



## FINANCE AND ADMINISTRATIVE SERVICES DEPARTMENT

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January 7, 2005

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

Ladies and Gentlemen:

We are pleased to present Broward County's (the County) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2004. The financial statements included in this report conform with accounting principles generally accepted in the United States (GAAP) established by the Governmental Accounting Standards Board. The County is responsible for the accuracy and fairness of the presentation of the financial statements and other information presented herein. The data presented in this report is believed to be accurate in all material respects, and all statements and disclosures necessary for the reader to obtain a thorough understanding of the County's financial activities have been included.

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

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

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

was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended September 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

### ***PROFILE OF THE GOVERNMENT***

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

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

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

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

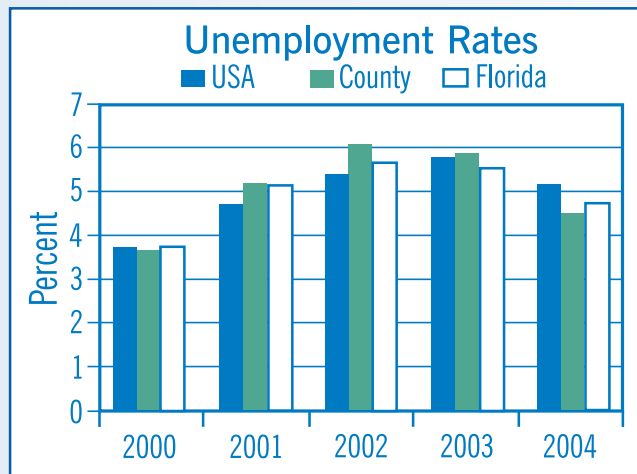
The annual budget serves as the foundation for the County's financial planning and control systems. Management's budget request is presented to the Board by the County Administrator. The Board holds public hearings on the proposed budget prior to adopting the final budget and setting the tax rates for the budget year. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. These comparisons are presented in the other required supplementary information section of the financial statements.

## THE BROWARD COUNTY

### ECONOMY IN 2004

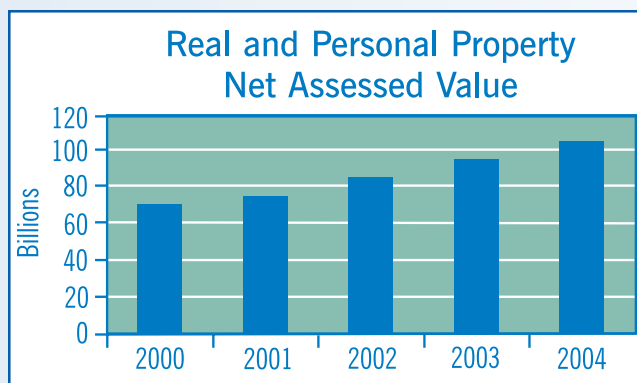
The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment within which the County operates. The County enjoys a diverse and growing economy and a relatively low unemployment rate, thanks to a vibrant tourism industry, an active construction industry, highly efficient and productive airport and seaport facilities, and other dynamic industry sectors. There are approximately 80,600 businesses established in Broward County. Although many of these are classified as small businesses, approximately 100 of these businesses are Fortune 500 companies or divisions thereof.

During fiscal year 2004, the Civilian Labor Force within the County grew by approximately 17,900 or 2% over the last year. The County's unemployment rate at September 30, 2004 was 4.5% compared to 5.9% at September 30, 2003. In comparison, the unemployment rates for Florida and the United States were 4.7% and 5.1%, respectively at September 30, 2004.



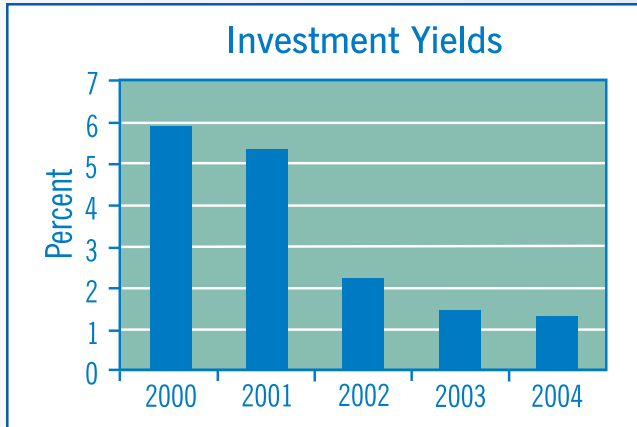
Tourism is an important economic factor in the County. The combination of a favorable climate (an average year-round temperature of 77 degrees Fahrenheit), together with diverse recreational opportunities, including theaters, parks, pristine public beaches which are featured in this report, yacht basins, fishing, golf, tennis, restaurants, thoroughbred racing, jai alai, and water recreational facilities, have made the County a major tourist center. Tourists visit the County year round from around the country and the world. In 2004, approximately 9.4 million visitors spent approximately \$7.24 billion in the local economy.

Building permits for residential construction, a measure of future construction activity, decreased from 9,353 units in 2003 to 8,271 in 2004. The County is maturing as an urban area, and little undeveloped property remains available. However, the County's population and tax base have continued to increase, and redevelopment of older areas has begun. Redevelopment will remain as a primary focus of Broward County in the years ahead.



All of the above economic trends have contributed to a growing revenue stream for the County, while at the same time requiring additional investments to expand County services. Significant construction has occurred at the Airport and more expansion is planned. Likewise, Port Everglades intends to expand its capacity in the future. These capital investments are generally funded by revenue bonds and grants. Recent general obligation bond issues provided funding for additional libraries, parks improvements, and the acquisition of open space and environmentally sensitive land within the County.

Interest rates remained at relatively low levels during the year, limiting the return on the County's cash and investments. In order to maximize interest earnings, substantially all of the County's cash and investments are pooled, except where legal requirements dictate separate accounts. The County consistently invests more than 99% of its available funds and exceeds the 90 day U. S. Treasury bill rates, which the County uses as a performance benchmark. The primary objective of the County's investment policy is preservation of capital.



The County is self-insured for general liability, professional, automobile, medical malpractice, workers' compensation, and Mass Transit bus liability through its Self-Insurance Fund. The County has substantially funded these liabilities with assets accumulated in this fund of \$55,980,000 at September 30, 2004. The County also maintains a healthy General Fund balance in order to meet unanticipated needs or emergencies, such as from the annual threat of hurricanes.

### **MAJOR INITIATIVES**

During fiscal year 2004, the County achieved many significant accomplishments in furtherance of the goals established by the Board of County Commissioners. Those goals were summarized into three themes for 2004 by the Commission: livability; economic vitality; and quality public services. The accomplishments included:

- Increased Mass Transit ridership by 6.6% to 34.4 million passenger trips. A master plan for meeting the challenges of growth in public transit usage was initiated.
- Acquired or entered into agreements for 84 sites comprising almost 864 acres of natural land and open space under the Land Preservation Bond Program to date.
- Decreased the unincorporated area by 30% via seven annexation agreements negotiated with cities.
- Welcomed representatives from 19 countries and encouraged them to establish ties with the County.

- Assisted companies in retaining 650 jobs and investing \$78 million in capital improvements.
- Continued enhancements to the County's high quality library system under the Library Bond Program and completed several major projects.
- Continued the construction and expansion program at the Airport, one of the fastest growing in the country serving over 20 million passengers in 2004, an increase of 15%.
- Port Everglades increased all areas of its business and realized a \$9 million increase in revenues.
- Provided funding for new and rehabilitated affordable housing projects and assisted hundreds of low income residents with home repairs or improvements.
- VisionBROWARD, a community and economic development strategic visioning process, delivered numerous recommendations designed to improve the County and the South Florida region.
- County agencies received 11 NACO awards for innovative service initiatives, and 37 NACIO awards for excellence in communications.
- Handled double the volume of daily calls to the citizen call center over last year.

Broward County is a dynamic and growing location, providing the human and financial resources that it requires to meet the challenges of the future. The County has decreased its property tax millage rate for seven years in a row, and is well prepared financially to address the challenges ahead.

### **GFOA CERTIFICATE OF ACHIEVEMENT**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Broward County, Florida for its comprehensive annual financial report for the fiscal year ended September 30, 2003. This was the 19th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

## ***ACKNOWLEDGMENTS***

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

Communications Office staff whose efforts have greatly enhanced the appearance of this report. We also wish to thank the County's independent auditors, Ernst & Young LLP, for their cooperation and assistance in the preparation of this report.

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

Respectfully submitted,



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



John T. Pryor, CPA  
Director  
Accounting Division