

Management's Discussion and Analysis

The management of Broward County offers this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2004. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our Letters of Transmittal.

FINANCIAL HIGHLIGHTS

The following are key financial highlights for the fiscal year:

- The assets of the County exceeded its liabilities at September 30, 2004 by \$3.3 billion (*net assets*). Of this amount, \$619 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's total net assets increased by \$185 million, \$100 million of which was from governmental funds, and \$85 million was from business-type activities.
- As of September 30, 2004, the County's governmental funds reported combined ending fund balances of \$872 million, an increase of \$66 million from the prior year. Of this amount, \$670 million is available for use at the County's discretion (*unreserved fund balance*).
- At September 30, 2004, unreserved fund balance for the General Fund was \$165 million, or 14 percent of total general fund expenditures and transfers out.
- The County's total bonded debt increased by \$9 million or 0.4 percent during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The statement of net assets presents information on all of Broward County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Broward County is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant

portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, transportation, human services, culture and recreation, physical environment, and economic environment. The business-type activities of the County include water and wastewater, resource recovery, aviation, and a seaport.

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the County, assets exceeded liabilities by \$3.3 billion as of September 30, 2004.

Broward County’s Net Assets
As of September 30, 2004 and 2003
(In thousands of dollars)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 1,055,831	\$ 994,846	\$ 697,755	\$ 792,998	\$ 1,753,586	\$ 1,787,844
Capital assets	1,826,385	1,730,666	2,247,666	2,080,473	4,074,051	3,811,139
Total assets	2,882,216	2,725,512	2,945,421	2,873,471	5,827,637	5,598,983
Long-term debt outstanding	951,140	887,267	1,273,952	1,349,469	2,225,092	2,236,736
Other liabilities	185,167	192,109	106,904	44,879	292,071	236,988
Total liabilities	1,136,307	1,079,376	1,380,856	1,394,348	2,517,163	2,473,724
Net assets:						
Invested in capital assets, net of related debt	975,173	923,249	1,089,160	1,013,952	2,064,333	1,937,201
Restricted	389,727	143,158	237,621	231,744	627,348	374,902
Unrestricted	381,009	579,729	237,784	233,427	618,793	813,156
Total net assets	\$ 1,745,909	\$ 1,646,136	\$ 1,564,565	\$ 1,479,123	\$3,310,474	\$ 3,125,259

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

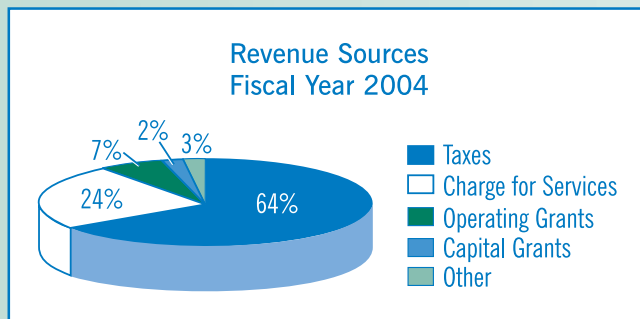
An additional portion of the County’s net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the County’s ongoing obligations to citizens and creditors. As of September 30, 2004 the County reports positive balances in all three categories of net assets, both for the government as a whole as well as for its separate governmental and business-type activities.

Governmental Activities

Governmental activities increased the County's net assets by \$100 million. Key elements of this increase are as follows:

Broward County's Changes in Net Assets For the Year Ended September 30, 2004 and 2003 (In thousands of dollars)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
Revenues:						
Program revenues:						
Charges for services	\$ 357,899	\$ 334,900	\$ 459,660	\$ 408,822	\$ 817,559	\$ 743,722
Operating grants and contributions	97,032	105,725	1,259	2,059	98,291	107,784
Capital grants and contributions	25,472	43,361	31,703	36,496	57,175	79,857
General revenues:						
Property taxes	715,163	662,098			715,163	662,098
Other taxes	235,476	229,084			235,476	229,084
Other	44,592	24,264	9,349	5,184	53,941	29,448
Total revenues	1,475,634	1,399,432	501,971	452,561	1,977,605	1,851,993
Expenses:						
General government	189,576	193,343			189,576	193,343
Public safety	19,445	83,043			19,445	83,043
Transportation	159,561	149,553			159,561	149,553
Human services	125,852	120,149			125,852	120,149
Culture and recreation	167,556	137,466			167,556	137,466
Physical environment	23,857	23,529			23,857	23,529
Economic environment	15,703	21,749			15,703	21,749
Sheriff	569,364	425,696			569,364	425,696
Clerk of the Court	41,134	35,221			41,134	35,221
Property Appraiser	12,140	14,747			12,140	14,747
Supervisor of Elections	12,902	6,487			12,902	6,487
Interest on long-term debt	38,683	41,679			38,683	41,679
Aviation			126,251	116,567	126,251	116,567
Port Everglades			95,626	87,517	95,626	87,517
Water and wastewater			83,082	78,806	83,082	78,806
Resource recovery system			103,022	86,437	103,022	86,437
Other			8,636	9,835	8,636	9,835
Total expenses	1,375,773	1,252,662	416,617	379,162	1,792,390	1,631,824
Increase in net assets						
Before Transfers	99,861	146,770	85,354	73,399	185,215	220,169
Transfers	(88)	(88)	88	88		
Increase in net assets	99,773	146,682	85,442	73,487	185,215	220,169
Net assets – Beginning	1,646,136	1,499,454	1,479,123	1,405,636	3,125,259	2,905,090
Net assets - Ending	\$1,745,909	\$1,646,136	\$1,564,565	\$1,479,123	\$3,310,474	\$3,125,259



The County's governmental activities had net expenditures of (\$895 million) before general revenues. However, these services are funded primarily from general taxes, and those general revenues produced net revenues of \$100 million. Charges for services increased 13% due to increases in a number of agency services. Property tax revenues increased 8% due to both new construction and increased assessed values of property within the County. Transportation expenses increased substantially due to the reclassification of the County's mass transit operations from an enterprise fund to a general fund agency. Sheriff expenses increased substantially due to the transfer of the County's fire rescue service to the Sheriff during the fiscal year, and to the addition of contracts for services to cities.

The County's business-type activities had net revenue of \$76 million and increased net assets by \$85 million, with all operations reporting net revenues for the year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

At September 30, 2004, the County's governmental funds reported combined ending fund balances of \$872 million, an increase of \$66 million from the prior year. This increase resulted from a general increase in the fund balance of all governmental funds except the General Fund, which declined (\$1 million).

Approximately 77% of the combined fund balances (\$670 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to liquidate prior year obligations (\$160 million), (2) to pay debt service (\$31 million), or (3) for other restricted purposes.

The General Fund is the chief operating fund of the County. At September 30, 2004, the unreserved fund balance of the General Fund was \$165 million and the total fund balance was \$173 million. As a measure of the General Fund's liquidity, the total fund balance represents approximately 14 percent of total General Fund expenditures and transfers out.

The other major governmental funds of the County include the Sheriff's Operations Fund, which does not have a fund balance but has a small reserve for inventory, the County Transportation Trust Fund, which receives revenues dedicated to meeting various transportation needs, and the County's Capital Outlay Reserve Fund, which is the principal capital projects fund of the County.

Proprietary Funds

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

Aviation operating revenues increased \$10 million or 9% as air travel to and from the area increased substantially during 2004. Unrestricted net assets of the Aviation Department were \$35 million at September 30, 2004.

Port Everglades operating revenues increased \$23 million or approximately 26% due to a \$13 million increase in cruise vessel and cargo vessel revenues, and a \$8.4 million lease termination settlement. Unrestricted net assets of the Port Everglades Fund were \$124 million at September 30, 2004.

Water and Wastewater System operating revenues increased \$4.5 million or 6% due to general growth in system usage and to

rate increases. Unrestricted net assets of the Water and Wastewater System were \$8 million at September 30, 2004.

Resource Recovery System operating revenues increased \$10 million or 10% due to an increase in volume of over 100,000 tons and higher tipping fees. Unrestricted net assets of the Resource Recovery System were \$69 million at September 30, 2004.

BUDGETARY HIGHLIGHTS

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

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

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

- Revenues were increased \$22,552 or 2% due primarily to increased estimated charges for services.
- Expenditures were increased \$22,334 or 4% due to general increases in most functional areas.
- Operating transfers in were reduced (\$51,237) or 45% due to changing expected results in other funds.
- Operating transfers out were decreased (\$10,357) due to decreased expected transfers to other funds, reduced by increased transfers to constitutional officers, which were offset by \$15,117 in transfers back from constitutional officers.

General Fund actual total revenues were \$1,132,010 or 98% of the final budget amount. Total expenditures of \$524,239 were 88% of the final budget as most functional areas were under budget. Net transfers out of \$686,365 were just under the budget. Expenditures and transfers exceeded revenues, resulting in a decrease in the General Fund balance of (\$952), which was a smaller decrease than was budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental and business type activities as of September 30, 2004 amounted to \$4.1 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, parks, roads, highways, and bridges. The total increase in the County's investment in capital assets for the current fiscal year was six percent.

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

- Various road construction projects (\$13 million).
- Acquisition of land under the program to expand the County's park system and preserve open space (\$10 million).
- Additions to the County's vehicle fleet (\$10 million).

- Acquisition of communications equipment (\$10 million).
- South County storm drain neighborhood improvement project (\$43 million).
- Additions to the County's water and wastewater facilities (\$28 million).
- Continued construction and expansion of the Aviation Facilities in accordance with an ongoing master plan (approximately \$118 million net of depreciation).

Broward County's Capital Assets (in thousands)
(net of depreciation)
September 30, 2004

	<i>Governmental</i>	<i>Business-type</i>	<i>2004</i>	<i>Total</i> <i>2003</i>
Land	\$ 391,055	\$ 338,425	\$ 729,480	\$717,757
Landfill		28,782	28,782	28,911
Property held for leasing		258,843	258,843	260,461
Buildings	571,363	458,579	1,029,942	1,036,674
Improvements	497,307	328,587	825,894	732,775
Equipment	204,627	416,550	623,577	616,138
Construction in progress	162,633	417,900	580,533	418,423
Total	\$1,826,385	\$2,247,666	\$4,074,051	\$3,811,139

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

Long-term debt

At September 30, 2004, the County had total bonded debt outstanding of \$2.1 billion, only slightly higher than the prior year. Of this amount, \$492 million comprises debt backed by the full faith and credit of the government, \$245 million is special obligation debt secured by dedicated revenue sources, \$169 million is loans payable and other obligations, and \$1.2 billion is secured solely by specified revenue sources (i.e. revenue bonds).

Broward County's Outstanding Debt, in millions
General Obligation and Revenue Bonds
September 30, 2004

	<i>Governmental</i> <i>Activities</i>	<i>Business-type</i> <i>Activities</i>	<i>2004</i>	<i>Total</i> <i>2003</i>
General obligation bonds	\$492,140		\$ 492,140	\$ 334,095
Special obligation bonds	244,915		244,915	260,275
Loans payable and other obligations	120,902	\$ 48,066	168,968	261,374
Revenue bonds		1,217,613	1,217,613	1,258,876
Total	\$857,957	\$1,265,679	\$2,123,636	\$2,114,620

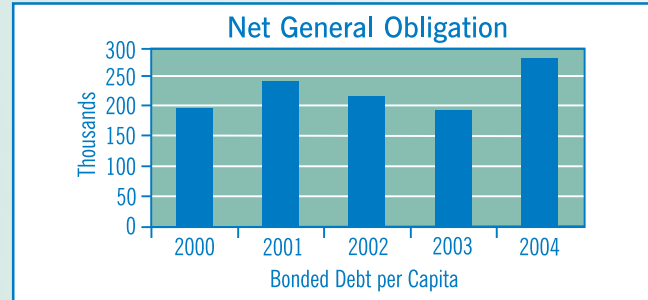
The County's outstanding bonded indebtedness increased \$9 million during the year. New bonds issued during the year included an \$188 million Parks and Land Preservation Project Issue, a \$46.6 million refunding issue, and a \$19 million Tourist Development Tax Refunding Issue.

The County continues to meet its financial needs through

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

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

The County's required Annual Disclosure Statement may be found on line at www.broward.org/finance. This disclosure report details and updates certain statistics and financial performance which form the basis for the security for the County's indebtedness. Additional information on the County's long-term debt can be found in Note 4 to the financial statements.



ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Local, national and international economic factors influence the County's revenues. Positive economic growth is correlated with increased revenues from property taxes, sales taxes, charges for services, as well as state and federal grants. Economic growth in the local economy may be measured by a variety of indicators such as employment growth, unemployment, new construction, assessed valuation, and Enterprise Fund revenues.

- The unemployment rate for the County is currently 4.5%, lower than the rate for the state of Florida (4.7%) and the nation (5.1%).
- Tourist visitors during 2003 were 9.4 million, an increase of 13% over 2002.
- Net assessed value of real and personal property within the County increased 12%.
- Inflation in the region remains at a historically low level.

All of these factors were considered in preparing the County's budget for the 2005 fiscal year. For the seventh consecutive year, the County's property tax millage rate was not increased. Some cost reductions and revenue increases helped fund expanded library facilities, two new regional fire rescue services, community redevelopment initiatives, insurance cost increases, and expanded homeless services included in the 2004 budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

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Fort Lauderdale, FL 33301