642
	Sheriff Operations	\$548,261							548,261
	County Transportation Trust						5,000		5,000
	Capital Outlay Reserve	38,881					5,490		44,371
	Resource Recovery							\$261	261
	Nonmajor:								
	Governmental	99,029		39,293	150		122,430		260,902
	Enterprise	88				\$300		200	588
Internal Service	106						12	118	
<b>Total</b>	<b>\$686,365</b>	<b>\$15,117</b>	<b>\$75,244</b>	<b>\$9,869</b>	<b>\$300</b>	<b>\$149,787</b>	<b>\$461</b>	<b>\$937,143</b>	

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (4) fund the following Constitutional Officers: Sheriff, Clerk, Property Appraiser, and Supervisor of Elections.

The transfer of \$15,117,000 from the Sheriff Operations to the General Fund is for the Broward Sheriff's Office operating (cash) surplus for the fiscal year ended September 30, 2004. Included in the \$16,855,000 transfer from Nonmajor Governmental to the General Fund is a transfer of \$10,100,000 from a Debt Service Fund which was transferred back to the Debt Service Fund in order to make debt service payments. Included in the \$9,719,000 transfer from the Capital Outlay Reserve to the General Fund are transfers of \$5,100,000 for regional public safety communication equipment and \$2,900,000 for fire rescue projects. The responsibility for these capital projects was accepted by the Sheriff when they assumed the activities formerly administered by the County.

### **NOTE 7 - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

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, 2004, the County estimates that the cost of permanently capping and maintaining its landfills in accordance with existing regulations will be \$33,414,000. Of this amount, the County has accrued a liability of \$14,106,000 based on amortizing the total estimated cost over the operational life of the landfills.

Of the total liability, \$374,000 is included in current liabilities payable from restricted assets and \$13,732,000 is included in other long-term liabilities on the Proprietary Funds - Statement of Net Assets.

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 9/30/04	\$3,028	\$6,410	\$4,668
Estimated total closure and postclosure care costs remaining to be recognized		9,556	9,752
Estimated remaining life of landfill (in years)	N/A-closed	20	7
Capacity used to date	100%	46%	39%

The \$33,414,000 cost estimate is considered sufficient by County management and the County's consulting 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, 2004, cash and investments of \$16,732,000 are held for these purposes. These are reported as restricted assets on the Proprietary Funds - Statement of Net Assets. 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 8 - LARGE USER AGREEMENTS**

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 9 - 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 \$59,295,000 for the above-mentioned services were allocated between funds during the year ended September 30, 2004.

#### **NOTE 10 - 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 7.39% to 18.53% of covered payroll, based on employee risk groups. The required contribution by the County to the FRS for the fiscal year ended September 30, 2004 was approximately \$65.9 million compared to \$53.6 million for the year ended September 30, 2003, and \$55.5 million for the year ended September 30, 2002. This represents an average contribution of approximately 11.1% of covered payroll in fiscal year 2004, 9.6% in fiscal year 2003, and 10.4% in fiscal year 2002. The County has met all contribution requirements for the current year and two preceding years.

#### **NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS**

The Broward Sheriff's Office provides a postemployment health insurance benefit for employees and sworn officers. Upon normal retirement, employees receive a 2% monthly discount for every year of service with the Broward Sheriff's Office up to a maximum of a 50% reduction of the total cost of their health insurance premiums. The total discount amount is based on years of service, plan design, and level of coverage. The benefit continues on a pay-as-you-go basis as long as the retiree maintains the insurance coverage. As of September 30, 2004, there were approximately 300 retired employees receiving the benefit with an average of 50 additional retirees each year for future participation calculations. Payments during fiscal 2004 totaled \$981,000.

#### **NOTE 12 - 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, 2004 amounted to \$4,914,000. Future commitments under operating leases at September 30, 2004, are not material.

In connection with the financing and construction of two recovery plants, the County and twenty-five 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 seven 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 2004, the County was obligated to deliver 1,095,000 tons of processable waste to the plants. Actual deliveries were 1,216,000 tons. As a result, the County exceeded 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 4), 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 a period of ten years commencing March 1, 2001. Based on a bond refund 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-five municipalities).

**NOTE 13 - FUND BALANCE/NET ASSET CHANGES  
MASS TRANSIT FUND**

In the past, Broward County had elected to present the Mass Transit Fund as an enterprise fund in its financial statements. Beginning in Fiscal 2004, the County is electing to present the Mass Transit Operating Fund as a component of the general fund, and its capital projects as a capital projects fund. As a result of this change, beginning net assets on the statement of activities and beginning fund balances on the statement of revenues, expenditures and changes in fund balances have been restated as follows (in thousands):

	Governmental Activities	Business-type Activities	Total
Net Assets – Beginning	\$1,563,311	\$1,561,948	\$3,125,259
Reclassify Mass Transit total net assets at beginning of year from business-type to governmental activities	83,765	(83,765)	
Reclassify portion of prior year’s internal service fund loss allocable to Mass Transit	(940)	940	
Net Assets – Beginning, Restated	\$1,646,136	\$1,479,123	\$3,125,259

	General Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances, October 1	\$167,801	\$431,753	\$799,542
Adjust to modified accrual - reclassify Mass Transit fund balance at beginning of year between general fund and capital projects funds	6,939	(791)	6,148
Fund Balances, October 1, Restated	\$174,740	\$430,962	\$805,690

**NOTE 14 - LEASE TERMINATION**

On February 24, 2004, the Board of County Commissioners approved an agreement for the termination of the lease agreement(s) with PE Land Holdings, LLC and certain affiliates (“PE Land Holdings”). On August 9, 2004, the agreement was finalized. Under the terms of the agreement, Port Everglades received a warehouse building with existing tenant leases and cash. The building valued at \$4,103,000 and cash received of \$4,333,000, including the forfeiture of a \$600,000 deposit, have been shown as “Miscellaneous revenues” in operating revenues in the accompanying Statement of Revenues, Expenses and Changes in Fund Net Assets for the year ended September 30, 2004.

**NOTE 15 - SUBSEQUENT EVENT**

On November 9, 2004, the County issued \$142,015,000 Airport System Revenue Bonds, Series 2004L (Non-AMT) and \$105,225,000 Airport System Revenue Bonds, Series 2004M (AMT) (Auction Rate Securities). The proceeds are being used to fund a portion of the Airport’s capital improvement program.