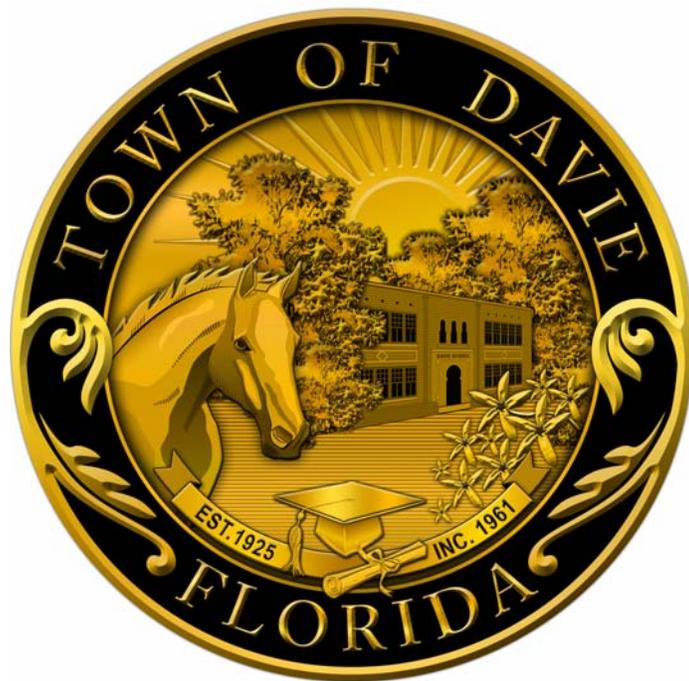


# Comprehensive Annual Financial Report



Fiscal Year Ended  
September 30, 2006



TOWN OF DAVIE, FLORIDA

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TOWN OF DAVIE, FLORIDA

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## INTRODUCTORY SECTION

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March 24, 2008

The Honorable Members of the Town Council, and Citizens of the Town of Davie, Florida:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2006. We encourage you to thoroughly read this document and take the opportunity to discuss some of the important items it addresses.

While financial activities are never ends unto themselves, their recording and presentation can give the encouraged and knowing reader great insight into the operations of a community. They can highlight both strengths and weaknesses and can illustrate the issues that are, at any time, being addressed by the local government. This marks our eighth year of presenting the CAFR in the new "GASB 34" format. We believe this format better informs readers of government financial statements and more accurately reflects the financial condition and the results of operations for an entity.

This report complies with the Governmental Accounting Standards Board Statement 34, Basic Financial Statements — and Management's Discussion and Analysis — For State and Local Governments. The new GASB rules allow a delayed implementation of the accounting for infrastructure assets.

The Town continues to be in good fiscal health, but we are concerned that our rate of revenue may not be able to keep up with our rate of growth in spending. It will be a continual challenge to maintain a strong financial well being, while providing for a balanced budget. Our best hope is for growth of our tax base.

This community has spent tens of millions of dollars improving the rustic flavor of the Town. Our municipal boundaries are now largely defined. This will mean that we will have to turn to other avenues of growth and look to rebirth in our older portions of the Town to provide enhancements to the tax base. During the year, the Town Council was faced with many difficult choices of either maintaining the Town's bucolic image or enhancing its tax base through land use amendments or rezonings. These are always difficult questions, and the Council has had to make difficult choices.

Davie is growing. A recent release of information by the Census Bureau indicates that we have a great diversity in over 83,720 residents throughout the Town. This is a growth rate of over 36% during the last decade. Build out projections have the Town's population estimated to be in the mid-90's by the year 2010.

This growth has been accompanied by a tremendous effort to provide for land preservation in the Town. Davie implemented the State's first open space program and has acquired a considerable amount of land and developed connecting trails to its parks and open space areas. Horseback riding, bicycling, and hiking have all become favorite Davie pastimes. Land preservation efforts in Davie by the County and the State have yielded extraordinary benefits that complement the Town's efforts.

This financial report summarizes our current financial condition. It helps us to understand where we can go and what we can do in the future. Planning is the most important tool available to us and the Town's planning effort includes its finances as well. Our ability to tax is limited. The opportunities provided to municipalities under Florida law are limited, so we must work within the framework we are provided. For Davie to succeed, we must build value in what we have. Redevelopment on the east side will take years to fully implement, but we can already see the value of redevelopment to the tax base as underutilized lands become more valuable. This area is on the edge of substantial redevelopment growth. This is the kind of value we must continually add to the Town, in order to keep our taxes stable and deter and avoid tax increases in the future.

Davie is fortunate to have a significant university presence. Home to Nova Southeastern University (NSU), we are proud of the tremendous expansion that has been undertaken on their campus. The Miami Dolphins training camp, NSU medical school, law school, school of dentistry, research library, and the Wayne Huizenga Graduate School of Business have brought new interest to the lands surrounding the campus. Other college and university campus facilities are also underway or planned by the University of Florida, Florida Atlantic University, Florida International University, and Broward Community College. It is estimated that 40,000 students and faculty a day visit all of these facilities. We have been fortunate to be able to maintain a steady taxing effort for the last decade.

We know the Town could benefit from additional land uses that encourage office/commercial or light industrial development. The long-term financial benefit to the Town has been demonstrated.

### **Significant Events and Achievements**

The Town's assessed value grew by over \$445 million, representing an increase of over 6% from the previous year. This is a lower level of growth than the Town has seen in recent years and we are seeing signs of even further slowing in the construction of new properties.

The Water and Sewer system did increase its customer connections during the year. However, water and sewer operating revenues did not keep pace with increases in water and sewer operating expenses. The Town will have to be very careful to continue to control the expenses on the system in order to meet its debt service coverage ratio requirements.

### **GENERAL INFORMATION**

The Town of Davie was one of the first communities in Broward County, Florida. While part of the larger Fort Lauderdale/Hollywood metropolitan area, the Town has maintained much of its pioneering heritage, rustic, and rural lifestyle. Agriculture, though still present and important to the Town, is giving way to higher education facilities and research and development centers. The Town has grown to over 34.5 square miles. The Town's Open Space and Recreational programs were the first of their kind in Florida and they are a source of great civic pride. With modern port facilities and a world-class airport only moments away, and linked by several interstate and toll highways, the Town has proven to be a mecca for individuals and businesses wishing to be part of the growing South Florida community. Only twenty minutes from Downtown Miami and less than half that to Fort Lauderdale, Davie has capitalized on this central and important location.

### **REPORTING ENTITY**

The activities included in our report are those over which the Town has the ultimate financial accountability. Any activity for which the Town, as a "primary" government, is ultimately financially accountable has been presented within this report. No activity has been excluded which would cause our financial statements to be misleading or incomplete. Certain activities are not included in this report because they do not meet the necessary criteria. For example, in Florida, school boards are independently elected and financially accountable for their finances. As such, the school board would present separate financial statements.

The Town has a Community Redevelopment Agency (CRA). Its purpose is to facilitate redevelopment in certain areas of the Town. It is financed by property tax revenues that are levied by the Town and certain other taxing authorities on the increased taxable values in those targeted areas that exceed a base year amount. This is called the tax increment. The CRA is a component unit of the Town and is therefore included within this report. Its resources are tracked from year to year and its surpluses, if any, are available for purposes approved by the CRA Board and ratified by the Town Council. The Town Council appoints the CRA Board members.

### **SERVICES PROVIDED BY THE TOWN**

The Town provides its residents and businesses with the full range of municipal services contemplated by state law or local charter. Services include police and fire, culture, recreation, community services, licensing and permitting, general administration, water and sewer utilities, public works and maintenance, development and redevelopment services, and code enforcement. Through franchise agreements, the Town also provides garbage disposal, electricity, and towing.

### **GOVERNMENT STRUCTURE**

The Town exists as a Council-Administrator form of municipal government. Under Florida law, Davie is considered a Municipal Corporation. The Mayor is elected by all registered voters of the Town, while the four Council members are each elected only by the registered voters of the specific district they are elected to represent. The Mayor serves as chairperson of public meetings and executes certain documents authorized by charter, ordinance, or resolution. Each elected official serves a three-year term of office. The Council appoints the Town Administrator, the Town Attorney, and confirms the Town Administrator's appointment of the Town Clerk. The Town Administrator appoints Department Heads. The Department Heads have the primary responsibility to hire and fire employees, however, the final decision ultimately rests with the Town Administrator. The Town is organized into

various Departments as shown in the attached Illustration 1. The Budget and Finance Department, which has the responsibility for preparation of this report, is shown in Illustration 2.

#### THE TOWN ADMINISTRATOR'S OFFICE

This Office is responsible for leadership and the overall management of the Town. Any policy that the Town Council wishes implemented becomes the responsibility of this Office. Additionally, certain activities such as Community Redevelopment, Housing and Community Development, Old Davie School Historic Site, Special Projects, Economic Development, and Town Clerk are the responsibility of this Office.

#### THE BUDGET AND FINANCE DEPARTMENT

This Department is responsible for Financial Administration, Utilities Customer Service, and Purchasing.

#### THE HUMAN RESOURCES DEPARTMENT

This Department is responsible for Human Resources and Risk Management.

#### THE DEVELOPMENT SERVICES DEPARTMENT

This Department is responsible for Planning, Zoning, and Land Use activities, Building Permits and Inspections, Engineering, Occupational Licenses, and Code Enforcement.

#### THE POLICE DEPARTMENT

This Department is responsible for all aspects of Law Enforcement services. Dispatching is provided by the Broward County Sheriff.

#### THE FIRE DEPARTMENT

This Department is responsible for all Fire and Rescue operations of the Town, Emergency Medical services, and Fire Inspection services. Dispatching is provided by Broward County.

#### THE PUBLIC WORKS AND CAPITAL PROJECTS DEPARTMENT

This Department is responsible for the Town's facilities and infrastructure other than Water and Sewer.

#### THE PARKS AND RECREATION DEPARTMENT

This Department is responsible for the recreational and cultural activities of the Town and for the operation of the Town's extensive Open Space program.

#### THE UTILITIES DEPARTMENT

This Department is in charge of the Town's Water and Sewer plants and operations.

#### THE INFORMATION SYSTEMS DEPARTMENT

This Department is responsible for the operation and maintenance of the Town's computer and communication systems.

#### **THE COMPREHENSIVE ANNUAL FINANCIAL REPORT, MANAGEMENT RESPONSIBILITY, AND THE ANNUAL FINANCIAL AUDIT**

A detailed understanding of the financial position and operating results of the Town is provided in the CAFR. Presented in the footnotes section of the CAFR is a brief description of financial information, management of financial resources and obligations, and control techniques applicable to financial resources, obligations, and information. These notes cover the basis of presentation for the Government-wide Financial Statements and for the Fund Financial Statements, and the financial statement measurement focus and the basis of accounting for the Government-wide Financial Statements and the Fund Financial Statements. Together with the other footnotes, this information will provide useful information to the reader when assessing the CAFR.

Florida Statutes and the Town's Charter require an annual audit of the books of account, financial records, and transactions of all departments of the Town by an independent certified public accountant. While this requirement has been met, it is nonetheless management's responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures. We believe the information as presented is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Town as measured by the financial activity of its various funds; and that all disclosures

necessary to enable the reader to gain the maximum understanding of the Town's financial affairs have been included. It is the Town's practice to fully disclose any item it believes will give the reader a better understanding of the Town's financial standing. When practical, the Town early adopts any new GASB Statement. The Town is an active participant and supporter of both the Government Finance Officers Association of the United States and Canada (GFOA) and the Governmental Accounting Standards Board (GASB) of the Financial Accounting Foundation. We actively and openly support any change recommended by GASB that will enhance the reporting and understanding of local government finance. Additionally, under GASB Statement 34, we now provide as Required Supplementary Information a section for Management's Discussion and Analysis (MD&A). MD&A is designed to be an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions.

### **Internal Accounting Controls**

In developing and evaluating the Town's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized user disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits likely to be derived, and that the evaluation of cost and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the Town's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### **Budgets and Budgetary Accounting**

The Town is legally required to adopt an annual budget for its General Fund. In September, formal public hearings are conducted to obtain taxpayers' comments. Prior to October 1, the budget is legally adopted.

The level of control, the level at which expenditures may not exceed the budget, is at the department level. The Town Administrator is authorized to transfer budget amounts within line items of departments. Any budget amendments between departments or that alter the budget in total must be approved by the Town Council. All unencumbered appropriations lapse at the end of the fiscal period.

### **Cash Management and Investment Practices**

Throughout its operations, the Town utilizes modern cash management techniques. With the exception of the pension funds, and the Community Endowment Fund, the main goal of the Town is preservation of principal. Cash is deposited daily either by the Town for over-the-counter receipts or by the Town's bank through a lock box arrangement. All funds are swept into an account with the State of Florida Board of Administration Investment Pool. Checking accounts are maintained on a "zero balance" basis by the bank and are swept daily with funds provided by the State pool. The bank acts as agent for the Town and can only transfer balances into accounts pre-designated by the Town. The yield is considered acceptable by the Town for the security provided. All investments in the State pool are considered liquid and available for use by the Town. Additionally, the Town utilizes a local government investment pool, the Florida Municipal Investment Trust, to further enhance investment earnings and diversify investments.

Pension funds and the Town's Community Endowment Fund strive to achieve growth of funds through investments of Equities and Fixed Income securities. These funds are at risk of loss of principal, but the Town believes that over a very long period of time, a much greater yield will occur to offset any losses that occur from time to time. Without assuming a risk of investment, insufficient capital would accrue to these funds and they would require a greater financial commitment from the Town.

The Town's goal is not to commit to new programs unless we believe a revenue stream will exist in the future to support those programs. We have set a policy of stable taxation in our community and our operating millage was lowered slightly for fiscal year 2006 after remaining unchanged for over a decade.

As required by Florida law, the Town has adopted a formal investment policy for each of its funds.

## **Debt Administration**

The Town believes that debt is a necessary and integral part of conducting its operations on a financially sound and equitable basis to all taxpayers. Since governmental funds do not utilize a "depreciation" concept, debt is used to provide intergenerational equity of the expense of capital items to the period in which the benefit of those items accrue to the community. For a community that is growing such as the Town, this debt burden assures that new residents and businesses pay for their fair share of Town facilities. Further, the Town believes that investment practices and debt administration should be considered together in managing interest rate exposures and risk. We believe looking at these activities together can achieve a lower overall net expense or greater new investment income. Our current practice of utilizing variable rate debt in much of our debt portfolio has provided an "internal hedge" against interest rate movements. This provides us the benefit of lower interest rate on debt without the exposure to interest rate movements. It is important to keep this strategy in mind when we feel pressure to utilize our reserves to pay for new programs in an effort to temporarily avoid raising taxes. When reserves are utilized to avoid the inevitable tax increase, we lose our investment income exponentially and we would also increase our exposure to interest rate movements. This would force us to convert our debt or otherwise spend money on interest rate swaps to mitigate that risk. Both risk mitigation strategies would cost us money and add to a burden that otherwise should be avoided.

In non-governmental funds, the Town's practice is to use debt only when it can be demonstrated that specific users will be charged for and can repay that debt.

In all cases, the Town strives to achieve the overall lowest cost of debt while maintaining equity amongst taxpayers. In evaluating fixed rate debt versus variable rate debt, the Town takes bids from institutions and evaluates the best overall bid in terms of assumptions as to what will take place in the future.

## **Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has established a Self-Insurance Fund (an internal service fund) to account for and finance its insured and uninsured risks of loss.

Effective October 1, 2002, the Town joined South East Risk Management Association (SERMA) a Public Entity Risk Pool (Risk Pool) for property and liability exposures. The Town employs a Risk Manager within the Human Resources Department. The members of the Risk Pool include six municipalities who have entered into an inter-local agreement related to the Risk Pool. Members are subject to supplemental assessments in the event of deficiencies. The pool rates each entity separately based upon experience. Some insurance is not provided by the SERMA Pool. In those cases, the Town has the Pool third party administrator (TPA) secure quotes for those individual policies. Subsequent to year end the Town has left the Risk Pool and has acquired insurance to cover the various risks previously covered by the Risk Pool.

The Town also provides medical coverage through the Self-Insurance Fund. The Town returned to self-insurance in the summer of 2002, and engaged United Healthcare as the Town's third party administrator.

## **FINANCIAL STATEMENT FORMAT**

This report is presented in four main sections: introductory, financial, statistical, and compliance. The introductory section is designed to provide an overview and general understanding of the report. The financial section provides to the reader a detailed presentation of the financial position and results of operations for fiscal year 2006. The reader should pay particular attention to the footnotes and the MD&A of the financial section since current reporting standards require only footnote disclosure of some things which can and do have a significant impact on the future financial resources of the Town. The statistical section provides some general information the reader will find useful in gauging the financial statements to the historical and non-financial measures detailed in that section. The compliance section provides information about grants received by the Town and compliance with applicable laws, rules, regulations, contracts, and grants, as well as information and recommendations regarding the Town's system of internal controls.

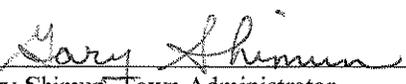
The financial section is divided into four main subsections:

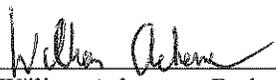
- 1) **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A).** MD&A is designed to be an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions. It is the Town's financial managers who are knowledgeable of, and responsible for, the presentation of the transactions, events, and conditions that govern the Town's operations. MD&A provides the financial managers with the opportunity to present both a short and a long-term analysis of the government's activities.
- 2) **BASIC FINANCIAL STATEMENTS.** This section is further divided into three major subsections: (a) Government-Wide Financial Statements that provide easy to read information about the Town's Primary Government activities (broken down further into Governmental Activities and Business Type Activities), (b) Fund Financial Statements that provide the more traditional "Fund Balance" approach, and (c) Notes to the Financial Statements, which provide critical details on information contained within the report.
- 3) **REQUIRED SUPPLEMENTARY INFORMATION** This section provides budgetary compliance information and valuable pension schedules which have been omitted from the Government-wide Financial Statements, but which information is indispensable in evaluating financial condition.
- 4) **COMBINING FINANCIAL STATEMENTS.** This section provides combining statements on internal service fund activity which has been eliminated in the Basic Financial Statements, as well as combining statements for the Town's Special Revenue and Fiduciary Funds.

The reader is encouraged to carefully read each section, including the MD&A which provides key highlights and valuable analysis of the report.

#### **Acknowledgments**

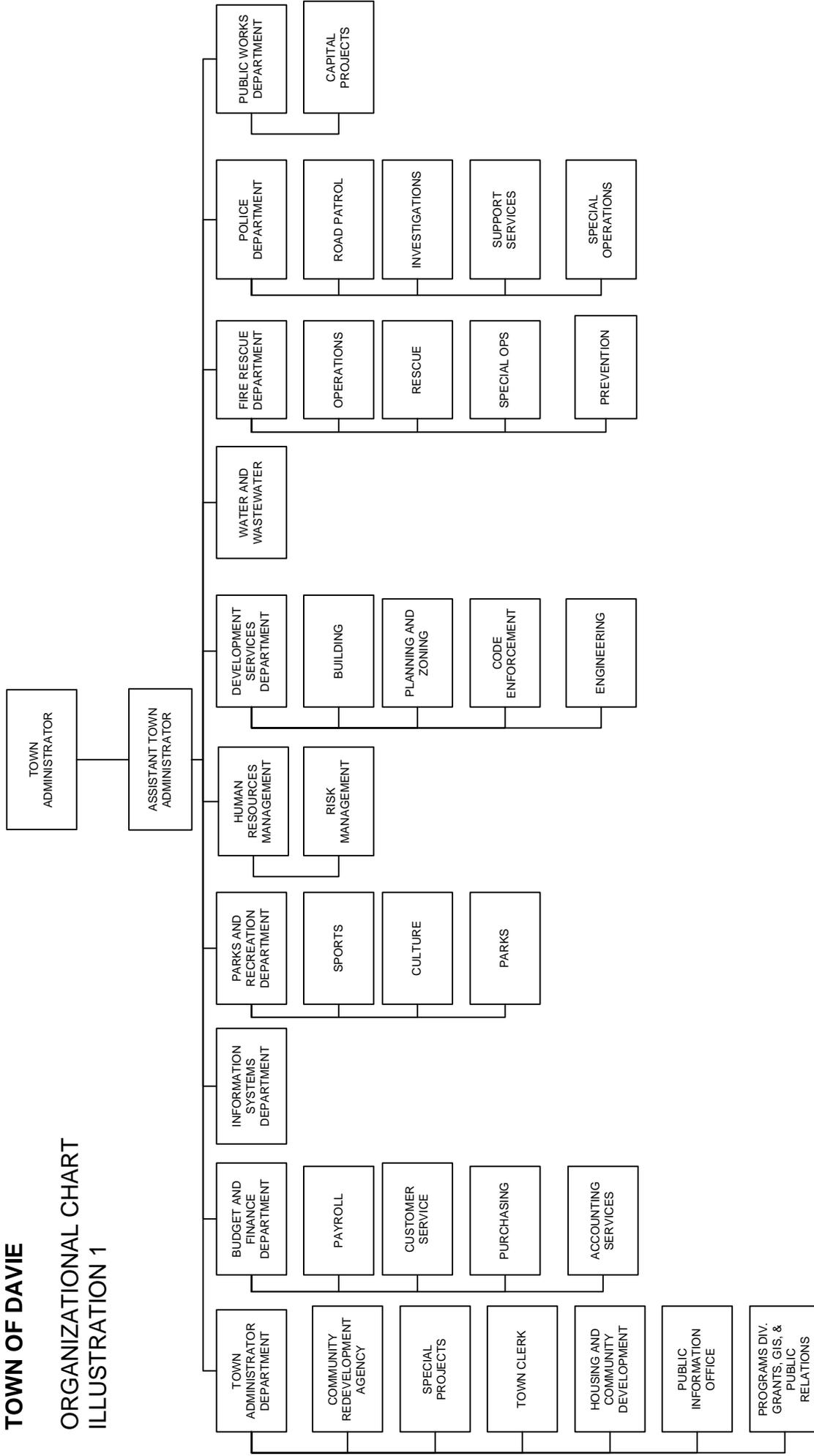
We greatly appreciate the time and effort expended in the preparation of this report by our Budget and Finance Department staff. We feel very fortunate that the majority of our staff has been with us for a very long time and that they care very much about their work and what it means to our community. Without their daily efforts, our work in preparing this document would be a much greater burden. We hope that you are as proud of them as we are and we cannot begin to express to you how indispensable they are to us and to you. They have our utmost confidence and they take their work seriously and display genuine professionalism. They are what we would hope all government employees should be. We would like express our thanks for the cooperation received from our independent auditors, Grau & Associates, and thank the Town Council for their interest and support in planning and conducting the financial operations of the Town.

  
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Gary Shimun, Town Administrator

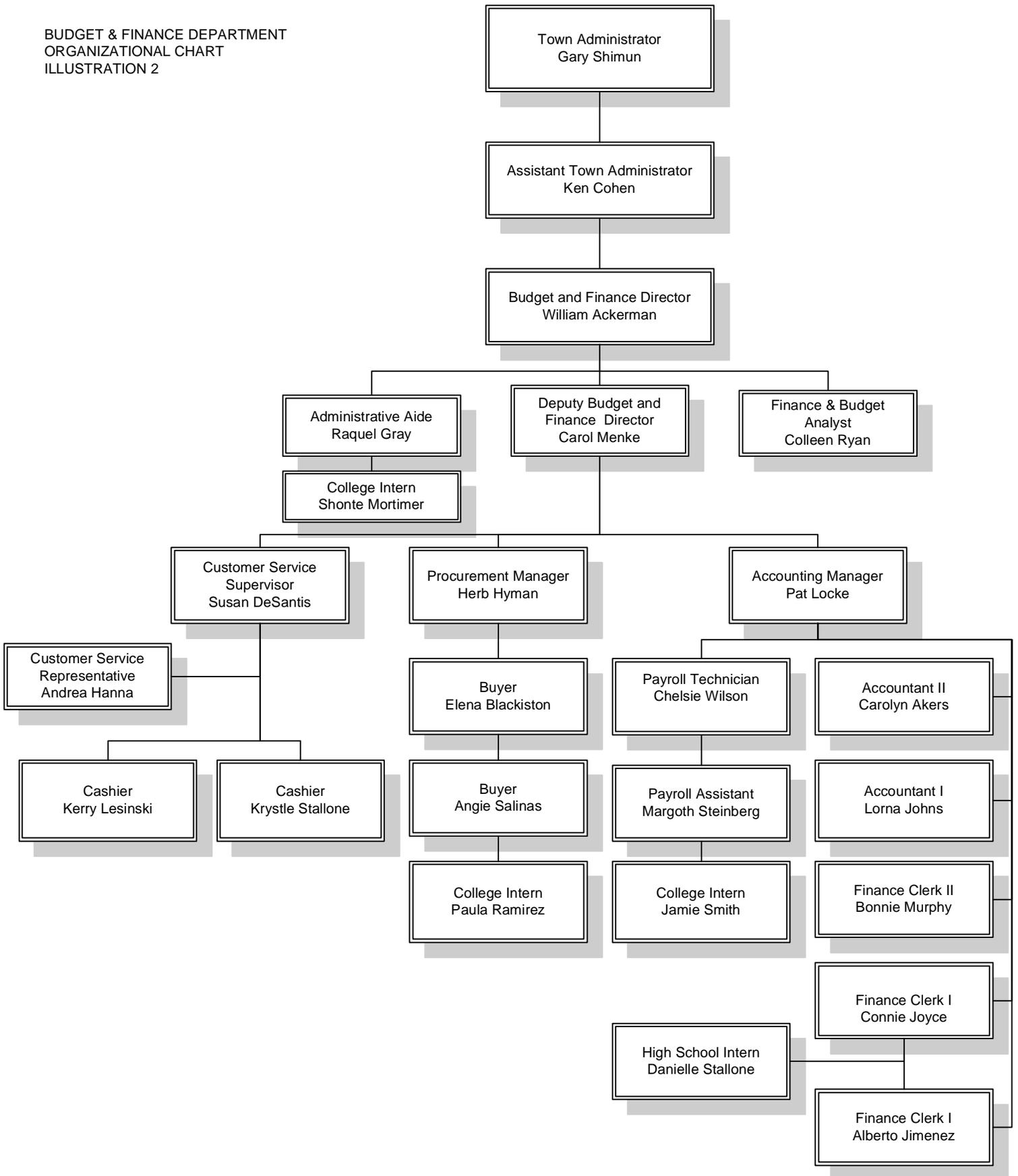
  
\_\_\_\_\_  
William Ackerman, Budget and Finance Director

# TOWN OF DAVIE

## ORGANIZATIONAL CHART ILLUSTRATION 1



BUDGET & FINANCE DEPARTMENT  
 ORGANIZATIONAL CHART  
 ILLUSTRATION 2



**TOWN OF DAVIE, FLORIDA**  
**LIST OF PRINCIPAL OFFICIALS**

**2005-2006 Town Council**

Tom Truex	Mayor
Michael Crowley	Vice Mayor
Bryan Caletka	Councilmember
Judy Paul	Councilmember
Susan Starkey	Councilmember

**Administrative Officials**

Gary Shimun	Town Administrator
Ken Cohen	Assistant Town Administrator
William Ackerman	Budget & Finance Director
Marcie Nolan	Acting Development Service Director
Joe Montopoli	Fire Chief
Frank Apicella	Information Systems Director
Dennis Andresky	Parks and Recreation Director
Patrick Lynn	Police Chief
Bonnie Stafiej	Special Projects Director
Russell Muniz	Town Clerk
Bruce Taylor	Utilities Director
Manny Diez	Public Works/Capital Projects Director
Shirley Taylor-Prakelt	Housing and Community Development Director
William Allen	Redevelopment Administrator
John Rayson	Town Attorney
Grau & Associates	Town Auditors

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**FINANCIAL SECTION**

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor, Town Council and Town Administrator  
Town of Davie, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Davie, Florida (the Town) as of and for the year ended September 30, 2006, which, collectively, comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Davie Police Employees Pension Trust Fund or the Town of Davie Firefighters' Pension Plan. The Police Employees Pension Trust Fund and the Firefighters' Pension Plan, which together represent 88% of the assets and 83% of the revenues of the fiduciary fund totals, are included in the fund financial statements. Those financial statements were audited by other independent auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Davie Police Employees Pension Trust Fund and the Firefighters' Pension Plan, are based solely on the reports of the other independent auditors. The financial statements of the Town of Davie Police Employees Pension Trust Fund and the Firefighters' Pension Plan were not audited in accordance with *Government Auditing Standards*.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinions, based on our report and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 24, 2008 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an internal part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Honorable Mayor, Town Council and Town Administrator  
Town of Davie, Florida  
Page Two

Management's Discussion and Analysis and the required supplementary information identified in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by accounting standards generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying information identified in the table of contents as combining financial statements are presented for purposes of additional analysis and is not a required part of the basic financial statements. Similarly, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion thereon.



March 24, 2008

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## **Management's Discussion and Analysis**

The Town of Davie's management discussion and analysis (MD&A) is designed to provide an objective and easy to read analysis of the Town's financial activities based on currently known facts, decisions, or conditions. It is intended to provide a broad overview on short-term and long-term analysis of the Town's activities based on information presented in the financial report and fiscal policies that have been adopted by the Town. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

This is the eighth year that the Town has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement Number 34 — *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* (Statement 34). As noted later in this report, infrastructure reporting has not yet been implemented, as allowed under the implementation provisions of Statement 34. The Town expects to have infrastructure reporting added in the FY2007 report.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The reader of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplemental Information (RSI) that is provided in addition to this MD&A.

The Town feels an obligation to its financial statement readers to disclose that during the fiscal year, an internal review uncovered inappropriate expenditures authorized by the Town's then Town Administrator. The Town subsequently terminated the employment of the Town Administrator and criminal proceedings against the former Town Administrator related to this matter are still pending. Of the \$430 thousand in questioned expenditures, the Town recovered \$429 thousand through the Town's insurance policies. The Town also subsequently went through a forensic audit and an internal control audit and no other material matters were discovered during these audits.

### **Understanding the Basic Financial Statements**

GASB Statement 34 represents a monumental change from the way in which government financial statements are recorded and presented. It now provides for the first time a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a combined overview of the Town's financial position and result of operations eliminating interfund activities and "other people's money" such as pension funds, which can mislead users when incorporated in a combined manner. The Government-wide Financial Statements also differentiate between Governmental and Business-type Activities, further assisting the reader in their evaluation.

The new reporting model requires the use of accrual accounting (which focuses on economic resources) at the top most level, while maintaining modified accrual accounting (which focuses on current financial resources —budgeted resources) at the individual fund level. This is an important change in governmental accounting. For the first time, the impact of long-term financial decisions can be more properly matched to the period in which the expense or revenue is more properly attributed. In short, more fairness in presentation is achieved and the impacts of long-term decisions are promptly recorded as the transactions occurred, as opposed to the traditional method of recording them when the bill is paid. A good example of this is the recording of compensated absences such as vacation time. Heretofore, this time was "expensed" as paid, not when earned. As a result, employees could accrue hundreds or thousands of hours in the past without that expense being attributed to the taxpayers who benefited from those employees services. Future taxpayers would be stuck with the bill when the employees left, but they would not have benefited from those employee's services. This is but one of many examples of "expenses" that have traditionally not been matched to the period of benefit. As a result, poor decision making can occur and problems may not be identified in a timely manner.

Readers who want to know about “budgetary performance” will find that information available to you in the required supplementary information following the notes to the financial statements. This new reporting model provides more useful and relevant information than in prior years. An overview discussion of the different sections of this new reporting model follows.

### **Government-Wide Financial Statements**

The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities. Both statements represent an overview of the Town as a whole, separating its operations between Governmental and Business-type activities. All information is presented utilizing the economic resources measurement focus and accrual basis of accounting. This method better matches revenues and expenses to the period in which the revenue is earned and the expense attributed. The Town’s Community Redevelopment Agency is shown as a blended component unit. Fiduciary funds, such as pension trust funds, are precluded from these Government-wide Financial Statements because they represent money and funds legally set aside for use by the employee groups they benefit. Their assets and income do not flow through these statements, nor are the liabilities for which taxpayers may ultimately be responsible included. Though Florida law requires municipalities to fund pension plans on an actuarially sound basis, it is important for the reader to study the Fund Financial Statements (as explained in the following section) as well as the footnotes and statistical sections of this report. Also combined into the Government-wide Financial Statements are the Internal Service Funds of the Town.

The focus of the Statement of Net Assets (the “Unrestricted Net Assets”) is designed to be similar to a bottom line for the Town and its governmental and business-type activities. This statement, for the first time, combines and consolidates governmental fund’s current financial resources (short-term spendable resources) with capital assets (note: infrastructure will be added at a later date, see “Infrastructure Assets” below) and long-term obligations.

The Statement of Activities is focused on both the gross and net cost of various activities (including governmental, business-type and component unit), which are provided by the government’s general tax and other revenues. This is intended to summarize and simplify the user’s analysis of cost of various governmental services and the local taxing effort necessary to sustain each of those activities.

### **Fund Financial Statements**

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The Governmental Funds presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statements allow the demonstration of sources and uses and/or budgeting compliance associated therewith. The Fund Financial Statements also allow the government to address its Fiduciary (or Trust) Funds summarized by type (pension, investment, private purpose trusts and agency funds). While these Funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the Government-Wide Financial Statements. While the Total column on the Business-type Fund Financial Statements is the same as the Business-type column on the Government-Wide Financial Statements, after adjusting for internal service funds, the Governmental Funds Total column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement. The flow of current financial resources will reflect bond proceeds and interfund transfers as other financial sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations (bonds and others) into the Governmental Activities column (in the Government-wide statements).

## **Infrastructure Assets**

While the Town elected to early implement the major model portions of GASB Statement 34 (for 1998/99 versus 2003/04), the Town deferred implementing the infrastructure portion related to general governmental activities until ready to address the valuation of infrastructure assets. Historically, governmental fixed assets, particularly infrastructure assets, have only been accounted for using the current financial resources (budgeted resources) method, and have not been expensed annually through depreciation or accounted for otherwise, the Town expects to spend tremendous effort to build this information and properly account for it. The Town has spent several million dollars over the last few years, with significant reservations of fund balances in the General Fund earmarked for even more improvements. While repairs, reconditioning, and replacement of certain assets is likely to be needed after this implementation, we feel that, for the most part, the Town's infrastructure assets are in good condition with funding sources continually earmarked for these specific purposes.

## **Analysis of The Overall Financial Position and Results of Operations**

In evaluating the financial position and short-term financial performance of the Town, two tools are particularly valuable: The Statement of Net Assets and the Statement of Activities.

It is useful for the reader to compare the current year with the prior year. This aids in spotting trends and other areas of concern or interest. For ease of relative comparisons, we include the percent change from one year to another (Table 1 below).

We would like to note for the reader that this particular year to year comparison will be skewed by two unusual, significant, and unrelated events that each greatly impacted the Town's finances in fiscal year 2006. The first event was Hurricane Wilma which struck South Florida in October 2005. Hurricane Wilma caused widespread damage across the Town and resulted in millions of dollars being spent by our Public Works Department for debris removal. These recovery expenses were then eligible for reimbursement through the Federal Emergency Management Agency (FEMA) and State disaster programs. Secondly, the Town issued two voter approved general obligation bond issues during the fiscal year totaling \$41.5 million.

## **Statement of Net Assets**

Net Assets of the Town represents the difference between Assets and Liabilities of the Town using the economic resources measurement focus and accrual basis of accounting. Had the Town accounted for its infrastructure assets, Net Assets Invested In Capital Assets, Net of Related Debt, would have been significantly higher.

In general terms, the Town's Total Assets increased 24%, despite the decrease in the business-type activities. A greatly reduced rate structure, wherein rates were reduced 28% to customers of the Town's Water and Sewer system, was adopted by the Town in a prior fiscal year and continues to place significant financial pressure on the system.

The Governmental Activities of the Town saw a 62% increase in Current and Other Assets while the current liabilities of those activities decreased 11%. Capital Assets increased by 6%, net of accumulated depreciation. Total Liabilities increased 56% from the prior year. Unreserved unrestricted Net Assets now stand at \$32.1 million, an \$8.1 million increase from the previous year. The primary reason for the large increase in both Current Assets and Long Term Liabilities was the inflow of \$41.5 million during the fiscal year from two new general obligation long term debt issuances.

Business-type activities, the Town's Water and Sewer system, showed a slight decrease in both Capital Assets and Total Assets. Current Liabilities increased by 8% while Total Liabilities decreased by about 1%. Net Assets Invested in Capital Assets, Net of Related Debt, decreased by 19%. Renewal and Replacement (R&R) decreased by about 6%. This represents funds immediately available for system improvements. The Total Net Assets for the Business-type Activities decreased 1% from the prior year. The reduced rates charged to customers have negatively impacted the system, but not to the point where

it is in peril or would require subsidization from other sources. The Town has started to plan for future rate increases to adequately fund operations as well as support the capital improvements necessary for system growth.

On a Total Government basis, Current Assets increased by 47% while current liabilities decreased by 8%. The Town is able to meet its short-term obligations. Total Net Assets increased by 9% for the year.

Table 1

**Comparative Net Assets Table**

Stated in Thousands

	Governmental Activities			Business Type Activities			Total Government		
	2006	2005	Change	2006	2005	Change	2006	2005	Change
<b>Assets</b>									
Current and Other	\$107,749	\$66,606	62%	\$22,877	\$22,384	2%	\$130,626	\$88,990	47%
Capital Assets, Net	89,011	83,705	6%	18,593	19,390	-4%	107,604	103,095	4%
<b>Total Assets</b>	<b>196,760</b>	<b>150,311</b>	<b>31%</b>	<b>41,470</b>	<b>41,774</b>	<b>-1%</b>	<b>238,230</b>	<b>192,085</b>	<b>24%</b>
<b>Liabilities</b>									
Current	11,021	12,352	-11%	1,923	1,778	8%	12,944	14,130	-8%
Long Term									
Due Within 1 Year	5,195	4,096	27%	1,262	1,238	2%	6,457	5,334	21%
Due in More than 1 Year	87,057	49,752	75%	15,489	15,813	-2%	102,546	65,565	56%
<b>Total Liabilities</b>	<b>103,273</b>	<b>66,200</b>	<b>56%</b>	<b>18,674</b>	<b>18,829</b>	<b>-1%</b>	<b>121,947</b>	<b>85,029</b>	<b>43%</b>
<b>Net Assets</b>									
Invested in Capital									
Assets, Net	40,693	36,855	10%	2,190	2,694	-19%	42,883	39,549	8%
Restricted									
Renewal and Repl.	-	-	-	2,895	3,079	-6%	2,895	3,079	-6%
Capital projects	3,045	4,749	-36%	678	838	-19%	3,723	5,587	-33%
Debt service	1,213	1,052	15%	-	-	-	1,213	1,052	15%
Open space	1,478	1,522	-3%	-	-	-	1,478	1,522	-3%
Law enforcement	267	422	-37%	-	-	-	267	422	-37%
Impact Fees	2,636	2,532	4%	-	-	-	2,636	2,532	4%
Community Redevelop.	2,198	3,810	-42%	-	-	-	2,198	3,810	-42%
Development Related	9,709	8,988	8%	-	-	-	9,709	8,988	8%
Road resurfacing	148	148	0%	-	-	-	148	148	0%
Unreserved Unrestricted	32,100	24,033	34%	17,033	16,334	4%	49,133	40,367	22%
<b>Total Net Assets</b>	<b>93,487</b>	<b>84,111</b>	<b>11%</b>	<b>22,796</b>	<b>22,945</b>	<b>-1%</b>	<b>116,283</b>	<b>107,056</b>	<b>9%</b>

**Statement of Activities**

Although activities in the Town (Table 2 below) reflected growth in overall revenues over the prior year of 19%, total Town expenses reflect an overall increase of 30%. The Statement of Activities illustrates some particular areas that need to be further discussed.

The Governmental Activities represent the lion's share of all activity within the Town reflecting the Town's growing character. The Business-type Activities represents the Water and Sewer operations of the Town and show a stagnant posture. Again this reflects the results of reducing utility rates by 28% several years ago.

Program revenues decreased by 17% in the Governmental Activities. Although the Town benefited from a 9% increase coming from direct charges to users of specific services, this was overcome by a decline in

operating grants of 7% and a decline in capital grants of 95%. The capital grants decline was anticipated since the Town had been fortunate enough to receive one time grants of approximately \$6.2 million in fiscal year 2005 to assist with the acquisition of three separate park parcels which enhanced the Town's open space program.

Governmental Activities General Revenues increased by about 40% overall, with the largest percentage increases, 173% and 121%, coming from Grants and Investment Income respectively. As mentioned earlier, these variances are directly related to Hurricane Wilma and the investment of bond proceeds, as well as rising interest rates. Even with a slight reduction in the operating millage rate the Town has collected additional revenues as taxable values have increased, through both new construction and price appreciation. Franchise fees also improved by 18%.

The Business Activities of the Town had a modest year as Total Revenues increased only 2%, largely attributed to higher developers' contributions for connections to our system, up 50% from the prior year.

Table 2  
Comparative Statement of Activities  
Stated in Thousands

	Governmental Activities			Business Type Activities			Total Government		
	2006	2005	Change	2006	2005	Change	2006	2005	Change
<b>Revenues:</b>									
Program Revenues									
Charges for Services	\$20,361	\$18,739	9%	\$7,544	\$7,834	-4%	\$27,905	\$26,573	5%
Operating Grants and Contributions	3,715	3,998	-7%	-	-	-	3,715	3,998	-7%
Capital Grants and Contributions	354	6,738	-95%	1,023	682	50%	1,377	7,420	-81%
<b>Total Program Revenues</b>	<b>24,430</b>	<b>29,475</b>	<b>-17%</b>	<b>8,567</b>	<b>8,516</b>	<b>1%</b>	<b>32,997</b>	<b>37,991</b>	<b>-13%</b>
<b>General Revenues</b>									
Property Taxes, Operating	32,203	27,580	17%	-	-	-	32,203	27,580	17%
Property Taxes, Debt Service	2,597	2,587	0%	-	-	-	2,597	2,587	0%
Utility Taxes	10,157	9,730	4%	-	-	-	10,157	9,730	4%
Franchise Fees	9,349	7,894	18%	-	-	-	9,349	7,894	18%
Unrestricted Grants and Contributions	22,915	8,394	173%	-	-	-	22,915	8,394	173%
Investment Income	3,963	1,797	121%	695	561	24%	4,658	2,358	98%
Miscellaneous	920	821	12%	10	-	-	930	821	13%
Transfers	-	29	-100%	-	-29	100%	-	-	-
<b>Total General Revenue</b>	<b>82,104</b>	<b>58,832</b>	<b>40%</b>	<b>705</b>	<b>532</b>	<b>33%</b>	<b>82,809</b>	<b>59,364</b>	<b>39%</b>
<b>Total Revenues</b>	<b>106,534</b>	<b>88,307</b>	<b>21%</b>	<b>9,272</b>	<b>9,048</b>	<b>2%</b>	<b>115,806</b>	<b>97,355</b>	<b>19%</b>
<b>Program Expenses</b>									
General Government	8,319	8,079	3%	-	-	-	8,319	8,079	3%
Development Services	7,994	6,817	17%	-	-	-	7,994	6,817	17%
Engineering	820	780	5%	-	-	-	820	780	5%
Public Works	22,709	6,538	247%	-	-	-	22,709	6,538	247%
Police	28,488	25,788	10%	-	-	-	28,488	25,788	10%
Fire Rescue	19,954	17,001	17%	-	-	-	19,954	17,001	17%
Parks and Recreation	6,405	6,441	-1%	-	-	-	6,405	6,441	-1%
Interest	2,469	1,422	74%	-	-	-	2,469	1,422	74%
Water and Sewer	-	-	-	9,421	9,104	3%	9,421	9,104	3%
<b>Total Expenses</b>	<b>97,158</b>	<b>72,866</b>	<b>33%</b>	<b>9,421</b>	<b>9,104</b>	<b>3%</b>	<b>106,579</b>	<b>81,970</b>	<b>30%</b>
Change in Net Assets	9,376	15,441	-39%	-149	-56	-166%	9,227	15,385	-40%
Net Assets, October 1	84,111	68,670	22%	22,945	23,001	0%	107,056	91,671	17%
<b>Net Assets, September 30</b>	<b>93,487</b>	<b>84,111</b>	<b>11%</b>	<b>22,796</b>	<b>22,945</b>	<b>-1%</b>	<b>116,283</b>	<b>107,056</b>	<b>9%</b>

Program Expenses in the Governmental Activities increased by 33% overall, with the largest percentage increases coming from Public Works, 247%, and Interest, 74%. The only department which showed a reduction, a modest 1% decrease, in Program Expenses was Parks and Recreation.

Program Expenses in Business-type Activities increased slightly by 3% overall. As for the Water and Sewer operations, rate reductions have made operations in the Water and Sewer system financially tight and the Town has had to be very careful in the daily expenses incurred on behalf of the system.

Overall, Net Assets increased by about 9% for the year, with an 11% increase noted for Governmental Activities.

Although expenses within the Town increased significantly during this past year, the increase is largely attributed to the debris cleanup cost associated with Hurricane Wilma. Over \$15 million was spent directly on debris removal. Fortunately for the Town, the Federal and State governments funded the bulk of that burden, reimbursing the Town through FEMA programs. Much of the more routine expenditure growth has been masked by the availability of increased revenues associated with the increased taxable values of property located within the Town.

## **Individual Fund Performance**

### **Governmental Funds**

In the General Fund, the Town's revenues exceeded its expenditures by more than \$5.4 million. Fund Balance increased by about \$3.3 million, primarily in undesignated Fund Balance. Further, discussion on the particulars will be found below in the Analysis of Significant Budget Variations.

The Community Redevelopment Agency had a decrease in their Fund Balance of about \$1.6 million because of spending over \$3.8 million on capital outlay during the fiscal year. Close to \$3 million of that capital outlay expenditure was spent on the acquisition of property within the redevelopment area. This fund is beginning to show tremendous potential because of the increased values now occurring with the defined area.

The Community Endowment Fund increased by about \$328 thousand in Fund Balance. The amount available in this fund for Community Obligations now stands at just over \$2.9 million.

The Capital Projects Fund provided projects of about \$7.8 million to the community this year, compared with \$9.1 million in the previous year. This continues a decade long capital improvements program that has largely been financed with long-term debt. Much of the activity for the year resulted from projects associated with the Fire Department's construction of a new fire station, a new fire administration building and acquisition of new rescue units.

The Vehicle Maintenance Fund added just under \$766 thousand to the Net Assets of that fund. In a recent prior year, the Town utilized a large portion of the unrestricted net assets of this fund to construct a desperately needed fleet maintenance facilities and expand fleet vehicles. Vehicle charge rates to departments have not changed from the prior year. The new garage facility is complete and all of the funding came from the unrestricted net assets of the fund which was sufficient to cover all anticipated outlays without affecting working capital needs.

The Self-Insurance Fund added about \$832 thousand to its Net Assets, again improving this funds ability to handle larger losses and assume more risk if, actuarially, that proves more financially attractive to the Town. Claims expense was not as great as anticipated either actuarially or realized. Fund Net Assets stand at about \$8.8 million.

The Information Systems Fund added over \$513 thousand to its Net Assets, increasing it to \$1.8 million. This fund had not been accumulating enough resources to sustain its operations and so contributions from other funds were increased in the prior fiscal year and remained at the higher level in fiscal year

2006. Without those increases, the Town's planned improvements to information systems will not be able to be accommodated from within this fund.

The Building Maintenance Fund, the youngest of all the Town's internal service funds, added about \$404 thousand. The total Net Assets of this fund now stand at about \$1.2 million. It will still take several more years for this fund to accumulate the capital necessary to adequately address the Town's facility needs.

The use of these funds has served to insulate recurring capital replacement needs from the volatile budgetary process. As a result, the Town's needs for vehicles, information systems, and building component replacement and maintenance have been adequately addressed. Management of these oft-neglected needs has been very effective.

### **Business-type Activities**

The Town's Water and Sewer system suffered an Operating Loss of about \$111 thousand that resulted in a primary Net Revenue Bond Coverage of 0.61x, and a Pledged Revenue Coverage of 2.64x, a reduction from the prior year's Net Revenue Bond Coverage of .79x. Rates in the system have been predicated on coverage of 1.15x, with the legal requirement being 1.10x. In FY98, the Town lowered its Water and Sewer rates by 28% as a matter of public policy. The Town's practice has been to provide this service in a quality manner at an affordable price and not to make "excessive" profits. Coverage prior to the rate reduction had been approaching 2.0x. Net Assets, Unrestricted, in the fund are about \$15.9 million. Because coverage is below the requirement, constant management of the financial operations is required as well as planning for a future rate increase to bring the coverage ratio back into compliance.

### **Fiduciary Funds**

The Town's pension funds posted increases of over \$10.6 million to the net assets of the plans. The combined fair market value of the plans' holdings is \$97.8 million as of September 30. The Net Assets held for Pension Benefits of the various trusts total about \$90.7 million. The Town anticipates that it will continue to see sizable increases in its required contributions to the plans due to the previous enhancements to benefits for both the Police and Fire plans.

### **Analysis of Significant Budget Variations**

Budget variance reporting is only included for the General Fund and the Community Endowment Fund. Summarized below are the significant variances accompanied by an explanation:

- Franchise Taxes, Favorable \$2.0 million variance. Attributed to higher than anticipated franchise revenue from both FP&L for electricity and Waste Management for solid waste.
- Miscellaneous Revenue, Unfavorable \$3.5 million variance. Attributed primarily to over \$2.5 million in budgeted revenues for solid waste special assessment receipts which were reclassified out of revenue for the portion which was simply passed through to Waste Management and to over \$500 thousand in budgeted joint project revenues which were not realized.
- Town Administration, Operating Expenditures, Favorable \$1.7 million variance. Associated with the corresponding budgeted expenditure for solid waste assessment payments which were similarly reclassified out of expenditures for the portion passed through to Waste Management.
- Development Services, Personnel Services, Favorable \$1.2 million variance. Variance due to vacancies held open in both the Planning & Zoning and Building Divisions.
- Fire Department, Personnel Services, Favorable \$2.6 million variance. Attributed to vacancies held open since positions were not needed as soon as had been anticipated in the budget.
- Public Works, Operating Expenditures, Unfavorable \$873 thousand variance. Attributed to trash removal charges related to Hurricane Wilma.
- Other Financing Sources, Transfers Out, Unfavorable \$2.2 million variance. Attributed to transfers to the Capital Projects Fund for the flow through of bond proceeds to fund capital projects in process.
- Other Financing Sources, Use of Prior Year Fund Balance, Favorable \$2.4 million variance. Attributed to appropriation of prior year fund balance which did not need to be used based on actual revenues and expenditures.

## **Significant Capital Assets and Long-Term Debt Activity**

As a policy, debt is issued as part of a long-term financing mechanism for almost all capital projects or significant capital outlay items. The variable rate portion of the debt portfolio is designed to lessen interest rate risk by hedging against variable rate investments. Fixed rate debt is also included in the portfolio when the Town believes the rates are relatively low and that it's in the Town's best interest to lock in a rate. During the year, the Town issued two voter approved general obligation long-term debt issues. Combined the two issues were for \$41.5 million. The first was a \$25 million limited general obligation bond for Open Space and park enhancements. The second was a \$16.5 million general obligation bond for Fire Department facilities and equipment. During the year, the Town retired approximately \$4.0 million in outstanding debt.

The Town spent approximately \$11.8 million in Governmental Funds on Capital Assets. About \$646 thousand in new Capital Assets was provided for in the Water and Sewer system, and also in advance of other planned improvements in the near term. This amount does not include significant amounts spent on repairs and maintenance but which do not qualify for categorization as a Capital Asset.

Capital Contributions from developers in the Water and Sewer system amounted to about \$1 million, representing mostly contributions-in-aid of construction.

## **Economic Factors and Next Year's Budget**

In the conduct of municipal government, various lawsuits, commitments, and contingencies will arise. Significant disclosure of these items appear in the accompanying footnotes to this report.

Florida has many limiting measures on residential property taxes, and all affect the Town. The first \$25,000 of assessed value is exempt from taxation on homestead property. Additionally, homeowners over age 65 and who have income less than \$20,000 are able to avoid taxes on the next \$25,000 of assessed value. Florida's Constitution further limits taxable values on homestead property through the Save Our Homes amendment. Homestead property is limited to a maximum 3% increase in assessed value per year, or less if inflation is less. Davie is almost two-thirds residential in character and much of the new housing stock is being built at the high end of the market. That part of the Town's tax base will not grow as quickly as the Town's budget. Subsequent to the fiscal year end the State imposed additional taxation restrictions which will negatively impact the Town's financial position in future years.

Additionally, the Town has a Community Redevelopment Agency that is making improvements on the east-side of the Town. This Agency encompasses an area which has most of the industrial lands within the Town. The growth in this area's tax base will benefit the Component Unit and not the Governmental Activities of the Town, restricting the Town's revenue growth potential even further.

During fiscal year 2006, the Town annexed one remaining enclave. This addition may provide some breathing room against these budget pressures. However, the Town is in need of better land use mixes in its tax base to overcome these obstacles.

The Town has, over the years, implemented meaningful leave time caps for its employees, except in its two most expensive sources: Police and Fire.

Significant pressure has been and will continue to be felt by the public employee bargaining groups to improve pay, benefits, and working conditions. Most employee bargaining groups are politically active and the Town has historically approved significant increases in pay, benefits, and working conditions. This has exerted and will continue to inflate costs at a pace which exceed the growth in the revenue to pay for those costs.

The Town is located within Broward County in South Florida. The area has seen substantial growth in the last few years. Davie is a desirable location for both residences and businesses. However, the "leading indicators" of growth, such as platting of parcels of lands, site plans of lands, requested land use and zoning changes, have slowed, indicating the outlook for continued growth is not as favorable as in the

past few years. The Town is very heavily weighted towards residential properties and the mix of land use could be a problem in the future. The Town currently levies about half its legally available millage rate.

The Town's fiscal year 2006 budget reflects a slightly reduced operating millage rate in keeping with the Town's tax stability plan. Because of continued development and increases in other revenue sources to the Town, the Town was able to budget for an increase in expenditures on public safety departments in fiscal year 2006 while still reducing the millage rate.

### **Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Town of Davie, Budget and Finance Department at 6591 Orange Drive, Davie, Florida, 33314, or call (954) 797-1050.

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## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF DAVIE**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2006**

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Pooled cash and cash equivalents	\$ 91,857,595	\$ 15,925,952	\$ 107,783,547
Investments	4,815,020	-	4,815,020
Receivables, net	10,295,882	1,687,678	11,983,560
Prepaid items	209,219	-	209,219
Inventory	48,495	173,298	221,793
Restricted pooled cash and cash equivalents	-	3,903,755	3,903,755
Restricted receivables	-	677,785	677,785
Other assets	-	509,098	509,098
Deferred charges	522,881	-	522,881
Capital assets not being depreciated	34,657,992	1,042,324	35,700,316
Capital assets, net of accumulated depreciation	54,353,078	17,550,363	71,903,441
Total assets	\$ 196,760,162	\$ 41,470,253	\$ 238,230,415
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 7,924,884	\$ 440,683	\$ 8,365,567
Deferred revenue	1,022,084	-	1,022,084
Other liabilities	1,369,116	-	1,369,116
Deposits	-	1,009,315	1,009,315
Accrued interest	704,881	473,515	1,178,396
Noncurrent liabilities:			
Due within one year	5,195,168	1,262,166	6,457,334
Due in more than one year	87,056,444	15,488,815	102,545,259
Total liabilities	103,272,577	18,674,494	121,947,071
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	40,693,302	2,190,050	42,883,352
Restricted for:			
Renewal and replacement and rate stabilization	-	2,894,440	2,894,440
Capital projects	3,045,000	677,785	3,722,785
Debt service	1,213,000	-	1,213,000
Community redevelopment agency	2,197,893	-	2,197,893
Police impact fees	1,930,554	-	1,930,554
Fire impact fees	705,313	-	705,313
Open space program	1,477,859	-	1,477,859
Law enforcement forfeitures	267,495	-	267,495
Development services - building	7,089,865	-	7,089,865
Development services - engineering	2,619,390	-	2,619,390
Road resurfacing Orange Drive	147,500	-	147,500
Unrestricted	32,100,414	17,033,484	49,133,898
	\$ 93,487,585	\$ 22,795,759	\$ 116,283,344

See notes to basic financial statements

**TOWN OF DAVIE, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2006**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 8,318,869	\$ 3,165,078	\$ 520,766	\$ -	\$ (4,633,025)	\$ -	\$ (4,633,025)
Development services	7,993,682	7,616,567	265,408	270,002	158,295	-	158,295
Engineering	819,855	-	-	-	(819,855)	-	(819,855)
Public works	22,709,233	45,185	1,526,042	70,461	(21,067,545)	-	(21,067,545)
Police	28,488,115	851,248	812,767	-	(26,824,100)	-	(26,824,100)
Fire rescue	19,953,922	7,896,822	108,548	-	(11,948,552)	-	(11,948,552)
Parks and recreation	6,405,171	785,613	481,845	13,802	(5,123,911)	-	(5,123,911)
Interest on long-term debt	2,468,524	-	-	-	(2,468,524)	-	(2,468,524)
Total governmental activities	97,157,371	20,360,513	3,715,376	354,265	(72,727,217)	-	(72,727,217)
<b>Business-type activities:</b>							
Water and sewer	9,420,619	7,543,916	-	1,022,514	-	(854,189)	(854,189)
Total business-type activities	9,420,619	7,543,916	-	1,022,514	-	(854,189)	(854,189)
Total	106,577,990	27,904,429	3,715,376	1,376,779	(72,727,217)	(854,189)	(73,581,406)
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes, levied for general purposes					32,202,981	-	32,202,981
Property taxes, levied for debt service					2,596,948	-	2,596,948
Utility taxes					6,009,394	-	6,009,394
Communications services tax					4,147,917	-	4,147,917
Franchise fees on gross receipts					9,349,390	-	9,349,390
Grants and contributions not restricted to specific programs					22,914,871	-	22,914,871
Unrestricted investment earnings					3,962,783	695,446	4,658,229
Miscellaneous					919,531	10,000	929,531
Total general revenues and transfers					82,103,815	705,446	82,809,261
Change in net assets					9,376,598	(148,743)	9,227,855
Net assets, October 1					84,110,987	22,944,502	107,055,489
Net assets, September 30					\$ 93,487,585	\$ 22,795,759	\$ 116,283,344

See notes to basic financial statements

**TOWN OF DAVIE, FLORIDA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2006**

	General	Community Endowment	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
<u>ASSETS</u>					
Pooled cash and cash equivalents	\$ 36,707,790	\$ 4,214	38,399,179	\$ 2,379,887	\$ 77,491,070
Investments	-	4,815,020		-	4,815,020
Receivables:					
Property taxes, net	346,127	-	-	-	346,127
Utility and franchise taxes, net	2,144,797	-	-	-	2,144,797
Roadway assessment	15,582	-	-	-	15,582
Other	1,192,322	-	-	-	1,192,322
Due from other governments	6,526,075	-	2,496	43,394	6,571,965
Due from other funds	1,939,040	-	-	-	1,939,040
Prepaid items	9,381	-	-	-	9,381
Total assets	<u>\$ 48,881,114</u>	<u>\$ 4,819,234</u>	<u>\$ 38,401,675</u>	<u>\$ 2,423,281</u>	<u>\$ 94,525,304</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 5,514,865	\$ 4,214	\$ 857,047	\$ 189,070	\$ 6,565,196
Other liabilities	1,316,590	-	-	-	1,316,590
Deferred revenue	2,661,188	-	-	-	2,661,188
Due to other funds	-	1,902,722	-	36,318	1,939,040
Due to pension plan	52,526	-	-	-	52,526
Total liabilities	<u>9,545,169</u>	<u>1,906,936</u>	<u>857,047</u>	<u>225,388</u>	<u>12,534,540</u>
Fund balances:					
Reserved for:					
Capital projects	3,045,000	-	37,544,628	-	40,589,628
Debt service	1,213,000	-	-	-	1,213,000
Encumbrances	2,033,877	-	-	-	2,033,877
Community redevelopment agency	-	-	-	2,197,893	2,197,893
Police impact fees	1,930,554	-	-	-	1,930,554
Fire impact fees	705,313	-	-	-	705,313
Open space program	1,477,859	-	-	-	1,477,859
Law enforcement forfeitures	267,495	-	-	-	267,495
Development services - building	7,089,865	-	-	-	7,089,865
Development services - engineering	2,619,390	-	-	-	2,619,390
Road resurfacing Orange Drive	147,500	-	-	-	147,500
Unreserved					
Designated for community obligations	-	2,912,298	-	-	2,912,298
Undesignated	18,806,092	-	-	-	18,806,092
Total fund balances	<u>39,335,945</u>	<u>2,912,298</u>	<u>37,544,628</u>	<u>2,197,893</u>	<u>81,990,764</u>
Total liabilities and fund balances	<u>\$ 48,881,114</u>	<u>\$ 4,819,234</u>	<u>\$ 38,401,675</u>	<u>\$ 2,423,281</u>	<u>\$ 94,525,304</u>

See notes to basic financial statements

**TOWN OF DAVIE, FLORIDA**  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2006

Fund balances - total governmental funds		\$ 81,990,764
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	139,914,977	
Less accumulated depreciation	<u>(50,903,907)</u>	89,011,070
Bond interest payable not reported in the governmental funds		(704,881)
Governmental funds report the effect of Bond issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
		522,881
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Governmental bonds payable	(86,385,277)	
Compensated absences	<u>(5,866,335)</u>	(92,251,612)
Governmental funds report revenues when measurable and available whereas revenues are recognized on a full accrual basis in the statement of activities.		
		1,639,103
Internal service funds are used by management to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities, other than capital assets and long-term liabilities already included above.		
		<u>13,280,260</u>
Net assets governmental activities		<u>\$ 93,487,585</u>

See notes to basic financial statements

**TOWN OF DAVIE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2006**

	General	Community Endowment	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
<b>Revenues:</b>					
Intergovernmental	\$ 25,714,525	\$ -	\$ 2,496	\$ 261,002	\$ 25,978,023
Property taxes	32,155,790	-	-	2,644,139	34,799,929
Communications service tax	4,147,917	-	-	-	4,147,917
Utility taxes	6,009,394	-	-	-	6,009,394
Franchise fees	9,349,390	-	-	-	9,349,390
Licenses and permits	6,575,678	-	-	-	6,575,678
Charges for services	6,671,665	-	-	22,872	6,694,537
Fines and forfeitures	512,484	-	-	-	512,484
Fire rescue assessments	5,241,448	-	-	-	5,241,448
Miscellaneous	1,508,412	114,871	-	-	1,623,283
Investment income	3,450,922	511,861	-	-	3,962,783
Total revenues	<u>101,337,625</u>	<u>626,732</u>	<u>2,496</u>	<u>2,928,013</u>	<u>104,894,866</u>
<b>Expenditures:</b>					
<b>General government:</b>					
<b>Town administration department:</b>					
Personnel services	1,306,370	-	-	-	1,306,370
Operating expenditures	1,571,834	-	-	-	1,571,834
	<u>2,878,204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,878,204</u>
<b>Budget and finance department:</b>					
Personnel services	1,044,371	-	-	-	1,044,371
Operating expenditures	333,398	-	-	-	333,398
	<u>1,377,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,377,769</u>
<b>Administrative services department:</b>					
Personnel services	1,144,697	-	-	-	1,144,697
Operating expenditures	2,161,835	-	-	-	2,161,835
	<u>3,306,532</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,306,532</u>
<b>Development services department:</b>					
Personnel services	4,967,687	-	-	474,548	5,442,235
Operating expenditures	1,559,622	227,245	-	216,056	2,002,923
	<u>6,527,309</u>	<u>227,245</u>	<u>-</u>	<u>690,604</u>	<u>7,445,158</u>
<b>Engineering department:</b>					
Personnel services	719,520	-	-	-	719,520
Operating expenditures	113,346	-	-	-	113,346
	<u>832,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>832,866</u>
<b>Parks and recreation department:</b>					
Personnel services	3,010,201	-	-	-	3,010,201
Operating expenditures	1,906,471	-	-	-	1,906,471
	<u>4,916,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,916,672</u>
Total general government	<u>\$ 19,839,352</u>	<u>\$ 227,245</u>	<u>\$ -</u>	<u>\$ 690,604</u>	<u>\$ 20,757,201</u>

(Continued)

See notes to basic financial statements

**TOWN OF DAVIE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2006**  
**(Continued)**

	General	Community Endowment	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Expenditures:					
Public safety:					
Police department:					
Personnel services	\$ 23,556,991	\$ -	\$ -	\$ -	\$ 23,556,991
Operating expenditures	4,299,448	-	-	-	4,299,448
	<u>27,856,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,856,439</u>
Fire department:					
Personnel services	16,280,694	-	-	-	16,280,694
Operating expenditures	2,463,616	-	-	-	2,463,616
	<u>18,744,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,744,310</u>
Total public safety	<u>46,600,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,600,749</u>
Public works:					
Personnel services	3,066,034	-	-	-	3,066,034
Operating expenditures	19,053,553	-	-	-	19,053,553
Total public works	<u>22,119,587</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,119,587</u>
Non Departmental:					
Personnel services		-	-	-	-
Operating expenditures	1,035,429	-	-	-	1,035,429
Total non departmental	<u>1,035,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,035,429</u>
Debt service:					
Principal retirements	3,630,755	-	-	-	3,630,755
Interest	1,919,527	-	199,806	-	2,119,333
Bond issue costs	-	-	526,820	-	526,820
Total debt service	<u>5,550,282</u>	<u>-</u>	<u>726,626</u>	<u>-</u>	<u>6,276,908</u>
Capital outlay:	<u>722,920</u>	<u>71,736</u>	<u>7,050,625</u>	<u>3,923,718</u>	<u>11,768,999</u>
Total expenditures	<u>95,868,319</u>	<u>298,981</u>	<u>7,777,251</u>	<u>4,614,322</u>	<u>108,558,873</u>
Excess (deficiency) of revenues over (under) expenditures	5,469,306	327,751	(7,774,755)	(1,686,309)	(3,664,007)
Other financing sources (uses):					
Bonds issued	-	-	41,500,000	-	41,500,000
Transfers in	-	-	2,097,511	73,863	2,171,374
Transfers out	(2,171,374)	-	-	-	(2,171,374)
Total other financing sources (uses)	<u>(2,171,374)</u>	<u>-</u>	<u>43,597,511</u>	<u>73,863</u>	<u>41,500,000</u>
Net change in fund balances	3,297,932	327,751	35,822,756	(1,612,446)	37,835,993
Fund balances - October 1	36,038,013	2,584,547	1,721,872	3,810,339	44,154,771
Fund balance - September 30	<u>\$ 39,335,945</u>	<u>\$ 2,912,298</u>	<u>\$ 37,544,628</u>	<u>\$ 2,197,893</u>	<u>\$ 81,990,764</u>

See notes to basic financial statements

**TOWN OF DAVIE, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2006**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ 37,835,993

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and depreciated over their estimated useful lives.

The details of the differences are as follows:

Expenditures for the capital assets	10,645,021	
Less current year depreciation	<u>(4,857,108)</u>	5,787,913

Some revenues received subsequent to the end of the fiscal year are reported as revenues on the statement of activities but deferred on the fund financial statements 1,639,103

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued whereas these amounts are deferred and amortized in the statement of activities.

The details of the differences are as follows:

Bonds issued	(41,500,000)	
Bond issue costs	522,881	
Principal payments	<u>3,630,755</u>	(37,346,364)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

The details of the differences are as follows:

Change in long-term compensated absences	(590,556)	
Change in accrued interest	<u>(345,252)</u>	(935,808)

Internal service funds are used by management to charge the cost of certain activities to individual funds. The net income of the internal service funds is reported with governmental activities. 2,395,761

Change in net assets of governmental activities \$ 9,376,598

See notes to basic financial statements

**TOWN OF DAVIE, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2006**

<u>ASSETS</u>	Water and Sewer	Total	Internal Service Funds
<b>Current Assets:</b>			
Pooled cash and cash equivalents	\$ 14,831,141	\$ 14,831,141	\$ 15,461,336
Receivables	1,687,678	1,687,678	25,089
Prepaid items	-	-	199,838
Inventory	173,298	173,298	48,495
Total current assets	16,692,117	16,692,117	15,734,758
<b>Noncurrent assets:</b>			
Restricted pooled cash and cash equivalents	3,903,755	3,903,755	-
Restricted accounts receivable	677,785	677,785	-
Other assets	509,098	509,098	-
<b>Capital assets:</b>			
Land	1,042,324	1,042,324	-
Improvements to land	2,332,748	2,332,748	-
Buildings and equipment	37,879,073	37,879,073	11,677,620
Less accumulated depreciation	(22,661,458)	(22,661,458)	(6,893,508)
Total capital assets, net	18,592,687	18,592,687	4,784,112
Total noncurrent assets	23,683,325	23,683,325	4,784,112
Total assets	\$ 40,375,442	\$ 40,375,442	\$ 20,518,870
 <u>LIABILITIES</u>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	\$ 440,683	\$ 440,683	\$ 1,532,502
Bonds payable	1,260,000	1,260,000	56,000
Total current liabilities	1,700,683	1,700,683	1,588,502
<b>Noncurrent liabilities:</b>			
Deposits - payable from restricted assets	1,009,315	1,009,315	-
Accrued interest	473,515	473,515	-
Compensated absences	348,344	348,344	-
Bonds payable	15,142,637	15,142,637	-
Total noncurrent liabilities	16,973,811	16,973,811	-
Total liabilities	18,674,494	18,674,494	1,588,502
 <u>NET ASSETS</u>			
Investment in capital assets, net of related debt	2,190,050	2,190,050	4,728,112
Restricted for renewal and replacement and rate stabilization	2,894,440	2,894,440	
Restricted for capital projects	677,785	677,785	
Unrestricted	15,938,673	15,938,673	14,202,256
Total net assets	\$ 21,700,948	\$ 21,700,948	\$ 18,930,368

Explanation of difference between proprietary funds statement of net assets and the statement of net assets:

Internal service funds are used by management to charge the costs of certain activities, such as vehicle maintenance and insurance, to individual funds. The portion attributable to business-type activities is reflected here and the residual assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

1,094,811
\$ 22,795,759

See notes to basic financial statements

**TOWN OF DAVIE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2006**

	<u>Enterprise fund</u>		Internal Service Funds
	Water and Sewer	Total	
Operating revenues:			
Charges for services	\$ 7,543,916	\$ 7,543,916	\$ 16,511,573
Operating expenses:			
Personal services	2,818,599	2,818,599	688,530
Professional fees	366,181	366,181	-
Heat, light and power	1,069,905	1,069,905	-
Supplies and materials	388,223	388,223	-
Maintenance	449,444	449,444	3,163,029
Insurance	-	-	4,234,311
Claims	-	-	4,708,944
Administrative	-	-	2,005
Other	1,266,051	1,266,051	-
Depreciation and amortization	1,296,020	1,296,020	1,220,551
Total operating expenses	<u>7,654,423</u>	<u>7,654,423</u>	<u>14,017,370</u>
Operating income (loss)	<u>(110,507)</u>	<u>(110,507)</u>	<u>2,494,203</u>
Nonoperating revenues (expenses):			
Interest income	695,446	695,446	4,887
Gain on sale of assets	10,000	10,000	18,289
Interest expense	(1,885,670)	(1,885,670)	(2,144)
Total nonoperating revenues (expenses):	<u>(1,180,224)</u>	<u>(1,180,224)</u>	<u>21,032</u>
Income (loss) before contributions and transfers	<u>(1,290,731)</u>	<u>(1,290,731)</u>	<u>2,515,235</u>
Capital contributions	<u>1,022,514</u>	<u>1,022,514</u>	<u>-</u>
Change in net assets	<u>(268,217)</u>	<u>(268,217)</u>	<u>2,515,235</u>
Total net assets, October 1	<u>21,969,165</u>	<u>21,969,165</u>	<u>16,415,133</u>
Total net assets, September 30	<u>\$ 21,700,948</u>	<u>\$ 21,700,948</u>	<u>\$ 18,930,368</u>

Explanation of difference between proprietary funds statement of revenues, expenses and changes in fund net assets and the statement of activities:

Change in net assets - Proprietary Fund Financial Statements (268,217)

Internal service funds are used by management to charge the costs of certain activities, such as vehicle maintenance and insurance, to individual funds. The portion attributable to business-type activities is reflected here.

119,474

Change in net assets - Statement of Activities

\$ (148,743)

See notes to basic financial statements

**TOWN OF DAVIE, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2006**

	Enterprise fund		Internal Service Funds
	Water and Sewer	Total	
Cash flows from operating activities:			
Cash received from customers	\$ 7,790,733	\$ 7,790,733	\$ 16,492,294
Cash paid to suppliers	(3,877,238)	(3,877,238)	(11,548,341)
Cash paid to employees	(2,343,055)	(2,343,055)	(460,058)
Net cash provided by operating activities	<u>1,570,440</u>	<u>1,570,440</u>	<u>4,483,895</u>
Cash flow from noncapital financing activities:			
Loan payment from other funds	<u>5,583,358</u>	<u>5,583,358</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Proceeds from sale of capital assets	200,000	200,000	38,440
Acquisition and construction of capital assets	(646,421)	(646,421)	(758,424)
Principal retirements of capital debt	(1,235,000)	(1,235,000)	(56,000)
Interest paid on capital debt	(959,380)	(959,380)	(2,144)
Capital contributed by developers	1,182,250	1,182,250	
Net cash (used by) capital and related financing activities	<u>(1,458,551)</u>	<u>(1,458,551)</u>	<u>(778,128)</u>
Cash flows from investing activities:			
Interest on investments	<u>695,445</u>	<u>695,445</u>	<u>4,887</u>
Net increase in pooled cash and cash equivalents	<u>6,390,692</u>	<u>6,390,692</u>	<u>3,710,654</u>
Pooled cash and cash equivalents, October 1	<u>12,344,204</u>	<u>12,344,204</u>	<u>11,750,682</u>
Pooled cash and cash equivalents, September 30	<u>\$ 18,734,896</u>	<u>\$ 18,734,896</u>	<u>\$ 15,461,336</u>
Pooled cash and cash equivalents per statement of net assets:			
Unrestricted	\$ 14,831,141	\$ 14,831,141	\$ 15,461,336
Restricted	3,903,755	3,903,755	-
	<u>\$ 18,734,896</u>	<u>\$ 18,734,896</u>	<u>\$ 15,461,336</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ (110,507)	\$ (110,507)	\$ 2,494,203
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	1,296,020	1,296,020	1,220,551
Provision for bad debts	3,647	3,647	-
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	214,975	214,975	(19,279)
Decrease in inventory	14,848	14,848	19,145
Decrease in prepaid items and other assets	-	-	59,872
Increase in accounts payable, accrued liabilities and compensated absences	123,262	123,262	709,403
Increase in deposits	28,195	28,195	-
Total adjustments	<u>1,680,947</u>	<u>1,680,947</u>	<u>1,989,692</u>
Net cash provided (used) by operating activities	<u>\$ 1,570,440</u>	<u>\$ 1,570,440</u>	<u>\$ 4,483,895</u>

See notes to basic financial statements

**TOWN OF DAVIE, FLORIDA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2006**

	<u>Pension Trust Funds</u>
<u>ASSETS</u>	
Pooled cash and cash equivalents	\$ 5,615,347
Investments, at fair value	90,322,613
Receivables:	
Interest and dividends	353,632
Contributions receivable	1,021,903
Securities sold	473,401
Other	3,116
Total assets	<u>\$ 97,790,012</u>
<u>LIABILITIES AND NET ASSETS</u>	
Liabilities:	
Accounts payable	\$ 160,045
Prepaid Town contribution	776,986
Payable for securities purchased	3,083,399
DROP payable	3,032,382
Total liabilities	<u>7,052,812</u>
Net assets held in trust for pension benefits	<u>\$ 90,737,200</u>

See notes to basic financial statements

**TOWN OF DAVIE, FLORIDA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2006**

	<u>Pension Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Town	\$ 6,914,701
Plan members	2,020,747
State	1,256,895
Total contributions	<u>10,192,343</u>
Investment income:	
Net depreciation in fair value of investments	1,706,542
Interest and dividends	2,908,878
	<u>4,615,420</u>
Less investment expenses	378,427
Net investment income	<u>4,236,993</u>
Total additions	<u>14,429,336</u>
<b>DEDUCTIONS</b>	
Benefits	3,308,304
Refunds of contributions	74,163
Administrative expenses	401,156
Total deductions	<u>3,783,623</u>
Change in net assets	10,645,713
Net assets, October 1	<u>80,091,487</u>
Net assets, September 30	<u><u>\$ 90,737,200</u></u>

See notes to basic financial statements

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**NOTES TO BASIC FINANCIAL STATEMENTS**

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## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the Town of Davie, Florida, conform to accounting principles generally accepted in the United States as applied to governmental entities. In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This Statement provides for significant changes in financial reporting. As a part of this Statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, traffic signals, etc.). This requirement permits an optional four-year further delay for implementation. The Town elected to early implement the basic model beginning with FY 1998/99 and plan to implement the infrastructure-related portion in fiscal year ending September 30, 2007. The following notes to the basic financial statements are an integral part of the Town's basic financial statements.

### 1. Reporting Entity

The Town was first incorporated in 1925 and was subsequently dissolved as a municipal corporation by the State of Florida when local residents failed to adopt necessary taxing powers. The Town was reincorporated in 1961 and exists as a Council-Administrator form of municipal government. All registered voters elect the Mayor and four Council members; each of the four Council members represents a specific district. The Mayor serves as chairperson of public meetings and executes certain documents authorized by charter, ordinance, or resolution. Each elected official serves a three-year term of office. Each year, the Council elects a Vice Mayor who serves in the capacity of the Mayor when the Mayor is unable to perform his or her duties.

The Town provides its residents and businesses with the full range of municipal services contemplated by state law or local charter. Included are police and fire services, culture, recreation, community services, licensing and permitting, general administration, water and sewer utilities, public works and maintenance, and development services and code enforcement. Through franchise agreements, the Town also provides garbage disposal, cable television, electricity, towing, and telephone and telegraph services.

As required by accounting principles generally accepted in the United States, these financial statements present the Town and its component unit, an entity for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

*Blended Component Unit.* The Town of Davie Community Redevelopment Agency (CRA), although an entity legally separate from the Town, is governed by the Town Council. The CRA's own seven member board, appointed by the Town Council, serves in the capacity of an advisory board since the CRA's annual budget, contracts, grants and all other actions must be authorized directly by resolutions of the Town Council. In addition, the Town has issued bonds to finance CRA projects and is financially responsible for the CRA. Therefore, for financial reporting purposes, the CRA is reported as if it were part of the Town's operations and included within the Town's reporting entity as a special revenue fund. The CRA is the Town's only component unit.

The basic financial statements include both government-wide and fund financial statements. While the previous model emphasized fund types, the new reporting model focuses on the Town as a whole and on individual major funds. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide statement of net assets, both the governmental and business-type activities columns are presented on a consolidated basis and are reflected on a full accrual, economic resource basis.

**TOWN OF DAVIE, FLORIDA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006  
(Continued)

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Basic Financial Statements**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

This government-wide focus is more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are very similar to the financial statements presented in the previous model. Emphasis is on the major funds in either the governmental or business-type categories.

The governmental funds major fund statements, in the fund financial statements, are presented on a current financial resource measurement focus and use the modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation.

Internal service funds of a government are presented in summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the Town's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level.

The Town's fiduciary funds are presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the Town, these funds are not incorporated into the government-wide statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The City applies eligible expenses against available restricted resources before the use of unrestricted resources

**3. Measurement Focus and Basis of Presentation**

The financial transactions of the Town are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

**GOVERNMENTAL FUNDS**

The focus of governmental fund measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the Town:

**TOWN OF DAVIE, FLORIDA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006  
(Continued)

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Measurement Focus and Basis of Presentation (Continued)**

**GOVERNMENTAL FUNDS (Continued)**

***General Fund***

The *General Fund* is the general operating fund of the Town. General tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenses, fixed charges, and capital improvement costs not paid through other funds are paid from this fund.

***Community Endowment Special Revenue Fund***

The *Community Endowment Fund* was established in a prior fiscal year with a residual equity transfer from a terminated General Employees' Pension Plan. The funds are to be applied to unfunded liabilities; to other liabilities of the Town as may from time to time need funding; to projects or programs that need capital creation that will be repaid over time; or to projects or programs that are in the community chest of charities or goodwill and which have one-time needs.

***Capital Projects Fund***

The *Capital Projects Fund* is used to account for the cost of acquiring, constructing, and placing into service those capital improvements which are associated with activities in the General Fund and are financed by long-term debt issues which are repaid by the recurring operating revenues in the General Fund. Improvements made from resources provided by this fund are approved in the Town's five-year capital program and generally have no regard for fiscal periods.

***Community Redevelopment Agency Special Revenue Fund (a Nonmajor Fund)***

The *Community Redevelopment Agency Fund* is used to account for the activities of the Town's Community Redevelopment Agency, a component unit of the Town.

***Community Development Block Grant Fund (a Nonmajor Fund)***

The *Community Development Block Grant Fund* is used to account for the activities of the Town's grants received from the United States Department of Housing and Urban Development related to Community Development Block Grant (CDBG) funds.

**TOWN OF DAVIE, FLORIDA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006  
(Continued)

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Measurement Focus and Basis of Presentation (Continued)**

**PROPRIETARY FUNDS**

Proprietary Funds include Enterprise and Internal Service Funds. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (including depreciation and amortization) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The focus of Proprietary Fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Internal Service Funds are used to account for the financing of goods or services provided by one Town department to another Town department on a cost reimbursement basis and to accumulate working capital for the renewal and replacement of assets in those funds. In accounting for proprietary activities, the Town applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: FASB Statements and Interpretations, APB Opinions.

***Water and Sewer Enterprise Fund (a Major fund)***

The *Water and Sewer Fund* is used to account for the operations of the water and sewer utility system. The cost of operating the water and sewer system is recovered almost entirely by user charges. Tax dollars are not permanently used in this fund. The acquisition, maintenance, and improvement of the physical plant facilities are financed from existing cash resources, issuance of revenue bonds and state or federal grants. The general fund charged the Water and Sewer Fund an administrative fee of \$412,957.

***Internal Service Fund for Vehicle Maintenance (a Nonmajor Fund)***

The *Internal Service Fund for Vehicle Maintenance* is used to accumulate the cost of operating a central garage facility for vehicle and equipment maintenance. The cost allocation utilized provides for capital accumulation for the purpose of replacement vehicles. Costs of operating vehicles (replacement reserve, insurance reserve, maintenance, etc.) are established as a monthly rental rate per class of vehicle and the user department is charged for each vehicle it uses.

***Internal Service Fund for Self-Insurance (a Nonmajor Fund)***

The *Internal Service Fund for Self-Insurance* was established to account for and finance its insured and uninsured risks of loss.

**TOWN OF DAVIE, FLORIDA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006  
(Continued)

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Measurement Focus and Basis of Presentation (Continued)**

***Internal Service Fund for Information Systems (a Nonmajor Fund)***

The *Internal Service Fund for Information Systems* is used to accumulate the costs associated with the acquisition and maintenance of information systems equipment. The cost allocation utilized provides for capital accumulation for the purpose of replacing and maintaining the information systems.

***Internal Service Fund for Building Maintenance (a Nonmajor Fund)***

The *Internal Service Fund for Building Maintenance* is used to accumulate the costs of providing and maintaining certain Town facilities. The cost allocation utilized provides for capital accumulation for the purpose of replacing and maintaining Town facilities.

**FIDUCIARY FUNDS**

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. The following is a description of the fiduciary funds of the Town:

***Police Employees Pension Trust Fund***

The Police Employees Pension Trust Fund is maintained solely for the benefit of the sworn police officers employed by of the Town.

***Firefighters' Pension Plan***

The Firefighters' Pension Plan is maintained solely for the benefit of the firefighters employed by the Town.

***Management and General Employees' Plan***

The management and General Employees' Plan is maintained to for the benefit of employees that are not represented under any other pension plan.

**NONCURRENT GOVERNMENTAL ASSETS/LIABILITIES**

GASB Statement No. 34 eliminated the presentation of account groups, but provides for these records to be maintained and incorporates the information into the governmental activities column in the government-wide statement of net assets.

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on an accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis.

**TOWN OF DAVIE, FLORIDA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006  
(Continued)

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. Basis of Accounting**

**Accrual**

All proprietary, internal service and pension trust funds are accounted for using the accrual basis of accounting and the economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when incurred.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenues. Likewise, *general revenues* include all taxes.

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 a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and of the Town's 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.

**Modified Accrual**

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 34, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and deferred revenue by the recipient.

**TOWN OF DAVIE, FLORIDA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006  
(Continued)

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5. Cash and Cash Equivalents**

The Town's "cash and cash equivalents" are considered to be cash on hand, demand deposits, certificates of deposits and deposits held with the State Board of Administration ("SBA") Investment pool. For purposes of the statement of cash flows, the Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

All of the Town's investments, except the SBA Investment Pool, are reported at fair value, which is based on quoted market price. Investments in the SBA Investment Pool, a 2A7-like pool, are carried at amortized cost which approximates its fair value. Additional deposits and investment disclosures are presented in Note B

**6. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as due to/from balances.

**7. Inventories**

Inventories are valued at the lower of cost (first-in, first-out method) or market value. No significant inventories were on hand at year-end in the governmental funds. The inventory in the Internal Service Fund for Vehicle Maintenance consisted of fuel accounted for on the consumption method.

**8. Investments**

All investments are reported at fair value.

**9. Fixed Assets**

In the government-wide financial statements, property, plant, and equipment purchased or acquired is carried at historical cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

The estimated useful lives for each major class of depreciable fixed assets are as follows:

Utility plant and improvements	30 Years
Improvements to land	20 Years
Transportation equipment	3-5 Years
Machinery and equipment	5-10 Years
Town buildings	20-35 Years

**TOWN OF DAVIE, FLORIDA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006  
(Continued)

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**9. Fixed Assets (Continued)**

Upon disposal of property, the related cost and accumulated depreciation are removed from the accounts with gains or losses on disposal reported currently. Expenditures for maintenance, repairs, and minor renewals and betterments are charged against income. Renewals and betterments of a major character are capitalized.

GASB Statement No. 34 requires the reporting and depreciation of governmental funds infrastructure. Pursuant to GASB Statement No. 34, an extended period of deferral is available before the requirement to record and depreciate governmental funds infrastructure assets become effective. This category is likely to be the largest asset class of the Town and has historically not been reflected nor a measure of its consumption charged. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. Infrastructure assets related to proprietary funds have always been presented in the financial statements.

In the fund financial statements, acquisition of property, plant and equipment is recorded as expenditures and no depreciation is recorded.

**10. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bonds premium or discount. 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, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**11. Compensated Absences**

It is the Town's policy to permit full-time employees to accumulate limited amounts of earned vacation leave and earned sick leave. Upon separation from service, employees receive payment for all unused vacation time and, subject to length of service, 50% of all unused sick leave.

The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**  
(Continued)

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**12. Pension Plans**

As of year-end, the Town had four pension plans: three defined benefit plans and a Money Purchase Plan, covering substantially all of its full-time employees. The investments of the Fire Pension, Police Pension and the Management and General Employee Pension Plan are all carried at fair value.

**13. Fund Equity**

Reservations of fund balance represent amounts that are not appropriable or are legally restricted by outside parties for a specific purpose.

**14. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

**B. DEPOSITS AND INVESTMENTS**

As required by Florida Statutes, the Town Council has adopted a written investment policy, which may, from time to time, be amended by the Town Council. Under the current policy Town officials are authorized to invest funds in United States government obligations, guaranteed United States agency issues, State Treasurer's investment pool, Florida Municipal Investment Trust, Florida bank certificates of deposit and repurchase agreements. The Community Endowment Special Revenue Fund is authorized to invest in corporate bonds and common stocks in addition to the previously listed investments. During the year ended September 30, 2005, the Town purchased an annuity contract for \$275,000 which was not authorized by their investment policy. The investment has not been recorded by the Town, pending resolution of the legality of the investment. The investment was cashed subsequent to the end of the current fiscal year for \$289,233 representing a return of premium plus interest.

As of September 30, 2006, the Town had the following deposits and investments:

	Carrying Amount (Fair Value)		
	Primary Government	Fiduciary Funds Pension Trust	Total
City Investments			
SBA - Local Government Surplus Trust Fund (1)	\$ 111,544,256	\$ -	\$ 111,544,256
Florida Municipal Investment Trust	50,000		50,000
Mutual funds	4,815,020		4,815,020
Pension Trust Funds			
Florida Municipal Pension Trust Fund		11,490,044	11,490,044
U.S. Treasuries	-	7,857,266	7,857,266
U.S. Agency Securities	-	7,581,837	7,581,837
Corporate bonds	-	7,034,126	7,034,126
Common stock	-	48,313,285	48,313,285
Domestic equity fund		4,046,055	4,046,055
International equity fund		4,000,000	4,000,000
Plus: Cash balances	93,046	5,615,347	5,708,393
	<u>\$ 116,502,322</u>	<u>\$ 95,937,960</u>	<u>\$ 212,440,282</u>

(1) See Note M - Subsequent Events

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**  
(Continued)

**B. DEPOSITS AND INVESTMENTS (Continued)**

Interest rate risk: Interest rate risk exists when there is a possibility that changes in interest rate could adversely affect the fair value of the investments. Generally, the longer the time to maturity, the greater the exposure is to interest rate risk. The Town limits their risk by limiting investment maturities to a maximum of five years, for the investments held by the primary government. The table below summarizes the Town's scheduled maturities of the investment held as of September 30, 2006.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
SBA - Local Government					
Surplus Trust Fund (1)	\$ 111,544,256	\$ 111,544,256	\$ -	\$ -	\$ -
U.S. Treasuries	7,857,266	1,296,890	3,128,745	2,943,982	487,649
U.S. Agency Securities	7,581,837	304,787	3,612,983	3,577,255	86,812
Corporate bonds	7,034,126	559,696	5,017,981	1,283,652	172,797
Florida Municipal Investment Trust	50,000	50,000	-	-	-
Florida Municipal Pension Trust Fund	11,490,044	11,490,044	-	-	-
	<u>\$ 145,557,529</u>	<u>\$ 125,245,673</u>	<u>\$ 11,759,709</u>	<u>\$ 7,804,889</u>	<u>\$ 747,258</u>

(1) See Note M - Subsequent Events

Credit risk: Credit risk exists when there is a possibility the debt issuer may be unable to fulfill its obligations. The Town controls this risk by investing in primarily in U.S. Government back securities, and setting minimum credit ratings for other securities, rated by a Nationally Recognized Statistical Rating organization (NRSRO). The SBA, Florida Municipal Investment Trust, Florida Municipal Pension Trust Fund and the mutual funds are not rated. There are no investments held by the primary government that are rated. The NRSRO ratings for the Town's investments, held in Pension Trust Funds, as of September 30, 2006 are summarized below.

<u>Investment type</u>	<u>NRSRO Rating</u>	<u>Fair Value</u>	<u>Police</u>	<u>Fire</u>
Corporate Bonds	AAA	\$ 752,323	\$ 388,087	\$ 364,236
Corporate Bonds	AA+	100,659	100,659	-
Corporate Bonds	AA	750,893	382,658	368,235
Corporate Bonds	AA-	494,162	409,125	85,037
Corporate Bonds	A+	3,289,672	1,190,919	2,098,753
Corporate Bonds	A	1,429,732	935,882	493,850
Corporate Bonds	A-	216,685	216,685	-
Total debt investments		<u>\$ 7,034,126</u>	<u>\$ 3,624,015</u>	<u>\$ 3,410,111</u>

Concentration risk: Concentration risk exists when investments are concentrated in one issuer. The Town has set limitations on the percentage of the overall portfolio that can be invested in any issuer. The percentages range from 10% to 50%, except for investments in U.S. Government Securities and the SBA - Local Government Surplus Trust Fund in which 100% can be invested.

Custodial credit risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town would not recover the value of its investment or collateral securities that are in the possession of an outside party. The investment policy of the Town minimizes this risk by establishing minimum standards for institutions and dealers used by the Town.

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**  
(Continued)

**C. PROPERTY TAXES**

The Town's property tax is levied and becomes a lien on real and personal property on October 1 of each year based on the assessed value listed as of the prior January 1. The Broward County Property Appraiser establishes assessed values. Broward County mails tax bills for the Town as the collection agent on or about October 1 of each year and is payable beginning November 1, with discounts of one to four percent if paid before March 1 of the following calendar year. All unpaid taxes on real and personal property become delinquent on April 1.

At September 30, uncollected current year amounts are classified as delinquent taxes receivable in the General Fund and offset by an allowance for uncollectible accounts. Delinquent taxes collected in subsequent periods are recognized as revenue in the General Fund during the fiscal year in which they are received.

As of September 30, 2006, property taxes receivable was \$1,390,685 net of approximately \$1,044,558 in allowances for non-collectible taxes. The Town levied a rate of 5.5502 per \$1,000 of assessed valuation for the fiscal year commencing October 1, 2005.

**D. INTERFUND TRANSACTIONS**

- Interfund receivable and payable balances at September 30, 2006 were as follows:

	<u>Receivable</u>	<u>Payable</u>
Due to/from other funds:		
General Fund	\$ 1,939,040	\$ -
Community Endowment Fund	-	1,902,722
Community Development Block Grant Fund	-	36,318
Total	<u>\$ 1,939,040</u>	<u>\$ 1,939,040</u>

The balance due to the General Fund from the Community Endowment Fund resulted from loans made by the General Fund to establish working capital.

The balance due to the General Fund from the Community Development Block Grant Fund resulted from advances by the General Fund to fund operating expenditures prior to the receipt of grant funds.

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**  
(Continued)

**D. INTERFUND TRANSACTIONS (Continued)**

2. Transfers were used to move funds from the General Fund, which previously received proceeds from long-term debt issuances, to the Capital Projects Fund, from which the bond proceeds were expended. Transfers for the year ended September 30, 2006 were as follows:

	Transfer in	Transfers (out)
General Fund	\$ -	\$ 2,171,374
Capital Projects Fund	2,097,511	-
Community Development Block Grant Fund	73,863	
	<u>\$ 2,171,374</u>	<u>\$ 2,171,374</u>

**E. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2006 was as follows:

	Balance September 30, 2005	Additions	Deletions	Balance September 30, 2006
Governmental - activities:				
Non-depreciable assets:				
Land	\$ 31,947,402	\$ 2,710,590	\$ -	\$ 34,657,992
Depreciable assets:				
Improvements to land	25,034,610	229,658		25,264,268
Buildings and equipment	60,081,490	6,850,932	(834,937)	66,097,485
Roads and Drainage	12,282,966	1,612,266		13,895,232
Totals depreciable assets	97,399,066	8,692,856	(834,937)	105,256,985
Less accumulated depreciation	(45,641,033)	(6,077,659)	814,785	(50,903,907)
Total depreciable assets	51,758,033	2,615,197	(20,152)	54,353,078
Governmental activities capital assets, net	<u>\$ 83,705,435</u>	<u>\$ 5,325,787</u>	<u>\$ (20,152)</u>	<u>\$ 89,011,070</u>
Business - type activities:				
Non-depreciable assets:				
Land	\$ 1,042,324	\$ -	\$ -	\$ 1,042,324
Depreciable assets:				
Improvements to land	2,332,748	-	-	2,332,748
Buildings and equipment	37,432,652	646,422	(200,000)	37,879,074
Totals depreciable assets	39,765,400	646,422	(200,000)	40,211,822
Less accumulated depreciation	(21,417,340)	(1,254,119)	10,000	(22,661,459)
Total depreciable assets	18,348,060	(607,697)	(190,000)	17,550,363
Business-type activities capital assets, net	<u>\$ 19,390,384</u>	<u>\$ (607,697)</u>	<u>\$ (190,000)</u>	<u>\$ 18,592,687</u>

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**  
(Continued)

**E. CAPITAL ASSETS (Continued)**

Depreciation was charged to functions/programs as follows:

Governmental activities:	
General Government	\$ 129,499
Development Services	185,886
Engineering	37,294
Police	825,733
Fire	1,267,030
Public Works	758,410
Parks and recreation	<u>1,653,256</u>
Subtotal	<u>4,857,108</u>
Capital assets held by the government's internal service	
funds are charged to the various functions based on their	
usage of the assets	<u>1,220,551</u>
Total depreciation expense - Governmental activities	<u>\$ 6,077,659</u>
Business type - activities	
Water and sewer	<u>\$ 1,254,119</u>
Total depreciation expense - Business type activities	<u>\$ 1,254,119</u>

**F. ACCRUED PAYROLL**

The Town has accrued the following amounts in the indicated funds as expenses or expenditures for payroll, which had been earned by the employees but had not been paid to the Town's employees as of September 30, 2006.

General fund	\$ 2,206,480
Community Redevelopment Agency	6,587
Information systems fund	105,282
Water and sewer fund	481,827
Capital projects fund	<u>16,660</u>
Total	<u>\$ 2,816,836</u>

**G. ACCRUED UNBILLED WATER AND SEWER REVENUE**

For the year ended September 30, 2006, the Town recorded revenues of \$293,442 in the Water and Sewer Fund for water consumption and wastewater treatment, which had not yet been billed to customers in that system. This accrued unbilled revenue results from a billing period, which is different than the accounting period.

**TOWN OF DAVIE, FLORIDA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006  
(Continued)

**H. RESTRICTED ASSETS**

At September 30, 2006, the Town had \$3,903,755 in restricted pooled cash and cash equivalents. This balance is composed of three items. First, in August 2003, the Town issued \$26,305,000 Water and Sewer Improvement and Refunding Bonds. The Bond Indenture requires that the Town set up a rate stabilization fund with an initial amount of \$750,000. The Town can utilize \$250,000 per year starting in 2004 to fund operating expenses. Secondly, the Town established a revenue generation system whereby beginning in fiscal year 1990, and for the next 30 years, the Town is required to set aside an annual deposit of \$283,221 for capital expenditures related to renewal and replacement of its water and sewer plants which was incorporated into the Series 2003 Bond Indenture. The funds may be used only for sanitary sewerage system capital improvements and may be withdrawn and used anytime for this purpose. Since such withdrawn funds represent previously collected revenues (and income earned thereon), the amount of withdrawn funds need not be replaced or returned to the capital improvement account. As of September 30, 2006, the restricted amount related to this revenue generation system was \$2,144,440. The Town utilized \$467,901 for allowed items during the year ended September 30, 2006. Cash held as customer deposits is the third item. As of September 30, 2006, the Town held \$1,009,315 in customer deposits.

The restricted receivables represent amounts due from developers for construction of water and sewer lines in their developments. The receivable is restricted for cost of construction.

**I. COMPENSATED ABSENCES**

The Town accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Employees are paid for all accumulated vacation days and compensatory leave for overtime at 100% of their prevailing rate of pay at the time their employment terminates. Sick leave is paid at 50% the balance at the prevailing rate of pay at the time their employment terminates.

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**  
(Continued)

**J. LONG-TERM LIABILITIES**

**Governmental Activities**

	Balance			Balance	Due
	September 30, 2005	Additions	Reductions		
<b>Bonds and Notes Payable</b>					
Note payable	\$ 52,629	\$ -	\$ (52,629)	\$ -	\$ -
General Obligation Bonds 1989	8,250,000	-	(500,000)	7,750,000	500,000
Public Improvement Revenue Bonds, Series 1993A	1,454,569	-	(363,633)	1,090,936	363,633
Public Improvement Revenue Bonds, Series 1996	880,000	-	(224,000)	656,000	146,000
General Obligation Bonds, Series 1997	6,938,205	-	(463,955)	6,474,250	486,639
General Obligation Bonds, Series 1998	8,475,378	-	(371,611)	8,103,767	409,047
Public Improvement Revenue Bonds, Series 1999	2,775,000	-	(400,000)	2,375,000	400,000
General Obligation Bonds, Series 1999	1,741,250	-	(76,250)	1,665,000	81,250
Public Improvement Revenue Bonds, Series 2001	8,005,000	-	(665,000)	7,340,000	665,000
Public Improvement Revenue Bonds, Series 2004	10,000,000	-	(569,676)	9,430,324	525,886
Limited General Obligation Bonds, Series 2006		25,000,000		25,000,000	795,000
General Obligation Bonds, Series 2006		16,500,000		16,500,000	370,000
	<u>48,572,031</u>	<u>41,500,000</u>	<u>(3,686,754)</u>	<u>86,385,277</u>	<u>4,742,455</u>
<b>Other Liabilities</b>					
Compensated absences	5,275,779	590,556		5,866,335	452,713
	<u>\$ 53,847,810</u>	<u>\$ 42,090,556</u>	<u>\$ (3,686,754)</u>	<u>\$ 92,251,612</u>	<u>\$ 5,195,168</u>

For governmental activities, compensated absences are generally liquidated by the general fund.

1. \$10.0 million General Obligation Bonds 1989, 30-year amortization, due 2019, variable rate of 67% of one month LIBOR rate plus .7%, which, at September 30, 2006 was 4.27%. Property tax revenues of the General Fund are pledged to repay this bond issue.

Fiscal Year Ending September 30,	Principal	Interest	Total
2007	\$ 500,000	\$ 330,642	\$ 830,642
2008	500,000	309,310	809,310
2009	500,000	287,978	787,978
2010	500,000	266,646	766,646
2011	500,000	245,315	745,315
2012-2016	3,000,000	895,932	3,895,932
2017-2020	2,250,000	191,985	2,441,985
	<u>\$ 7,750,000</u>	<u>\$ 2,527,808</u>	<u>10,277,808</u>

2. \$4.7 million Public Improvement Revenue Bonds, Series 1993A, 14-year amortization, due December 2008, variable rate of 67% of one month LIBOR plus .8% which, at September 30, 2006 was 4.37%. Franchise fees, sales tax, and public service tax revenues of the General Fund are pledged to repay this bond issue.

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**  
(Continued)

**J. LONG-TERM LIABILITIES (Continued)**

**Governmental Activities (Continued)**

Fiscal Year Ending September 30,	Principal	Interest	Total
2007	\$ 363,633	\$ 47,634	\$ 411,267
2008	363,633	31,757	395,390
2009	363,670	15,879	379,549
	<u>\$ 1,090,936</u>	<u>\$ 95,270</u>	<u>\$ 1,186,206</u>

3. \$5.0 million Public Improvement Revenue Bonds, Series 1996, 15-year amortization, due December 31, 2011, fixed rate of 4.59% per annum. Franchise fees, public service taxes and local government half-cent sales taxes are pledged to repay this bond issue.

Fiscal Year Ending September 30,	Principal	Interest	Total
2007	\$ 146,000	\$ 27,424	\$ 173,424
2008	120,000	21,615	141,615
2009	120,000	16,030	136,030
2010	120,000	16,032	136,032
2011	150,000	15,674	165,674
	<u>\$ 656,000</u>	<u>\$ 96,775</u>	<u>\$ 752,775</u>

4. \$9.8 million General Obligation Bonds, Series 1997, 20-year amortization, due February 1, 2017, fixed rate of 4.74% per annum. Property tax revenues of the General Fund are pledged to repay this bond issue.

Fiscal Year Ending September 30,	Principal	Interest	Total
2007	\$ 486,639	\$ 302,242	\$ 788,881
2008	509,665	279,215	788,880
2009	533,932	254,948	788,880
2010	562,124	226,756	788,880
2011	589,503	226,757	816,260
2012-2016	3,404,994	738,783	4,143,777
2017-2020	387,393	7,046	394,439
	<u>\$ 6,474,250</u>	<u>\$ 2,035,747</u>	<u>\$ 8,509,997</u>

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**  
(Continued)

**J. LONG-TERM LIABILITIES (Continued)**

**Governmental Activities (Continued)**

5. \$10.0 million General Obligation Bonds, Series 1998, 20-year amortization, due 2018, fixed rate of 4.19% per annum. Property tax revenues of the General Fund are pledged to repay this bond issue.

Fiscal Year Ending September 30,	Principal	Interest	Total
2007	\$ 409,047	\$ 333,794	\$ 742,841
2008	448,708	316,946	765,654
2009	490,711	298,463	789,174
2010	535,172	278,251	813,423
2011	582,216	256,207	838,423
2012-2016	3,716,588	878,528	4,595,116
2017-2021	1,921,325	120,119	2,041,444
	<u>\$ 8,103,767</u>	<u>\$ 2,482,307</u>	<u>\$ 10,586,074</u>

6. \$5.0 million Public Improvement Revenue Bonds, Series 1999, 15-year amortization, due 2015, variable rate of 73.9% of one month LIBOR which, at September 30, 2006 was 3.93%. Legally available non-ad valorem revenues of the General Fund will be used to repay this bond issue.

Fiscal Year Ending September 30,	Principal	Interest	Total
2007	\$ 400,000	\$ 91,457	\$ 491,457
2008	300,000	77,197	377,197
2009	300,000	65,396	365,396
2010	300,000	53,596	353,596
2011	250,000	42,532	292,532
2012-2015	825,000	81,451	906,451
	<u>\$ 2,375,000</u>	<u>\$ 411,629</u>	<u>\$ 2,786,629</u>

7. \$2.0 million General Obligation Bonds, Series 1999, 20-year amortization, due 2020, variable rate of 73.9% of one month LIBOR rate which, at September 30, 2006 was 3.93%. Property tax revenues of the General Fund are pledged to repay this bond issue.

Fiscal Year Ending September 30,	Principal	Interest	Total
2007	\$ 81,250	\$ 65,495	\$ 146,745
2008	87,500	62,299	149,799
2009	97,500	58,857	156,357
2010	107,500	55,022	162,522
2011	115,000	50,793	165,793
2012-2016	630,000	183,258	813,258
2017-2020	546,250	52,514	598,764
	<u>\$ 1,665,000</u>	<u>\$ 528,236</u>	<u>\$ 2,193,236</u>

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**  
(Continued)

**J. LONG-TERM LIABILITIES (Continued)**

**Governmental Activities (Continued)**

8. \$10.0 million Public Improvement Revenue Bonds, Series 2001, 15-year amortization, due 2016, bearing interest at 66.5% of the one month LIBOR, plus .675%, at September 30, 2006 was 4.21%.

Fiscal Year Ending September 30,	Principal	Interest	Total
2007	\$ 665,000	\$ 295,347	\$ 960,347
2008	665,000	267,319	932,319
2009	665,000	239,291	904,291
2010	665,000	211,263	876,263
2011	665,000	183,235	848,235
2012-2016	4,015,000	510,298	4,525,298
	<u>\$ 7,340,000</u>	<u>\$ 1,706,754</u>	<u>\$ 9,046,754</u>

9. \$10.0 million Public Improvement Revenue Bonds, Series 2004, 15-year amortization, due 2019, bearing interest at 3.71%. Property tax revenues of the General Fund are pledged to repay this bond issue.

Fiscal Year Ending September 30,	Principal	Interest	Total
2007	\$ 525,886	\$ 340,110	\$ 865,996
2008	545,397	320,238	865,634
2009	565,631	299,628	865,259
2010	586,616	278,254	864,870
2011	608,379	256,087	864,466
2012-2016	3,397,681	918,049	4,315,730
2017-2021	3,200,733	242,900	3,443,632
	<u>\$ 9,430,324</u>	<u>\$ 2,655,265</u>	<u>\$ 12,085,588</u>

10. \$25.0 million Limited General Obligation Bonds, Series 2006, 20-year amortization, due 2026, bearing interest ranging from 4.0% to 4.5%. Property tax revenues of the General Fund are pledged to repay this bond issue up to a tax limit of .38 mills per year.

Fiscal Year Ending September 30,	Principal	Interest	Total
2007	\$ 795,000	\$ 1,032,738	\$ 1,827,738
2008	860,000	1,038,750	1,898,750
2009	895,000	1,004,350	1,899,350
2010	930,000	968,550	1,898,550
2011	970,000	931,350	1,901,350
2012-2016	5,480,000	4,014,325	9,494,325
2017-2021	6,735,000	2,755,788	9,490,788
2022-2026	8,335,000	1,158,075	9,493,075
	<u>\$ 25,000,000</u>	<u>\$ 12,903,925</u>	<u>\$ 37,903,925</u>

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**  
(Continued)

**J. LONG-TERM LIABILITIES (Continued)**

**Governmental Activities (Continued)**

11. \$16.5 million General Obligation Bonds, Series 2006, 15-year amortization, due 2031, bearing interest ranging from 4.0% to 4.625%. Property tax revenues of the General Fund are pledged to repay this bond issue.

Fiscal Year Ending September 30,	Principal	Interest	Total
2007	\$ 370,000	\$ 701,653	\$ 1,071,653
2008	395,000	715,244	1,110,244
2009	415,000	699,444	1,114,444
2010	430,000	682,844	1,112,844
2011	445,000	665,106	1,110,106
2012-2016	2,530,000	3,028,031	5,558,031
2017-2021	3,140,000	2,427,556	5,567,556
2022-2026	3,905,000	1,657,288	5,562,288
2027-2031	4,870,000	692,394	5,562,394
	<u>\$ 16,500,000</u>	<u>\$ 11,269,560</u>	<u>\$ 27,769,560</u>

Summary of Governmental Activities Bonds and Notes Payments:

Fiscal Year Ending September 30,	Principal	Interest	Total
2007	\$ 4,742,455	\$ 3,568,535	\$ 8,310,991
2008	4,794,903	3,439,888	8,234,791
2009	4,946,444	3,240,265	8,186,709
2010	4,736,412	3,037,213	7,773,625
2011	4,875,098	2,873,056	7,748,155
2012-2016	26,999,263	11,248,655	38,247,918
2017-2021	18,180,701	5,797,907	23,978,608
2022-2026	12,240,000	2,815,363	15,055,363
2027-2031	4,870,000	692,394	5,562,394
Total	<u>\$ 86,385,277</u>	<u>\$ 36,713,276</u>	<u>\$ 123,098,553</u>

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**  
(Continued)

**J. LONG-TERM LIABILITIES (Continued)**

**Business - Type Activities**

	Balance September 30,			Balance September 30,		Due
	2005	Additions	Reductions	2006	Within One Year	
Bonds and Notes Payable						
Water and Sewer	\$ 25,170,000	\$ -	\$ (1,235,000)	\$ 23,935,000	\$ 1,260,000	
Less deferred amount on refunding	(8,473,908)	-	941,545	(7,532,363)		
Total bonds and notes payable	<u>16,696,092</u>	<u>-</u>	<u>(293,455)</u>	<u>16,402,637</u>	<u>1,260,000</u>	
Compensated absences	354,627		(6,283)	348,344	2,166	
Total	<u>\$ 17,050,719</u>	<u>\$ -</u>	<u>\$ (299,738)</u>	<u>\$ 16,750,981</u>	<u>\$ 1,262,166</u>	

\$26,305,000 Water & Sewer Refunding Bonds, Series 2003, 17-Year amortization, due 2020, bearing interest at fixed rates of 2% and 4.65%.

Fiscal Year Ended September 30,	Principal	Interest	Total
2007	\$ 1,260,000	\$ 921,830	\$ 2,181,830
2008	1,285,000	892,918	2,177,918
2009	1,315,000	858,399	2,173,399
2010	1,345,000	818,049	2,163,049
2011	1,390,000	771,136	2,161,136
2012-2016	7,740,000	2,977,428	10,717,428
2017-2021	9,600,000	966,556	10,566,556
Total	<u>23,935,000</u>	<u>\$ 8,206,315</u>	<u>\$ 32,141,315</u>
Less deferred amount on refunding	<u>(7,532,363)</u>		<u>\$ 16,402,637</u>

During the year ended September 30, 2003, the Town issued \$26,305,000 Water and Sewer Refunding Bonds, Series 2003 for the purpose of providing funds, together with other legally available funds of the Town, to refund and defease the outstanding amount of the Town's \$38,665,000 Water and Sewer Improvement and Refunding Revenue Bonds, Series 1992. The Series 2003 Bonds have a 17-year amortization, due 2020, with fixed rates of 2% to 4.65% per annum.

The Bond Indenture has certain covenants related to the operation of the Water and Sewer Fund and the establishment of a renewal and replacement fund and a rate stabilization fund. The Bond Indenture provides for a surety bond to be obtained in place of funding for the Debt Service Reserve Fund (the "Reserve Fund"). The Debt Service Reserve Fund Surety Bond constitutes a Debt Service Reserve Fund Insurance Policy under the Bond Indenture. The Town has obtained the required bonding and is in compliance with the reserve requirement.

As of September 30, 2006, the amount outstanding related to the defeased Series 1992 Bonds was \$25,815,000.

**TOWN OF DAVIE, FLORIDA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006  
(Continued)

**K. FUND EQUITY**

Reservations of fund balances of governmental funds are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriated for future expenditures. Specific reservations of the fund balance accounts are summarized below.

Reserve for Capital Projects: The reserve for capital projects was created to represent amounts borrowed for various capital projects not yet completed.

Reserve for Debt Service: The reserve for debt service was created to represent amounts collected by levy that can only be used to repay outstanding debt issues.

Reserve for Encumbrances: The reserve for encumbrances was created to represent encumbrances outstanding at the end of the year based on purchase orders not completed as of September 30, 2006.

Reserve for Law Enforcement Forfeitures: The reserve for law enforcement was created to represent court awarded forfeiture property that is restricted as to its use.

Reserve for Development Services – Building: The reserve for Development Services, Building was created to represent fees collected by the Building Division that have not yet been spent for the Town's Building Division.

Reserve for Development Services – Engineering: The reserve for Development Services, Engineering was created to represent fees collected by the Engineering Division that have not yet been spent for the Town's Engineering Division.

Reserve for Police Impact Fees: The reserve for police impact fees was created to represent impact fees collected on development that have not yet been spent for the Town's police department.

Reserve for Fire Impact Fees: The reserve for fire impact fees was created to represent impact fees collected on development that have not yet been spent for the Town's fire department.

Reserve for Open Space Program: The reserve for open space was created to represent impact fees collected on development that have not yet been spent for the Town's Open Space Program.

Reserve for Road Resurfacing Orange Drive: The reserve is for money received from Broward County which is to be used specifically for resurfacing Orange Drive.

Reserve for Community Redevelopment Agency: The reserve for the Community Redevelopment Agency (CRA) was created to represent tax increments and other revenues that can only be used in the Town's CRA district.

**TOWN OF DAVIE, FLORIDA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006  
(Continued)

**L. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has established a Self-Insurance Fund (an internal service fund) to account for and finance its insured and uninsured risks of loss. Effective July 1, 2002 the Town became self insured for health benefits. Effective October 1, 2002, the Town joined South East Risk Management Association a Public Entity Risk Pool (Risk Pool) for property and liability exposures. Under this program, the Self-insurance fund provides coverage for the first \$1,000 of property damage. As a result of joining the Risk Pool the Town's risk of loss related to these areas has been transferred to the Risk Pool.

The Town paid \$3,897,008 in premiums to the Risk Pool during the year ended September 30, 2006. The members of the Risk Pool include six municipalities who have entered into an interlocal agreement related to the Risk Pool. Members are subject to supplemental assessments in the event of deficiencies except that to the extent that deficiencies result from a specific claim against a member in excess of the reinsurance available. Individual member municipalities have no claim to Risk Pool surpluses or budgetary authority. Subsequent to year end the Town, has left the Risk Pool and has acquired insurance to cover the various risks previously covered by the Risk Pool.

There were no significant reductions in coverages from the prior fiscal year. The Town purchases insurance for exposures not covered by the Fund and for all other risks of loss. During the past three fiscal years, no settlements exceeded the coverage provided by this insurance.

Amounts are paid into the Self-Insurance Fund by all other funds and are available to pay claims, premiums and administrative costs of the program.

A liability for claims incurred but not reported for self insured health benefits is recognized when it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. The Insurance Fund reported a claims liability of \$320,085 for the years ended September 30, 2005 and 2006.

**M. LITIGATION, COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS**

***Litigation***

A former employee has filed a wrongful termination lawsuit against the Town. In the event of an adverse outcome, management estimates that damages in the suit could range from approximately \$800,000 to \$1,000,000, and would be partially offset by liability insurance. As of September 30, 2006, the Town has not recorded a provision for this matter as management intends to vigorously defend these allegations and believes payment of damages is not probable. The Town believes, however, that any liability it may incur would not have a material effect on its financial condition or its results of operations.

The Town is involved in various other pending lawsuits incidental to its operations. In the opinion of management, any potential losses resulting from claims against the Town, not covered by insurance would not have a material adverse effect on the financial position of the Town.

***Commitments***

A construction commitment is defined as the difference between the contract price of a project and the amount paid on that contract. Outstanding general government construction commitments at September 30, 2006 are approximately \$5.3 million for projects that are all fully funded.

**TOWN OF DAVIE, FLORIDA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006  
(Continued)

**M. LITIGATION, COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS (Continued)**

***Commitments (Continued)***

As a prerequisite for approval of development plats, the Town requires developers to install certain infrastructure elements (roadways, drainage, sidewalks, lighting, landscaping, etc.) that accrue to a development as a whole. Should the developer fail to install the required infrastructure, the Town would be obliged to complete the amenities. To eliminate the financial risk that may exist, the Town also requires the developer to guarantee, through reliable third parties, the amount of money that would be necessary to complete the project. At September 30, 2006, the Town held the following guarantees from various financial institutions for developers' infrastructure requirements:

Irrevocable letters of credit	\$ 30,525,794
Surety bonds	24,245,018
Cash bonds	577,280
Total guarantees held	<u>\$ 55,348,092</u>

In 1985, the Town and the City of Cooper City entered into an inter-local agreement, which provided that both municipalities would jointly construct and maintain a wastewater transmission line that would connect to the City of Hollywood's wastewater treatment facilities. The respective municipalities of Davie and Cooper City treat the effluent that is received by Hollywood. The Town owns and is responsible for two-thirds of the jointly owned facility. Cooper City participates in the remaining one-third.

The Town has entered into contractual agreements with Florida Power and Light Company (FPL) to provide maintenance to certain streetlights within the Town. Each agreement is initially for a term of ten years with automatic, successive five-year extensions until terminated. The Town's existing commitment to FPL, as of September 30, 2006, is approximately \$1,000,000.

***Contingencies***

Post-employment Healthcare Benefits

The Town is obligated to provide post employment health care benefits to its employees (and their dependents) during the period after they retire from service to the Town. The Town is required by State statutes to offer its retiring employees continued coverage under the same health and hospitalization coverage as is offered to active employees. The statutes also limit the amount that the Town may charge the retiree as a premium. The retirees are required to pay 100% of the monthly premiums as calculated for the Town's employee group, but this amount is lower than the true actuarial premium otherwise chargeable. This shortfall must be covered by the Town and, therefore, creates a long-term obligation on the part of the Town to subsidize the coverage for all retiring employees and their dependents. Inflation and other trends in health care costs increase this subsidy substantially over time. There is no current statutory requirement to advance-fund the Town's subsidy of retiree health benefits. The Town estimates the liability to be approximately \$655,000, which was fully funded for in the Self-Insurance Fund as of September 30, 2006.

Arbitrage

The Town has certain debt issuances, which may be subject to arbitrage rebate in accordance with federal tax laws. Any rebate liability is due after the fifth year of each respective bond's issuance. No rebate was due as of September 30, 2006.

**TOWN OF DAVIE, FLORIDA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006  
(Continued)

**M. LITIGATION, COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS (Continued)**

***Contingencies (Continued)***

***Federal Emergency Management Agency***

During the fiscal year ended September 30, 2006, allegations were made that the Town falsified information submitted to Federal Emergency Management Agency ("FEMA"). The allegations relate to certain overtime paid by the Town related to emergency/disaster services resulting from the 2005/2006 hurricane season. The Town has referred the allegation to the Office of the Attorney General for investigation. As of the report date, the Town has not yet received a response as to the status of this matter.

In addition, in connection with the overtime related to emergency/disaster services resulting from the 2005/2006 hurricane season, the Town included the costs in the FEMA reimbursement request. It was determined that there were errors in the FEMA submission which resulted in a reduction from approximately \$1,500,000 to approximately \$910,000 for project labor costs subject to reimbursement. FEMA is currently in the process of closeout procedures and a standard audit of several grants relating to hurricane procedures and the Town has not yet been notified if any of the remaining submitted time will be considered for reimbursement from FEMA, or, if the Town will be required to reimburse FEMA for any portion of previously reimbursed expenditures.

Further, the Town had submitted an insurance reimbursement claim for certain costs incurred resulting from the 2005/2006 hurricane season. Subsequent to September 30, 2006 the Town received funds for the insurance claim filed and has undertaken procedures to determine what, if any, portion of the claimed costs were included in the FEMA project submission and what, if any, amounts may be required to repay to FEMA.

***Conduit Debt***

During the fiscal year ended September 30, 2004, the Town issued \$24,475,000 Variable Rate Demand Revenue Bonds, Series 2003 of conduit debt which was transferred to United Jewish Community Center of Broward County, Inc.

***Subsequent Events***

**Local Government Surplus Funds Trust Fund Investment Pool**

As discussed in Note B – Deposits and Investments, at September 30, 2006 the District had funds invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool ("Pool"). On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

**TOWN OF DAVIE, FLORIDA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006  
(Continued)

**M. LITIGATION, COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS (Continued)**

***Subsequent Events (Continued)***

**Local Government Surplus Funds Trust Fund Investment Pool (Continued)**

Currently, Pool A participants may withdraw 15% of their balance or \$2 million, whichever is greater, without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool A.

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool and a formal withdrawal policy has not yet been developed. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principal value of Pool B assets is not readily determinable.

Accordingly, no adjustment has been made to the reported value of the District's investment in the Pool. The District has reported its investment at the same value as the pooled shares allocated to the District at September 30, 2006.

Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

**Mutual Funds**

As discussed in Note B – Deposits and Investments, at September 30, 2006 the District had funds invested in the mutual funds with a market value of \$4,815,020. Subsequent to the end of the September 2007, the funds have experienced significant declines in market values of approximately \$385,000.

**Conduit Debt**

In November 2007, the Town issued \$2,500,000 Variable Rate Educational Facilities Revenue Bonds, Series 2007 of conduit debt which was transferred to the Parkway Christian Church, Inc.

**N. DEFINED CONTRIBUTION PLAN**

The Town of Davie is a single employer that contributes to the Town of Davie Money Purchase Plan (Plan), which is a defined contribution pension plan. The Plan covers all eligible full time employees not covered by the Police or Fire Pension Plans. At September 30, 2006, there were 173 plan members. Contributions for fiscal year ended September 30, 2006 for the Plan were \$471,659 (representing \$7,548,904 in covered payroll). Total payroll for the Town for the year was \$41,419,661.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

**TOWN OF DAVIE, FLORIDA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006  
(Continued)

**N. DEFINED CONTRIBUTION PLAN (Continued)**

Under a defined contribution pension plan, the benefits a participant will receive depends solely on the amount contributed to the participant's account, the returns earned on investments on those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. The Plan provides for two contribution rate levels based on job classifications. For full-time managers, professionals, and certain technical non-unionized personnel, the Town is required to contribute an amount equal to 10% of the employees' gross earnings. The employees must contribute 1.4% of their pretax pay to the plan; however, under IRC 401(a), the Town has elected to "pick-up" the employees' mandatory contribution. The Town has no liability to the employees covered by this plan other than the employer contribution to the plan. For all other employees covered by the Plan, the Town is required to contribute 6% of the employees' gross earnings and the employees contribute 3%. Employees hired before January 1, 1996 are 100% vested for all amounts contributed. Employees hired after January 1, 1996 are vested 100% for Town contributions after five years of eligible service. These contribution rates are established in the plan documents which were adopted by resolution of the Town Council and which may be amended only by the Town Council. Members share equal risk with other general creditors of the Town in the unlikely event these assets would be needed to pay for liabilities of the Town.

**O. PENSION PLAN INFORMATION**

**1. Summary of Significant Accounting Policies**

***Basis of Accounting***

The Firefighters' Pension Plan, Police Pension Plan and the Management and General Employees are accounted for on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Town contributions are recognized when due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

***Method Used to Value Investments***

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Net depreciation in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Dividends and interest income are recognized as earned. Purchases and sales of investments are recorded on a trade-date basis.

**2. Plan Description and Contribution Information**

***Firefighters' Pension Plan***

The following brief description of the Firefighters' Pension Plan is provided for general information purposes only. The Firefighters' Pension Plan was established by Town Ordinance 80-42 and has subsequently been amended from time to time by the Town Council. Participants should refer to the Plan documents for more complete information. Additionally, a separate public employee retirement system annual report for the Firefighters' Pension Plan is publicly available from the Town of Davie Budget and Finance Department, 6591 Orange Drive, Davie, Florida 33314.

**TOWN OF DAVIE, FLORIDA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006  
(Continued)

**O. PENSION PLAN INFORMATION (Continued)**

**2. Plan Description and Contribution Information (Continued)**

***Firefighters' Pension Plan (Continued)***

**Plan Description**

The Town is the sponsor of a single-employer, Public Employee Retirement System (PERS). This defined benefit pension plan covers substantially all of the Town's firefighters. The PERS is considered part of the Town's financial reporting entity and is therefore included in this financial report as a pension trust fund. The latest available actuarial report is as of October 1, 2005.

All full time firefighters are eligible to participate in the Plan.

**Normal Retirement**

Any member may retire on the first day of the month which falls on, or next follows, the date on which they attain 20 years of credited service regardless of age.

Upon retirement, a member will receive a monthly benefit amount equal to the number of years of credited service multiplied by 3% of final monthly compensation for the first 10 years of service (previously 20 years), plus 4% for the next 10 years of service, plus 2% per year for the next ten years of service for all members employed on or after October 1, 2002.

**Early Retirement**

Any member may retire on the first day of the month which falls on, or next follows, the date on which they attain 10 years of credited and attain the age of 55.

Upon early retirement, a member will receive a monthly benefit amount equal to the number of years of credited service at that date, multiplied by 3% of final monthly compensation for the first 10 years of service (previously 20 years), plus 4% for the next 10 years of service, plus 2% per year for the next ten years of service, reduced by 3% per year for commencement prior to normal retirement date.

**Deferred Retirement Option Plan**

On July 1, 1998, the Plan adopted the Deferred Retirement Option Plan (DROP) under Resolution R-98-229. The Resolution as amended in December 1998 by Resolution R-98-374 allows eligible employees to participate in the DROP for a maximum of five years. Upon election to participate in the DROP, monthly retirement benefits that would have been payable had the member terminated employment and elected to receive monthly pension payments it made into the member's DROP account. DROP payments contributed to a member's DROP account earn or lose interest at the same rate and frequency as in the Plan, less reasonable and necessary administrative expenses. No benefit payments are made from a member's DROP account during their participation in the DROP. Benefits are paid upon termination.

**TOWN OF DAVIE, FLORIDA**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2006  
 (Continued)

**O. PENSION PLAN INFORMATION (Continued)**

**2. Plan Description and Contribution Information (Continued)**

***Firefighters' Pension Plan (Continued)***

**Death and Disability**

The Plan also provides for disability and death benefits. Active employees who become disabled receive 66.7% of their earnings, if the disability is service related. If an active employee dies, his or her spouse receives 50% of the employees' average monthly earnings until the spouse either dies or remarries. Each unmarried child that is not a student receives 5% of the employee's earnings until age 18. For unmarried children that are students, the benefits continue until the earlier of death, marriage, or until age 22. The maximum family benefit is 60% of the employee's earnings.

Participants immediately vest in 100% of their contributions and related earnings. Benefits vest at 100% after the participant has attained 10 years of credited service.

Plan provisions are established by the Town Council. Changes to established provisions require a majority vote of the Council.

Employee membership data at October 1, 2005 was as follows:

Inactive employees:	
Retirees and beneficiaries currently receiving benefits	35
Deferred vested members	9
Active plan participants	<u>127</u>
Total	<u><u>171</u></u>

**Funding Policy**

Firefighters' Pension Plan members are required to contribute 7% of their base compensation. The State contributes pursuant to Chapter 175 of the Florida Statutes, a premium tax on certain casualty insurance contracts written on Town of Davie properties. The premium tax is collected by the State and remitted to the Town. The Town contributions are based upon actuarially determined amounts, which together with earnings, plan member and State contributions, are sufficient to fund the Firefighters' Pension Plan. Beginning in October 2003, a member is allowed to buy back up to a maximum of four years of total prior military or firefighter service at an actuarial equivalent cost.

***Police Employees Pension Trust Fund***

The following brief description of the Police Employees Pension Trust Fund is provided for general information purposes only. The Police Pension Plan was established by Town Ordinance 76-13 and has subsequently been amended from time to time by the Town Council. Participants should refer to the Plan documents for more complete information. Additionally, a separate public employee retirement system annual report for the Police Pension Plan is publicly available from the Town of Davie Budget and Finance Department, 6591 Orange Drive, Davie, Florida 33314.

**TOWN OF DAVIE, FLORIDA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006  
(Continued)

**O. PENSION PLAN INFORMATION (Continued)**

**2. Plan Description and Contribution Information (Continued)**

***Police Employees Pension Trust Fund (Continued)***

**Plan Description**

The Town is the sponsor of a single-employer, Public Employee Retirement System (PERS). This defined benefit pension plan covers substantially all of the Town's police officers. The PERS is considered part of the Town's financial reporting entity and is therefore included in this financial report as a pension trust fund. The latest available actuarial report is as of October 1, 2005.

**Normal Retirement**

Any member may retire the earlier of the date on which they attain 20 years of credited service or the date on which they attain age 55. A member has vested benefits after 10 years of continuous service.

Upon retirement, a member will receive a monthly benefit amount equal to the number of years of credited service multiplied by 3% of final average earnings for the first 10 years of service plus 4% for the next 10 years of benefit service (3% for the first 20 years of service prior to October 1, 2003), plus 2% per year for the next ten years of service, with a 90% maximum of the final average earnings. However, after 45 years of service, benefits shall recommence at a rate of 2% of final average earnings per year.

The member's benefits commence on the first day of the month following their retirement date and are continued until their death. A member with the consent of the Town may continue to work beyond their normal retirement date and retire on any subsequent first day of the month.

**Early Retirement**

Any member who has completed 10 years of credited service and attained age 50 may retire early, with the consent of the Town.

Upon early retirement, a member will receive a monthly benefit amount equal to the number of years of credited service at that date, multiplied by 3% of final average earnings for the first 10 years of service plus 4% for the next 10 years of service (3% for the next 20 years of service prior to October 1, 2003) plus 2% per year for the next ten years of service, reduced actuarially to reflect earlier receipt of payment. The member also has the option of deferring the commencement of his normal retirement date, the earlier of the date he would have attained 20 years of benefit service provided he has completed 15 years of actual service or age 55. In such case, there would be no actuarial reduction to his monthly benefit.

**Deferred Retirement Option Plan**

A member may enter into the police officers' Deferred Retirement Option Plan (DROP) on the first day of any month after completing 20 years of credited service and becoming eligible to receive a service retirement pension. The DROP is administered by the Police Officers' Pension Board of Trustees. The rate of return earned by the Plan is the same as that earned by the Fund less a \$10 per month adjustment for expenses. Once a member enters the DROP, their monthly retirement benefit is frozen, and their monthly benefit is paid into their DROP account. Upon termination of employment, the balance in the member's DROP account, including interest, is payable to them and they also begin to receive their (frozen) monthly retirement benefit.

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**  
(Continued)

**O. PENSION PLAN INFORMATION (Continued)**

**2. Plan Description and Contribution Information (Continued)**

***Police Employees Pension Trust Fund (Continued)***

**Disability**

Any member who receives a medically substantiated service connected disability as determined by the pension board will receive a monthly benefit equal to 66-2/3% of such members base pay at time of disability, less any applicable benefits payable by Federal Old Age, Survivors and Disability Insurance, Workers' Compensation benefits or other disability benefits payable from Broward County or the Town or 42% of the final average earnings payable as a ten year certain and life annuity. If the disability is non-service connected, a member will receive a monthly benefit of the greater of \$100 or 1.50% of final average earnings multiplied by the number of years of benefit service at their date of disability.

Benefits are payable beginning in the month following the later of (1) the date when the disability has existed for six months, and (2) the date when the Board makes its determination that the member has incurred a disability.

Employee membership data at October 1, 2005 was as follows:

Inactive employees:	
Retirees and beneficiaries currently receiving benefits	46
Deferred vested members	4
Active plan participants	165
Total	<u>215</u>

**Death Benefits**

If, prior to retirement, death is non-service connected or member had no spouse to whom he had been married for at least one (1) year prior to death, the death benefit shall be the return of accumulated employee contributions plus prior plan benefits, if any. If death is service-connected and member has an eligible spouse, such spouse shall be entitled to a monthly annuity equal to 50% of the member's base pay at a member's date of death. Such pension shall continue to the spouse until the earlier of the spouse's death or remarriage, with a guarantee that such benefits will at least equal the member's accumulated contributions at member's date of death.

Upon death of a retired member, a death benefit of the accumulated contributions at date of retirement less benefits paid to date of death shall be returned.

**Funding Policy**

Police Pension Plan members are required to contribute 7% (6.5% prior to October 9, 2003) of their basic compensation. The State is required to contribute pursuant to Chapter 185 of the Florida Statutes, a premium tax on certain casualty insurance contracts written on Town of Davie properties. The premium tax is collected by the State and remitted to the Town. The Town's contributions are based upon actuarially determined amounts, together with earnings, plan member and state contributions, are sufficient to fund the Police Pension Plan.

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**  
(Continued)

**O. PENSION PLAN INFORMATION (Continued)**

**2. Plan Description and Contribution Information (Continued)**

***Management and General Employees Plan***

The following brief description of the Management and General Employees Pension Trust is provided for general information purposes only. The management and General employee Plan was established by Town Ordinance 2004-2. Participants should refer to the Plan documents for more complete information.

**Plan Description**

On October 1, 2003 the Town Council created, under the laws of the State of Florida, a single-employer defined benefit pension plan. The plan covers substantially all management and general employees. Management level employees town administrator, assistant town administrator, directors, police and fire chief, deputy police and fire chief, town clerk, deputy town clerk, redevelopment administrator and assistant directors. General employees are full-time employees not classified as management and are not otherwise restricted. The plan is administered by the Florida Municipal Investment Trust fund ("FMITF"). The Plan is considered part of the Town's financial reporting entity and is therefore included in this financial report as a pension trust fund. The plan's most recent actuarial report was prepared as of October 1, 2005.

Employee membership data at October 1, 2005 was as follows:

Inactive employees:

Retirees and beneficiaries currently receiving benefits	1
Terminated employees entitled to benefits but not yet receiving them	6
Active plan participants	143
Total	<hr style="border: none; border-top: 1px solid black; margin-bottom: 2px;"/> <hr style="border: none; border-top: 3px double black; margin-top: 2px;"/> 150

**Normal Retirement**

Management level employees are eligible for benefits after attaining age 52 and three years of vested service or age 48 and twenty years of service. General employees are eligible for benefits after attaining age 60 and six years of vested service or age 56 and thirty years of vested services.

Normal benefits for management level employees are equal to the number of years of vested service multiplied by the final monthly compensation and multiplied by 3%. Final monthly compensation, for management, means the one-twelfth of the employee's highest average earnings during the best three years of creditable service. Normal benefits for general level employees are equal to the number of years of creditable service multiplied by the final monthly compensation and multiplied by 2%. Final monthly compensation, for general employees, means one-twelfth of the highest average earnings during the best five years of credible services.

**TOWN OF DAVIE, FLORIDA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006  
(Continued)

**O. PENSION PLAN INFORMATION (Continued)**

**2. Plan Description and Contribution Information (Continued)**

***Management and General Employees Plan (Continued)***

**Deferred Retirement Option Plan**

A member is eligible to participate in the management and general employees' Deferred Retirement Option Plan (DROP) at attainment of normal retirement age for a period of up to 60 months. The DROP is administered by the Florida Municipal Pension Trust Fund Board of Trustees. The Plan earns a 6.5% rate of return. Once a member enters the DROP, their monthly retirement benefit is frozen, and their monthly benefit is paid into their DROP account. Upon termination of employment, the balance in the member's DROP account, including interest, is payable to them.

**Disability Benefit**

Management employees that have completed three years of vested service that are deemed permanently disabled, will receive their accrued benefit. If the vested service is less than the three years, the employee will receive their employee contribution plus a 6% percent return there on.

General employees that have completed six years of vested service that are deemed permanently disabled, will receive their accrued benefit. If the employee's vested service is less than six years, the employee will receive their employee contribution plus a 6% return there on.

**Death Benefit**

Beneficiaries of management employees that die prior to the normal retirement date, and completed three years of vested service, will receive the benefit otherwise payable to the member at the members normal retirement date. If the employee dies prior to completion of three years of vested service, the beneficiary will receive a 100% refund of the members accumulated contributions.

Beneficiaries of general employees that die prior to the normal retirement date, and completed six years of vested service, will receive the benefit otherwise payable to the member at the members normal retirement date. If the employee dies prior to completion of six years of vested service, the beneficiary will receive a 100% refund of the members accumulated contributions.

**Funding Policy**

The Town provides all funding required for the plan, based on actuarial determined amounts. The Town is required to make contribution to the trustee, at least on a quarterly basis. Employees are not required to make any contributions. However, plan members that were employed prior to October 1, 2003 there are entitles to buy-back all of their years of service with the Town, and up to five years of service with a federal government, state government, county government, or city government. Participants that were hired subsequent to October 1, 2003 can purchase up to five years of credited service, prior to the completion of 12 months of service with the Town.

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**  
(Continued)

**O. PENSION PLAN INFORMATION (Continued)**

**3. Annual Pension Cost and Net Pension Obligation (Asset)**

The Town's annual pension costs for the Firefighters, Police and Management and General Employee plans for the current year were as follows:

	Firefighters	Police	Management & General Employees
Annual pension cost	\$ 2,795,543	\$ 3,827,510	\$ 1,303,581
Contributions made	3,114,185	3,887,378	1,170,608

The required contributions for the current year were determined by the Firefighters October 1, 2005 actuarial valuation and the Police October 1, 2005 actuarial valuation using the frozen entry age actuarial cost method for each respective plan, except for certain balances which were computed using the entry age normal actuarial cost method for the Police. The required contributions for the current year for Management and General Employees were estimated based on the annual payroll for covered employees. The actuarial assumptions for the Firefighters valuation included (a) 8.5% investment rate of return and (b) projected salary increases of 6.5%. Both (a) and (b) included an inflation component of 4.0%. The method used for valuing assets phases in the deviation between the expected and actual return on assets at a rate of 25% annually and will be further adjusted to the extent necessary to fall within the corridor whose lower limit is 80% of the fair market value of plan assets and whose upper limit is 120% of the fair market value of plan assets. The actuarial assumptions for the Police valuation included (a) 8.0% investment rate of return and (b) projected salary increases of 6.5%. Both (a) and (b) included an inflation component of 4.0%. Assets were valued at 50% of cost value plus 50% of market value, but not more than 120% of market value nor less than 80% of market value. The actuarial assumptions for the Management and General valuation included (a) 8.0% investment rate of return and (b) projected salary increases of 5.5%. Both (a) and (b) included an inflation component of 3.75%. Assets were valued at market value.

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**  
(Continued)

**O. PENSION PLAN INFORMATION (Continued)**

**4. Trend Information**

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three-year information for the years ended September 30, is presented as follows:

	Firefighters		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Annual pension cost (APC)	\$ 2,795,543	\$ 2,319,345	\$ 1,813,022
Percentage of APC contributed	111%	113%	113%
	Police		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Annual pension cost (APC)	\$ 3,827,510	\$ 3,090,663	\$ 3,123,244
Percentage of APC contributed	102%	109%	136%
	Management and General		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Annual pension cost (APC)	\$ 1,303,581	\$ 1,166,773	\$ 1,080,337
Percentage of APC contributed	90%	96%	285%

Contributions to the all three plans were made in accordance with actuarially determined requirements. Six-year historical trend information presenting the progress in accumulating sufficient assets to pay benefits when due is presented in the separately issued financial statements for the Police and Firefighters Pension Plans. Information for General Employee plan is not available.

**P. COMPLIANCE**

The Town is not in compliance with various reporting requirements required by the Town's bond and finance agreements, the Auditor General of the State of Florida, the Department of Financial Services of the State of Florida and the Federal Single Audit Acts. The Town was also not in compliance with their investment policy. See Note B.

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**REQUIRED SUPPLEMENTARY INFORMATION  
(OTHER THAN MD&A)**

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**TOWN OF DAVIE, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2006**

	Original	Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental	\$ 14,321,268	\$ 29,953,713	\$ 29,862,442	\$ (91,271)
Property taxes	32,705,576	32,705,576	32,155,790	(549,786)
Utility taxes	5,592,000	5,693,000	6,009,394	316,394
Franchise taxes	7,501,810	7,375,000	9,349,390	1,974,390
Licenses and permits	6,684,737	6,557,338	6,575,678	18,340
Charges for services	5,778,400	5,837,909	6,671,665	833,756
Fines and forfeitures	900,414	575,600	512,484	(63,116)
Fire rescue assessments	4,749,979	5,091,111	5,241,448	150,337
Miscellaneous	6,154,132	4,999,716	1,508,412	(3,491,304)
Interest	904,000	2,717,000	3,450,922	733,922
<b>Total revenues</b>	<b>85,292,316</b>	<b>101,505,963</b>	<b>101,337,625</b>	<b>(168,338)</b>
<b>Expenditures:</b>				
<b>General government:</b>				
<b>Town administration department:</b>				
Personnel services	1,387,837	1,392,664	1,306,365	86,299
Operating expenditures	4,869,878	3,961,214	2,305,111	1,656,103
Capital outlay	-	-	-	-
	<b>6,257,715</b>	<b>5,353,878</b>	<b>3,611,476</b>	<b>1,742,402</b>
<b>Budget and finance department:</b>				
Personnel services	1,090,222	1,121,387	1,045,846	75,541
Operating expenditures	360,096	366,320	355,835	10,485
Capital outlay	3,000	-	-	-
	<b>1,453,318</b>	<b>1,487,707</b>	<b>1,401,681</b>	<b>86,026</b>
<b>Administrative services department:</b>				
Personnel services	1,182,004	1,218,043	1,144,697	73,346
Operating expenditures	2,476,389	2,697,949	2,305,717	392,232
Capital outlay	17,110	17,110	17,110	-
	<b>3,675,503</b>	<b>3,933,102</b>	<b>3,467,524</b>	<b>465,578</b>
<b>Development services department:</b>				
Personnel services	6,739,187	6,849,041	5,687,207	1,161,834
Operating expenditures	1,331,886	2,173,600	1,682,051	491,549
Capital outlay	175,400	175,400	88,502	86,898
	<b>8,246,473</b>	<b>9,198,041</b>	<b>7,457,760</b>	<b>1,740,281</b>
<b>Parks and recreation department:</b>				
Personnel services	3,380,056	3,497,651	3,010,201	487,450
Operating expenditures	2,001,721	2,207,904	1,944,318	263,586
Capital outlay	21,600	90,670	74,829	15,841
	<b>5,403,377</b>	<b>5,796,225</b>	<b>5,029,348</b>	<b>766,877</b>
<b>Total general government</b>	<b>\$ 25,036,386</b>	<b>\$ 25,768,953</b>	<b>\$ 20,967,789</b>	<b>\$ 4,801,164</b>

(Continued)

**TOWN OF DAVIE, FLORIDA**  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2006  
(Continued)

	Original	Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Expenditures:				
Public safety:				
Police department:				
Personnel services	\$ 23,078,203	\$ 24,420,871	\$ 23,556,991	\$ 863,880
Operating expenditures	3,333,253	3,466,459	4,308,611	(842,152)
Capital outlay	559,161	702,374	385,324	317,050
	<u>26,970,617</u>	<u>28,589,704</u>	<u>28,250,926</u>	<u>338,778</u>
Fire department:				
Personnel services	18,472,989	18,910,044	16,280,694	2,629,350
Operating expenditures	2,035,552	1,966,513	2,506,150	(539,637)
Capital outlay	37,253	334,540	299,249	35,291
	<u>20,545,794</u>	<u>21,211,097</u>	<u>19,086,093</u>	<u>2,125,004</u>
Total public safety	<u>47,516,411</u>	<u>49,800,801</u>	<u>47,337,019</u>	<u>2,463,782</u>
Public works:				
Personnel services	3,061,886	3,255,932	3,066,034	189,898
Operating expenditures	2,753,694	18,175,110	19,048,194	(873,084)
Capital outlay	15,000	17,996	-	17,996
Total public works	<u>5,830,580</u>	<u>21,449,038</u>	<u>22,114,228</u>	<u>(665,190)</u>
Non-Departmental				
Personnel services				
Operating expenditures	1,020,000	1,035,286	1,035,429	(143)
Total non-departmental	<u>1,020,000</u>	<u>1,035,286</u>	<u>1,035,429</u>	<u>(143)</u>
Debt service:				
Principal retirements	3,643,123	3,643,123	3,630,755	12,368
Interest	2,085,238	2,085,238	1,919,527	165,711
Total debt service	<u>5,728,361</u>	<u>5,728,361</u>	<u>5,550,282</u>	<u>178,079</u>
Total expenditures	<u>85,131,738</u>	<u>103,782,439</u>	<u>97,004,747</u>	<u>6,777,692</u>
Excess of revenues over expenditures	<u>160,578</u>	<u>(2,276,476)</u>	<u>4,332,878</u>	<u>6,609,354</u>
Other financing sources (uses):				
Transfers out	-	-	(2,171,374)	(2,171,374)
Use of prior year fund balance		2,432,468		(2,432,468)
Increase reserve for development services	(160,578)	(155,992)		155,992
Total other financing sources (uses)	<u>(160,578)</u>	<u>2,276,476</u>	<u>(2,171,374)</u>	<u>(4,447,850)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>2,161,504</u>	<u>\$ 2,161,504</u>
Fund balance, October 1			<u>36,038,013</u>	
Fund balance, September 30			<u>\$ 38,199,517</u>	

See Notes to Budgetary Comparison Schedule

**TOWN OF DAVIE, FLORIDA**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 COMMUNITY ENDOWMENT FUND  
 YEAR ENDED SEPTEMBER 30, 2006

	Original	Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Miscellaneous	\$ 283,000	\$ 283,000	\$ 114,871	\$ (168,129)
Investment income	100,000	100,000	511,861	411,861
Total revenues	<u>383,000</u>	<u>383,000</u>	<u>626,732</u>	<u>243,732</u>
<b>Expenditures:</b>				
Development services department:				
Operating expenditures	383,108	383,108	262,345	120,763
	<u>383,108</u>	<u>383,108</u>	<u>262,345</u>	<u>120,763</u>
Capital outlay			71,736	(71,736)
	-	-	<u>71,736</u>	<u>(71,736)</u>
Total expenditures	<u>\$ 383,108</u>	<u>\$ 383,108</u>	<u>\$ 334,081</u>	<u>\$ 49,027</u>
Excess of revenues over expenditures	-	-	<u>292,651</u>	<u>292,651</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>292,651</u>	<u>\$ 292,651</u>
Fund balance, October 1			<u>2,584,547</u>	
Fund balance, September 30			<u>\$ 2,877,198</u>	

See Notes to Budgetary Comparison Schedule

**TOWN OF DAVIE, FLORIDA**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 NOTES TO BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED SEPTEMBER 30, 2006

**NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING**

The Town is legally required to adopt an annual budget for its General Fund. The Town also adopts an annual budget for its Community Endowment Special Revenue Fund. In September, formal public hearings are conducted to obtain taxpayers' comments. Prior to October 1, the budget is legally adopted.

The legal level of control, the level at which expenditures may not exceed the budget, is at the department level. The Town Administrator is authorized to transfer budgeted amounts within line items of departments. Any budget amendments between departments or amendments that alter the budget in total must be approved by the Town Council. All unencumbered appropriations lapse at the end of the fiscal period.

The Town amended the Budget for the General Fund for the year ended September 30, 2006, resulting in an increase in revenues of \$16,213,647, an increase in appropriations in the amount of \$18,650,701, and an increase in other financing sources (uses) of \$2,437,054.

Encumbrances of budgetary accounts are treated as budgeted expenditures in the year of occurrence of the commitment to purchase. Budgetary comparisons presented in this report are made on a budgetary, not a fund financial statement, basis. Therefore, adjustments are necessary to convert budgetary basis expenditures for the year ended September 30, 2006 to a fund financial statement basis:

	<u>General Fund</u>	<u>Community Endowment Fund</u>
Net Change in Fund Balance – budgetary basis	\$ 2,161,504	\$ 292,651
To adjust expenditures for encumbrances	1,136,428	35,100
Net Change in Fund Balance – Fund Financial Statements:	\$ 3,297,932	\$ 327,751

**NOTE 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended September 30, 2006, expenditures exceeded appropriations in Non-Departmental by \$143 and in Public Works by \$665,190 as presented in the Statement of Revenues and Expenditures – Budget and Actual – General Fund. For the year ended September 30, 2006, transfers out exceeded appropriations by \$2,171,374 as presented in the Statement of Revenues and Expenditures – Budget and Actual – General Fund.

**TOWN OF DAVIE, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**  
(In Thousands)  
**SEPTEMBER 30, 2006**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Frozen Entry Age (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c)
<b><u>FIREFIIGHTERS</u></b>						
10/1/2000	\$ 17,360	\$ 18,156	\$ 796	95.6%	\$ 3,691	21.6%
10/1/2001	\$ 17,884	\$ 18,637	\$ 753	96.0%	\$ 4,020	18.7%
10/1/2002	17,165	17,989	824	95.4%	3,868	21.3%
10/1/2003	16,955	17,750	795	95.5%	5,013	15.9%
10/1/2004	17,543	21,040	3,497	83.4%	5,352	65.3%
10/1/2005	19,291	29,931	10,640	64.5%	6,755	157.5%
<b><u>POLICE</u></b>						
10/1/2000	32,886	35,159	2,273	93.5%	6,309	36.0%
10/1/2001	\$ 32,325	\$ 34,530	\$ 2,205	93.6%	\$ 7,254	30.4%
10/1/2002 (1)	31,302	38,067	6,765	82.2%	7,975	84.8%
10/1/2003 (1)	34,845	44,993	10,148	77.4%	8,994	112.8%
10/1/2004 (1)	39,267	49,742	10,475	78.9%	9,105	115.0%
10/1/2005 (1)	45,283	58,779	13,496	77.0%	10,976	123%
(1) The figures are based on Entry Age Normal Actuarial Accrued Liability; all others are based on Frozen Initial Liability.						
<b><u>MANAGEMENT AND GENERAL (2)</u></b>						
10/1/2004 (2)	4,460	4,460	-	100.0%	7,881	0.0%
10/1/2005	9,190	9,190	-	100.0%	7,227	0.0%

(2) Plan was not created until 10/1/03 thus there is no information prior to 10/1/2004

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## **COMBINING FINANCIAL STATEMENTS**

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## **SPECIAL REVENUE FUNDS**

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Special Revenue Funds are used to account for funds received with specific restrictions on how the funds should be spent.

**Community Development Block Grant** – This fund accounts for revenue received from the Department of Housing and Urban Development. The revenue is restricted to accomplish the various objectives of the Community Development Block Grant Program.

**Community Redevelopment Agency** – This fund accounts for revenue received from tax increment financing. This revenue is restricted for use in carrying out redevelopment in designated redevelopment areas.



**TOWN OF DAVIE, FLORIDA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2006**

	Community Development Block Grant	Community Redevelopment Agency	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Pooled cash and cash equivalents	\$ 3,378	\$ 2,376,509	\$ 2,379,887
Due from other governments	43,394	-	43,394
Total assets	\$ 46,772	\$ 2,376,509	\$ 2,423,281
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 10,454	\$ 178,616	\$ 189,070
Due to other funds	36,318	-	36,318
Total liabilities	46,772	178,616	225,388
Fund balances:			
Reserved for:			
Community redevelopment agency	-	2,197,893	2,197,893
Total fund balances	-	2,197,893	2,197,893
Total liabilities and fund balances	\$ 46,772	\$ 2,376,509	\$ 2,423,281

**TOWN OF DAVIE, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2006**

	Community Development Block Grant	Community Redevelopment Agency	Total Nonmajor Governmental Funds
<b>Revenues:</b>			
Intergovernmental	\$ 261,002	\$ -	\$ 261,002
Property taxes	-	2,644,139	2,644,139
Charges for services	9,000	13,872	22,872
Total revenues	<u>270,002</u>	<u>2,658,011</u>	<u>2,928,013</u>
<b>Expenditures:</b>			
General government			
Development services department:			
Personnel services	236,093	238,455	474,548
Operating expenditures	24,882	191,174	216,056
Total general government	<u>260,975</u>	<u>429,629</u>	<u>690,604</u>
Capital Outlay	82,890	3,840,828	3,923,718
Total expenditures	<u>343,865</u>	<u>4,270,457</u>	<u>4,614,322</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(73,863)</u>	<u>(1,612,446)</u>	<u>(1,686,309)</u>
<b>Other financing sources (uses):</b>			
Transfers in	<u>73,863</u>	-	<u>73,863</u>
Net change in fund balances	<u>-</u>	<u>(1,612,446)</u>	<u>(1,612,446)</u>
Fund balances - October 1	-	3,810,339	3,810,339
Fund balance - September 30	<u>\$ -</u>	<u>\$ 2,197,893</u>	<u>\$ 2,197,893</u>

## INTERNAL SERVICE FUNDS

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Internal Service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

**Vehicle Maintenance Fund** - This fund is used to accumulate the cost of operating a central garage facility for vehicle and equipment maintenance.

**Self-Insurance Fund** – This fund is used to account for a deductible amount per claim for workers' compensation and property damage insurance for which the Town is self-insured.

**Information Systems Fund** - This fund is used to account for the accumulation of capital and distribution of costs associated with information systems equipment.

**Building Maintenance Fund** - This fund is used to account for the accumulation of capital and distribution of costs associated with operating Town facilities.



**TOWN OF DAVIE, FLORIDA**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**SEPTEMBER 30, 2006**

	Vehicle Maintenance	Self- Insurance	Information Systems	Building Maintenance	Total
<u>ASSETS</u>					
Current assets:					
Pooled cash and cash equivalents	\$ 3,466,154	\$ 9,480,981	\$ 1,308,278	\$ 1,205,923	\$ 15,461,336
Receivables	25,089	-	-	-	25,089
Prepaid items	-	61,570	138,268	-	199,838
Inventory	48,495	-	-	-	48,495
Total assets	<u>3,539,738</u>	<u>9,542,551</u>	<u>1,446,546</u>	<u>1,205,923</u>	<u>15,734,758</u>
Capital assets:					
Buildings and equipment	9,075,697	-	2,315,043	286,880	11,677,620
Less accumulated depreciation	<u>(4,842,567)</u>	<u>-</u>	<u>(1,822,907)</u>	<u>(228,034)</u>	<u>(6,893,508)</u>
Total capital assets, net	<u>4,233,130</u>	<u>-</u>	<u>492,136</u>	<u>58,846</u>	<u>4,784,112</u>
	<u>\$ 7,772,868</u>	<u>\$ 9,542,551</u>	<u>\$ 1,938,682</u>	<u>\$ 1,264,769</u>	<u>\$ 20,518,870</u>
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 505,671	783,587	\$ 130,290	\$ 112,954	\$ 1,532,502
Bonds payable	-	-	56,000	-	56,000
Total current liabilities	<u>505,671</u>	<u>783,587</u>	<u>186,290</u>	<u>112,954</u>	<u>1,588,502</u>
Total liabilities	<u>505,671</u>	<u>783,587</u>	<u>186,290</u>	<u>112,954</u>	<u>1,588,502</u>
<u>NET ASSETS</u>					
Investment in capital assets, net of related debt	4,233,130	-	436,136	58,846	4,728,112
Unrestricted	<u>3,034,067</u>	<u>8,758,964</u>	<u>1,316,256</u>	<u>1,092,969</u>	<u>14,202,256</u>
Total net assets	<u>\$ 7,267,197</u>	<u>\$ 8,758,964</u>	<u>\$ 1,752,392</u>	<u>\$ 1,151,815</u>	<u>\$ 18,930,368</u>

**TOWN OF DAVIE, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2006**

	Vehicle Maintenance	Self- Insurance	Information Systems	Building Maintenance	Total
Operating revenues:					
Charges for services	\$ 4,062,275	\$ 9,439,983	\$ 1,889,286	\$ 1,120,029	\$ 16,511,573
Operating expenses:					
Personal services	-	-	688,530	-	688,530
Maintenance	2,007,780	-	460,058	695,191	3,163,029
Insurance	337,303	3,897,008	-	-	4,234,311
Claims	-	4,708,944	-	-	4,708,944
Administrative	-	2,005	-	-	2,005
Depreciation and amortization	967,683	-	226,998	25,870	1,220,551
Total operating expenses	3,312,766	8,607,957	1,375,586	721,061	14,017,370
Operating income	749,509	832,026	513,700	398,968	2,494,203
Nonoperating revenues (expenses):					
Interest expense	-	-	(2,144)	-	(2,144)
Interest income	-	-	-	4,887	4,887
Gain on sale of assets	16,409	-	1,880	-	18,289
Total nonoperating revenues (expenses):	16,409	-	(264)	4,887	21,032
Change in net assets	765,918	832,026	513,436	403,855	2,515,235
Net assets, October 1	6,501,279	7,926,938	1,238,956	747,960	16,415,133
Net assets, September 30	\$ 7,267,197	\$ 8,758,964	\$ 1,752,392	\$ 1,151,815	\$ 18,930,368

**TOWN OF DAVIE, FLORIDA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2006**

	Vehicle Maintenance	Self- Insurance	Information Systems	Building Maintenance	Total
<b>Cash flows from operating activities:</b>					
Cash received from service charges	\$ 4,042,996	\$ 9,439,983	\$ 1,889,286	\$ 1,120,029	\$ 16,492,294
Cash paid to suppliers	(2,165,690)	(8,137,219)	(654,205)	(591,227)	(11,548,341)
Cash paid to employees	-	-	(460,058)	-	(460,058)
Net cash provided by operating activities	<u>1,877,306</u>	<u>1,302,764</u>	<u>775,023</u>	<u>528,802</u>	<u>4,483,895</u>
<b>Cash flows from capital and related financing activities:</b>					
Principal reduction of long-term debt	-	-	(56,000)	-	(56,000)
Proceeds from sale of capital assets	36,499	-	1,941	-	38,440
Acquisition and construction of capital assets	(584,956)	-	(169,657)	(3,811)	(758,424)
Interest paid on long-term debt	-	-	(2,144)	-	(2,144)
Net cash (used in) capital and related financing activities	<u>(548,457)</u>	<u>-</u>	<u>(225,860)</u>	<u>(3,811)</u>	<u>(778,128)</u>
<b>Cash flows from investing activities:</b>					
Interest income	-	-	-	4,887	4,887
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,887</u>	<u>4,887</u>
Net increase in pooled cash and cash equivalents	1,328,849	1,302,764	549,163	529,878	3,710,654
Pooled cash and cash equivalents, October 1	<u>2,137,305</u>	<u>8,178,217</u>	<u>759,115</u>	<u>676,045</u>	<u>11,750,682</u>
Pooled cash and cash equivalents, September 30	<u>\$ 3,466,154</u>	<u>\$ 9,480,981</u>	<u>\$ 1,308,278</u>	<u>\$ 1,205,923</u>	<u>\$ 15,461,336</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income	\$ 749,509	\$ 832,026	\$ 513,700	\$ 398,968	\$ 2,494,203
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	967,683	-	226,998	25,870	1,220,551
Change in assets and liabilities:					
(Increase) in receivables	(19,279)	-	-	-	(19,279)
Decrease in inventory	19,145	-	-	-	19,145
Decrease in prepaid items	-	7,236	52,636	-	59,872
Increase (decrease) in accounts payable and accrued liabilities and compensated absences	-	-	-	-	-
160,248	463,502	(18,311)	103,964	709,403	
Total adjustments	<u>1,127,797</u>	<u>470,738</u>	<u>261,323</u>	<u>129,834</u>	<u>1,989,692</u>
Net cash provided by operating activities	<u>\$ 1,877,306</u>	<u>\$ 1,302,764</u>	<u>\$ 775,023</u>	<u>\$ 528,802</u>	<u>\$ 4,483,895</u>



## FIDUCIARY FUNDS

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Fiduciary trust funds are used to account for assets held by the government in a trustee capacity.

**Police Employees Pension Trust Fund** - This fund is used to account for the accumulation of resources for pension benefit payments to qualified police employees of the Town of Davie.

**Firefighters Pension Fund** - This fund is used to account for the accumulation of resources for pension benefit payments to qualified firefighter employees of the Town of Davie.

**Management and General Employees' Plan** - The management and General Employees' Plan is maintained to for the benefit of employees that are not represented under any other pension plan.



**TOWN OF DAVIE, FLORIDA**  
**COMBINING STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2006**

	Police Pension	Firefighters Pension	Management and General Employees	Total
<u>ASSETS</u>				
Pooled cash and cash equivalents	\$ 3,563,398	\$ 2,051,394	555	\$ 5,615,347
Receivables:				
Interest and dividends	236,868	116,764	-	353,632
Contributions	159,503	862,400	-	1,021,903
Securities sold	473,401		-	473,401
Other			3,116	3,116
Investments, at fair value	52,562,264	26,270,305	11,490,044	90,322,613
Total assets	<u>\$ 56,995,434</u>	<u>\$ 29,300,863</u>	<u>\$ 11,493,715</u>	<u>\$ 97,790,012</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 88,169	\$ 66,894	\$ 4,982	\$ 160,045
DROP payable	1,470,055	1,562,327	-	3,032,382
Payable for securities purchased	3,083,399			3,083,399
Prepaid Town contribution	353,646	423,340	-	776,986
Total liabilities	<u>4,995,269</u>	<u>2,052,561</u>	<u>4,982</u>	<u>7,052,812</u>
<u>NET ASSETS</u>				
Net assets held in trust for pension benefits	<u>\$ 52,000,165</u>	<u>\$ 27,248,302</u>	<u>\$ 11,488,733</u>	<u>\$ 90,737,200</u>

**TOWN OF DAVIE, FLORIDA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2006**

	Police Pension	Firefighters Pension	Management and General Employees	Total
<b>ADDITIONS</b>				
Contributions:				
Town	\$ 3,279,992	\$ 2,464,676	\$ 1,170,033	\$ 6,914,701
Plan members	894,129	567,961	558,657	2,020,747
State	607,386	649,509	-	1,256,895
Total contributions	<u>4,781,507</u>	<u>3,682,146</u>	<u>1,728,690</u>	<u>10,192,343</u>
Investment income:				
Net appreciation in fair value of investments	1,252,373	454,169	-	1,706,542
Interest and dividends	1,407,290	755,317	746,271	2,908,878
	<u>2,659,663</u>	<u>1,209,486</u>	<u>746,271</u>	<u>4,615,420</u>
Less investment expenses	214,698	148,836	14,893	378,427
Net investment income	<u>2,444,965</u>	<u>1,060,650</u>	<u>731,378</u>	<u>4,236,993</u>
Total additions	<u>7,226,472</u>	<u>4,742,796</u>	<u>2,460,068</u>	<u>14,429,336</u>
<b>DEDUCTIONS</b>				
Benefits	1,655,939	1,582,113	70,252	3,308,304
Refund of contributions	12,726	49,745	11,692	74,163
Administrative expenses	193,728	181,469	25,959	401,156
Total deductions	<u>1,862,393</u>	<u>1,813,327</u>	<u>107,903</u>	<u>3,783,623</u>
Change in net assets	5,364,079	2,929,469	2,352,165	10,645,713
Net assets, October 1	<u>46,636,086</u>	<u>24,318,833</u>	<u>9,136,568</u>	<u>80,091,487</u>
Net assets, September 30	<u>\$ 52,000,165</u>	<u>\$ 27,248,302</u>	<u>\$ 11,488,733</u>	<u>\$ 90,737,200</u>

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**STATISTICAL SECTION**

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Table 1

**TOWN OF DAVIE, FLORIDA**  
**Net Assets by Components**  
**Last Ten Fiscal Years<sup>1</sup>**  
**(accrual basis of accounting)**

	September 30,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Governmental activities										
Invested in capital assets, net of related debt	\$ 14,309,891	\$ 16,524,112	\$ 26,085,145	\$ 27,743,273	\$ 21,807,940	\$ 36,734,329	\$ 36,855,276	\$ 40,693,302	\$ 40,693,302	\$ 40,693,302
Restricted	18,033,413	25,592,220	22,469,018	22,113,997	17,404,917	14,161,151	23,222,767	20,693,869	20,693,869	20,693,869
Unrestricted	(426,328)	1,764,703	1,013,482	4,401,649	20,418,848	17,774,492	24,032,944	32,100,415	32,100,415	32,100,415
Total governmental activities net assets	<u>\$ 31,916,976</u>	<u>\$ 43,881,035</u>	<u>\$ 49,567,645</u>	<u>\$ 54,258,919</u>	<u>\$ 59,631,705</u>	<u>\$ 68,669,972</u>	<u>\$ 84,110,987</u>	<u>\$ 93,487,586</u>	<u>\$ 93,487,586</u>	<u>\$ 93,487,586</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 52,602	\$ 49,620	\$ (2,808,457)	\$ (2,092,478)	\$ 3,771,876	\$ 2,604,061	\$ 2,694,292	\$ 2,190,050	\$ 2,190,050	\$ 2,190,050
Restricted	3,236,263	3,505,304	3,788,525	4,071,746	4,520,861	4,018,774	3,916,641	3,572,225	3,572,225	3,572,225
Unrestricted	20,073,825	20,021,072	23,462,206	22,571,990	15,700,117	16,378,049	16,333,569	17,033,484	17,033,484	17,033,484
Total business-type activities net assets	<u>\$ 23,362,690</u>	<u>\$ 23,575,996</u>	<u>\$ 24,442,274</u>	<u>\$ 24,551,258</u>	<u>\$ 23,992,854</u>	<u>\$ 23,000,884</u>	<u>\$ 22,944,502</u>	<u>\$ 22,795,759</u>	<u>\$ 22,795,759</u>	<u>\$ 22,795,759</u>
Primary government										
Invested in capital assets, net of related debt	\$ 14,362,493	\$ 16,573,732	\$ 23,276,688	\$ 25,650,795	\$ 25,579,816	\$ 39,338,390	\$ 39,549,568	\$ 42,883,352	\$ 42,883,352	\$ 42,883,352
Restricted	21,269,676	29,097,524	26,257,543	26,185,743	21,925,778	18,179,925	27,139,408	24,266,094	24,266,094	24,266,094
Unrestricted	19,647,497	21,785,775	24,475,688	26,973,639	36,118,965	34,152,541	40,366,513	49,133,899	49,133,899	49,133,899
Total primary government net assets	<u>\$ 55,279,666</u>	<u>\$ 67,457,031</u>	<u>\$ 74,009,919</u>	<u>\$ 78,810,177</u>	<u>\$ 83,624,559</u>	<u>\$ 91,670,856</u>	<u>\$ 107,055,489</u>	<u>\$ 116,283,345</u>	<u>\$ 116,283,345</u>	<u>\$ 116,283,345</u>

<sup>1</sup> Information for fiscal years ended September 30, 1997 and 1998 is unavailable.

Table 2

**TOWN OF DAVIE, FLORIDA**  
**Changes in Net Assets**  
**Last Ten Fiscal Years<sup>1</sup>, (accrual basis of accounting)**

	Fiscal Year Ended September 30,							
	1999	2000	2001	2002	2003	2004	2005	2006
<b>Expenses</b>								
Governmental activities:								
General government	\$ 2,905,407	\$ 3,359,067	\$ 3,906,989	\$ 4,293,744	\$ 4,864,930	\$ 9,207,620	\$ 8,079,153	\$ 8,318,869
Devekopment Services	3,385,610	4,142,512	4,760,189	5,933,961	6,034,150	6,377,188	6,816,682	7,993,682
Engineering	168,819	218,069	299,817	301,427	799,397	1,198,909	779,550	819,855
Public Works	2,066,774	2,606,620	2,250,859	1,943,438	4,968,691	6,085,395	6,538,264	22,709,233
Police	15,525,304	16,362,859	19,192,972	21,178,189	23,283,397	25,615,085	25,788,235	28,488,115
Fire Rescue	7,820,451	7,892,772	9,468,076	10,684,060	12,525,218	14,975,262	17,001,145	19,953,922
Parks and Recreation	4,945,341	5,377,743	7,334,706	8,238,172	6,394,949	6,763,471	6,440,404	6,405,171
Interest on long-term debt	2,038,608	2,237,853	2,029,540	1,471,005	1,267,994	1,438,985	1,421,797	2,468,524
Total governmental activities expenses	<u>38,856,314.00</u>	<u>42,197,495</u>	<u>49,243,148</u>	<u>54,043,996</u>	<u>60,138,726</u>	<u>71,661,915</u>	<u>72,865,230</u>	<u>97,157,371</u>
Business-type activities:								
Water and sewer	7,220,249	7,431,851	7,908,209	7,970,124	8,502,907	9,155,969	9,104,400	9,420,619
Aquaculture	188,538	193,486	314,427	60,259	21,238	21,265	-	-
Total business-type activities expenses	<u>7,408,787</u>	<u>7,625,337</u>	<u>8,222,636</u>	<u>8,030,383</u>	<u>8,524,145</u>	<u>9,177,234</u>	<u>9,104,400</u>	<u>9,420,619</u>
Total primary government expenses	<u>\$ 46,265,101</u>	<u>\$ 49,822,832</u>	<u>\$ 57,465,784</u>	<u>\$ 62,074,379</u>	<u>\$ 68,662,871</u>	<u>\$ 80,839,149</u>	<u>\$ 81,969,630</u>	<u>\$ 106,577,990</u>
<b>Program Revenues</b>								
Governmental activities:								
General government	\$ 107,775	\$ 75,492	\$ 458,975	\$ 739,372	\$ 787,687	\$ 2,291,643	\$ 2,425,616	\$ 3,685,844
Devekopment Services	4,814,025	5,422,162	4,035,886	5,109,154	7,779,997	9,971,141	8,535,373	8,151,977
Engineering	416,106	526,647	-	-	-	-	-	-
Public Works	1,290,569	1,248,549	1,374,975	1,732,144	1,791,723	1,809,890	1,657,431	1,641,688
Police	3,406,306	3,338,643	2,643,497	2,715,190	2,458,871	2,357,625	2,266,486	1,664,015
Fire Rescue	1,654,413	2,271,638	3,531,318	3,796,258	3,877,779	4,885,740	7,115,923	8,005,370
Parks and Recreation	1,153,135	976,864	1,080,424	1,535,461	1,373,346	6,744,144	7,473,027	1,281,260
Interest on on-long term debt	-	-	-	-	-	-	-	-
Total governmental activities program revenues	<u>12,842,329</u>	<u>13,859,995</u>	<u>13,125,075</u>	<u>15,627,579</u>	<u>18,069,403</u>	<u>28,060,183</u>	<u>29,473,856</u>	<u>24,430,154</u>
Business-type activities:								
Charges for services								
Water and sewer	7,291,294	6,624,947	7,012,620	7,509,781	7,575,755	7,757,382	8,516,500	8,566,430
Aquaculture	16,352	20,693	51,285	4,922	11,917	19,197	-	-
Total business-type activities program revenues	<u>7,307,646</u>	<u>6,645,640</u>	<u>7,063,905</u>	<u>7,514,703</u>	<u>7,587,672</u>	<u>7,776,579</u>	<u>8,516,500</u>	<u>8,566,430</u>
Total primary government program revenues	<u>\$ 20,149,975</u>	<u>\$ 20,505,635</u>	<u>\$ 20,188,980</u>	<u>\$ 23,142,282</u>	<u>\$ 25,657,075</u>	<u>\$ 35,836,762</u>	<u>\$ 37,990,356</u>	<u>\$ 32,996,584</u>

Continued

Table 2 (Continued)

**TOWN OF DAVIE, FLORIDA**  
**Changes in Net Assets**  
**Last Ten Fiscal Years<sup>1</sup>** (accrual basis of accounting)

	Fiscal Year Ended September 30,							
	1999	2000	2001	2002	2003	2004	2005	2006
Net (expense) / revenue								
Governmental activities	\$ (26,013,985)	\$ (28,337,500)	\$ (36,118,073)	\$ (38,416,417)	\$ (42,069,323)	\$ (43,601,732)	\$ (43,391,374)	\$ (72,727,217)
Business-type activities	(101,141)	(979,697)	(1,158,731)	(515,680)	(936,473)	(1,400,655)	(587,900)	(854,189)
Total primary government net expense	<u>\$ (26,115,126)</u>	<u>\$ (29,317,197)</u>	<u>\$ (37,276,804)</u>	<u>\$ (38,932,097)</u>	<u>\$ (43,005,796)</u>	<u>\$ (45,002,387)</u>	<u>\$ (43,979,274)</u>	<u>\$ (73,581,406)</u>
<b>General Revenues and Other Changes in Net Assets</b>								
Governmental activities:								
Taxes								
Property taxes	\$ 14,631,099	\$ 17,276,999	\$ 19,556,041	\$ 21,259,541	\$ 23,621,471	\$ 26,655,372	\$ 30,167,119	34,799,929
Utility taxes	6,660,567	\$ 7,107,217	7,610,816	5,092,988	5,343,231	5,354,767	5,714,900	6,009,394
Communications Service Tax	-	-	-	4,086,272	3,928,274	3,918,933	4,015,111	4,147,917
Franchise taxes	4,674,734	5,600,751	6,279,562	5,560,921	6,080,368	6,694,379	7,894,195	9,349,390
Unrestricted grants and contributions	5,246,280	5,448,111	5,591,650	6,383,304	6,316,335	7,310,298	8,394,331	22,914,871
Interest income	2,328,774	3,477,939	3,001,096	240,288	1,789,177	1,679,068	1,796,758	3,962,783
Miscellaneous	324,732	873,148	598,517	484,377	365,820	1,027,182	821,057	919,531
Transfer	-	-	(832,999)	-	(2,567)	-	28,918	-
Total governmental activities	<u>19,235,087</u>	<u>39,784,165</u>	<u>41,804,683</u>	<u>43,107,691</u>	<u>47,442,109</u>	<u>52,639,999</u>	<u>58,832,389</u>	<u>82,103,815</u>
Business-type activities:								
Unrestricted grants and contributions	-	-	-	-	-	-	-	-
Interest income	1,017,429	1,193,003	1,192,010	502,647	375,502	408,685	560,436	695,446
Miscellaneous	-	-	-	122,017	-	-	-	10,000
Transfer	-	-	832,999	-	2,567	-	(28,918)	-
Total business-type activities	<u>1,017,429</u>	<u>1,193,003</u>	<u>2,025,009</u>	<u>624,664</u>	<u>378,069</u>	<u>408,685</u>	<u>531,518</u>	<u>705,446</u>
Total primary government	<u>\$ 20,252,516</u>	<u>\$ 40,977,168</u>	<u>\$ 43,829,692</u>	<u>\$ 43,732,355</u>	<u>\$ 47,820,178</u>	<u>\$ 53,048,684</u>	<u>\$ 59,363,907</u>	<u>\$ 82,809,261</u>
<b>Change in Net Assets</b>								
Government activities	\$ (6,778,898)	\$ 11,446,665	\$ 5,686,610	\$ 4,691,274	\$ 5,372,786	\$ 9,038,267	\$ 15,441,015	\$ 9,376,598
Business-type activities	916,288	213,306	866,278	108,984	(558,404)	(991,970)	(56,382)	(148,743)
Total primary government	<u>\$ (5,862,610)</u>	<u>\$ 11,659,971</u>	<u>\$ 6,552,888</u>	<u>\$ 4,800,258</u>	<u>\$ 4,814,382</u>	<u>\$ 8,046,297</u>	<u>\$ 15,384,633</u>	<u>\$ 9,227,855</u>

<sup>1</sup> Information for fiscal years ended September 30, 1997 and 1998 is unavailable.

Table 3

**TOWN OF DAVIE, FLORIDA**  
**Governmental Activities Tax Revenues By Source**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

<b>Fiscal Year Ended September 30,</b>	<b>Tax Roll Year</b>	<b>Property Tax</b>	<b>Utility Tax</b>	<b>Franchise Fees</b>	<b>Total</b>
1997	1996	11,937,524	5,814,706	4,664,620	22,416,850
1998	1997	13,557,730	6,121,911	4,548,644	24,228,285
1999	1998	14,631,099	6,660,567	4,674,734	25,966,400
2000	1999	17,276,999	7,107,217	5,600,751	29,984,967
2001	2000	19,556,041	7,610,816	6,279,562	33,446,419
2002	2001	21,259,541	5,092,988	5,560,921	31,913,450
2003	2002	23,621,471	5,343,231	6,080,368	35,045,070
2004	2003	26,655,372	5,354,224	6,694,922	38,704,518
2005	2004	30,167,119	5,714,900	7,894,195	43,776,214
2006	2005	34,799,929	6,009,394	9,349,390	50,158,713

**TOWN OF DAVIE, FLORIDA**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	September 30,									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$ 11,038,618	\$ 16,679,713	\$ 19,368,631	\$ 19,683,506	\$ 20,123,414	\$ 22,278,032	\$ 14,482,139	\$ 14,033,433	\$ 20,309,877	\$ 20,529,853
Unreserved	4,457,730	5,871,063	3,469,334	8,160,868	2,194,024	6,264,702	9,729,256	10,715,088	15,728,135	18,806,092
Total governmental activities net assets	<u>\$ 15,496,348</u>	<u>\$ 22,550,776</u>	<u>\$ 22,837,965</u>	<u>\$ 27,844,374</u>	<u>\$ 22,317,438</u>	<u>\$ 28,542,734</u>	<u>\$ 24,211,395</u>	<u>\$ 24,748,521</u>	<u>\$ 36,038,012</u>	<u>\$ 39,335,945</u>
All other governmental funds										
Reserved	\$ 3,024,014	\$ 7,302,334	\$ 6,429,359	\$ 11,671,720	\$ 7,737,144	\$ 6,316,743	\$ 4,141,732	\$ 769,952	\$ 5,546,761	\$ 39,742,521
Unreserved, reported in:										
Special revenue funds	3,911,305	4,152,380					3,894,879	2,294,404	2,566,997	2,912,298
Debt service funds										
Capital projects funds			1,956,679	728,016	565,064	295,160				
Permanent funds										
Total all other governmental funds	<u>\$ 6,935,319</u>	<u>\$ 11,454,714</u>	<u>\$ 8,386,038</u>	<u>\$ 12,399,736</u>	<u>\$ 8,302,208</u>	<u>\$ 6,611,903</u>	<u>\$ 8,036,611</u>	<u>\$ 3,064,356</u>	<u>\$ 8,113,758</u>	<u>\$ 42,654,819</u>

**TOWN OF DAVIE, FLORIDA**  
**Changes in Fund Balance of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year Ended September 30,									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Revenues</b>										
Taxes	\$ 11,937,524	\$ 13,557,730	\$ 14,631,099	\$ 17,276,999	\$ 19,556,041	\$ 21,259,541	\$ 23,621,471	\$ 26,655,372	\$ 30,167,119	\$ 34,799,929
Communication Service Tax						4,086,272	3,928,274	3,918,933	4,015,111	\$ 4,147,917
Utility Taxes	5,814,706	6,121,911	6,660,567	7,107,217	7,610,816	5,092,988	5,343,231	5,354,224	5,714,900	\$ 6,009,394
Franchise fees	4,664,620	4,548,644	4,674,734	5,600,751	6,279,562	5,560,921	6,080,368	6,694,922	7,894,195	9,349,390
Licenses and permits	2,554,959	3,195,318	3,842,647	4,196,511	3,485,333	3,980,727	6,352,264	7,779,426	6,759,244	6,575,678
Intergovernmental	6,831,009	7,383,242	7,949,627	8,332,909	7,780,589	9,565,842	8,995,769	16,682,847	17,676,022	25,978,023
Charges for services	1,844,483	2,447,620	3,038,327	3,567,836	4,034,081	4,462,648	5,071,000	6,427,497	7,210,274	6,694,537
Special assessments	1,119,581	1,243,466	1,268,290	1,217,161	1,530,279	1,654,108	1,743,479	2,669,405	4,176,282	5,241,448
Fines and forfeitures	1,018,672	1,084,761	1,260,104	1,468,091	1,237,809	1,139,464	1,057,937	997,596	791,744	512,484
Interest income	2,488,737	1,470,118	2,328,774	3,477,939	3,001,095	240,288	1,789,177	1,383,657	1,796,758	3,962,783
Miscellaneous	1,092,307	1,009,042	1,054,346	1,398,746	1,246,432	1,514,487	1,831,109	2,179,648	2,118,626	1,623,283
<b>Total revenues</b>	<b>39,366,598</b>	<b>42,061,852</b>	<b>46,708,515</b>	<b>53,644,160</b>	<b>55,762,037</b>	<b>58,557,286</b>	<b>65,814,079</b>	<b>80,743,527</b>	<b>88,320,275</b>	<b>104,894,866</b>
<b>Expenditures</b>										
General government	5,328,931	6,156,516	6,797,721	8,818,022	9,258,534	11,407,402	11,514,943	15,866,007	14,034,384	15,840,529
Public Safety	21,013,565	22,128,858	30,481,415	25,209,721	30,976,407	32,981,372	35,186,825	38,304,489	41,041,898	46,600,749
Public Works	1,645,215	1,959,845	4,032,526	3,815,200	3,198,018	3,069,981	4,547,133	5,421,079	6,052,100	22,119,587
Non Departmental	-	-	-	-	-	-	-	-	1,113,067	1,035,429
Parks and recreation	3,279,475	3,912,470	5,483,053	7,234,573	13,503,757	10,986,350	4,359,991	4,819,600	4,801,141	4,916,672
Capital outlay	5,929,217	2,897,185					8,600,276	16,014,091	10,293,545	11,768,999
Debt service:										
Principal	2,958,414	3,127,132	3,817,210	4,333,135	5,478,161	5,773,333	3,282,334	3,432,297	3,255,462	3,630,755
Interest	1,897,588	1,972,792	1,755,765	2,442,395	2,139,342	1,559,675	1,226,639	1,321,092	1,386,783	2,119,333
Bond Issue Costs										526,820
Other charges	11,267					13,168				
<b>Total expenditures</b>	<b>42,063,672</b>	<b>42,154,798</b>	<b>52,367,690</b>	<b>51,853,046</b>	<b>64,554,219</b>	<b>65,791,281</b>	<b>68,718,141</b>	<b>85,178,655</b>	<b>81,978,380</b>	<b>108,558,873</b>

Continued

Table 5 (Continued)

**TOWN OF DAVIE, FLORIDA**  
**Changes in Fund Balance of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year Ended September 30,									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Excess of revenues over / (under) expenditures	(2,697,074)	(92,946)	(5,659,175)	1,791,114	(8,792,182)	(7,233,995)	(2,904,062)	(4,435,128)	6,341,895	(3,664,007)
<b>Other financing sources (uses)</b>										
Transfers in	4,575,915	10,207,537	6,263,929	7,783,312	5,700,270	5,933,248	6,232,535	5,170,074	8,325,125	2,171,374
Transfers out	(4,575,915)	(10,207,537)	(6,263,929)	(7,783,312)	(6,533,269)	(5,933,248)	(6,235,102)	(5,170,074)	(8,325,126)	(2,171,374)
Issuance of debt	14,800,000	-	10,000,000	7,000,000	-	9,720,000	-	-	10,000,000	41,500,000
Total other financing sources / (uses)	14,800,000	-	10,000,000	7,000,000	(832,999)	9,720,000	(2,567)	-	9,999,999	41,500,000
Net change in fund balances	<u>\$ 12,102,926</u>	<u>\$ (92,946)</u>	<u>\$ 4,340,825</u>	<u>\$ 8,791,114</u>	<u>\$ (9,625,181)</u>	<u>\$ 2,486,005</u>	<u>\$ (2,906,629)</u>	<u>\$ (4,435,128)</u>	<u>\$ 16,341,894</u>	<u>\$ 37,835,993</u>
Debt service as a percentage of non-capital expenditures	13.44%	12.99%	10.64%	13.07%	11.80%	11.15%	7.50%	6.87%	6.48%	6.49%

**Town of Davie**  
**General Government Tax Revenues By Source**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

Fiscal Year	Property Tax	Utility Tax	Franchise Fees	Total
1997	\$ 11,937,524	\$ 5,814,706	\$ 4,664,620	\$ 22,416,850
1998	13,557,730	6,121,911	4,548,644	\$ 24,228,285
1999	14,631,099	6,660,567	4,674,734	\$ 25,966,400
2000	17,276,999	7,107,217	5,600,751	\$ 29,984,967
2001	19,556,041	7,610,816	6,279,562	\$ 33,446,419
2002	21,259,541	5,092,988	5,560,921	\$ 31,913,450
2003	23,621,471	5,343,231	6,080,368	\$ 35,045,070
2004	26,655,372	5,354,224	6,694,379	\$ 38,703,975
2005	30,167,119	5,714,900	7,894,195	\$ 43,776,214
2006	34,799,929	6,009,394	9,349,390	\$ 50,158,713

Table 6

**TOWN OF DAVIE, FLORIDA**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended September 30,</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Less: Tax Exempt Real Property</b>	<b>Total Taxable Assessed Value</b>	<b>Direct Tax Rate</b>	<b>Actual Taxable Value</b>	<b>Value as a Percentage of Actual Value</b>
1997	2,909,679,640	214,912,128	702,221,635	3,204,709,505	5.8378	3,697,203,460	86.679%
1998	3,125,419,230	224,706,394	662,983,850	3,373,741,817	5.7509	3,960,169,841	85.192%
1999	3,363,676,250	226,755,470	686,332,720	3,590,431,720	6.0089	4,234,642,048	84.787%
2000	3,783,319,830	231,035,298	751,813,790	4,014,355,128	6.0089	4,719,291,258	85.063%
2001	4,226,479,170	265,237,253	788,620,150	4,491,716,423	5.7911	5,285,066,790	84.989%
2002	4,625,896,210	312,361,327	829,896,150	4,938,257,537	5.7442	5,824,629,924	84.782%
2003	5,224,952,600	323,272,692	892,127,990	5,548,225,292	5.6184	6,525,214,667	85.027%
2004	5,825,332,670	370,195,666	965,731,300	6,195,528,336	5.6297	7,292,779,245	84.954%
2005	6,751,654,720	356,144,412	1,053,945,180	7,107,799,132	5.5502	8,319,870,204	85.432%
2006	7,197,320,710	355,568,198	1,201,969,510	7,552,888,908	5.7420	8,825,261,167	85.583%

Source: Broward County Property Appraiser Form DR-403AM

Table 7

**TOWN OF DAVIE, FLORIDA**  
**Property Tax Rates - Direct and Overlapping Governments**  
**(Per \$1,000 of Assessed Value)**  
**Last Ten Fiscal Years**

Fiscal Year Ended September 30,	Tax Roll Year	Overlapping Rates									
		Town of Davie			Broward County Millage	Broward County				Florida Inland Navigational District	Total Direct & Overlapping Rates
		Operating Millage	Debt Service Millage	Total Town Millage		Broward County Millage	Water Management District	North Broward Hospital District	Children's Services Board		
1997	1996	5.1086	0.4292	5.8378	7.8380	9.9745	0.6970	2.1132	0.0000	0.0500	26.5105
1998	1997	5.1086	0.7292	5.8378	7.5710	9.7256	0.6970	2.1132	0.0000	0.0470	25.9916
1999	1998	5.1086	0.6503	5.7509	7.5710	9.1283	0.6970	2.0831	0.0000	0.0440	25.2743
2000	1999	5.1086	0.9003	6.0089	7.5250	8.9553	0.6970	1.9939	0.0000	0.0410	25.2211
2001	2000	5.1086	0.9003	6.0089	7.4005	8.7541	0.6970	1.8694	0.3055	0.0385	25.0739
2002	2001	5.1086	0.6825	5.7911	7.3650	8.8825	0.6970	1.7336	0.3360	0.0385	24.8437
2003	2002	5.1086	0.6356	5.7442	7.1880	8.4176	0.6970	1.7336	0.3920	0.6885	24.8609
2004	2003	5.1086	0.5098	5.6184	7.0230	8.2695	0.6970	1.5761	0.4231	0.6885	24.2956
2005	2004	5.1086	0.5211	5.6297	6.7830	8.0623	0.6970	1.4500	0.4231	0.0385	23.0836
2006	2005	5.1000	0.4502	5.5502	6.7830	8.0623	0.6970	1.4500	0.4231	0.0385	23.0041

Source: Broward County Revenue Collector

Note: Overlapping rates are those of local and County governments that apply to property owners within the Town of Davie

Table 8

**TOWN OF DAVIE, FLORIDA**  
**Principal Property Taxpayers**  
**September 30, 2006**

Taxpayer	Type of Business	2006			1997		
		Taxable Assessed Value <sup>1</sup>	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Florida Power & Light	Utility	\$ 45,487,050	2	0.64%	\$ 29,156,146	1	0.91%
Tri-County Plaza Assoc. Ltd	Retail Shopping Center	36,376,190	4	0.51%	25,487,940	2	0.80%
Forman and Forman	Investments				22,733,359	3	0.71%
Jones Intercable	Cable Television Franchise				17,661,031	4	0.55%
SunForest Apartments Ltd.	Housing				17,485,413	5	0.55%
Southern Bell Telephone Co.	Communications				16,864,877	6	0.53%
Konover & Assoc. South Inc.	Real Estate Management				12,058,733	7	0.38%
Pine Island Investment Holdings, Inc.	Real Estate Management				11,947,735	8	0.37%
ANDRX Corporation	Pharmaceutical	66,153,606	1	0.93%	10,842,209	9	0.34%
New Town Commerce Center	Warehouse				9,628,733	10	0.30%
Equity One	Mortgage Loan Co.	35,795,900	5	0.50%			
City National Bank of Trustee	Banking	30,010,276	6	0.42%			
Palm Trace Landings Ltd.	Housing	40,865,143	3	0.57%			
Alliance Rt Limited	Property Management	25,894,586	8	0.36%			
Hacienda Cove LLC	Housing	31,360,130	7	0.44%			
Florida Auto Auction	Auto Sales (Auction)	22,768,950	10	0.32%			
Surf Pasture LLC	Housing	25,561,597	9	0.36%			
Totals		<u>\$ 360,273,428</u>		<u>5.07%</u>	<u>\$ 173,866,176</u>		<u>5.43%</u>

<sup>1</sup>Source: Broward County Revenue Collector.

**Table 9**

**TOWN OF DAVIE, FLORIDA  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

Fiscal Year Ended September 30	Tax Roll Year	Total Tax Levy for Fiscal Year <sup>1</sup>	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
1997	1996	\$ 10,692,663	\$ 10,633,023	99.44%	\$ 746,351	\$ 11,379,374	106.42%
1998	1997	12,320,333	12,149,371	98.61%	787,578	12,936,949	105.00%
1999	1998	13,986,795	13,898,455	99.37%	858,804	14,757,259	105.51%
2000	1999	15,353,024	15,257,581	99.38%	929,706	16,187,287	105.43%
2001	2000	19,786,104	17,523,255	88.56%	920,757	18,444,012	93.22%
2002	2001	21,380,015	19,715,688	92.22%	1,040,258	20,755,946	97.08%
2003	2002	23,448,930	21,247,535	90.61%	1,084,146	22,331,681	95.24%
2004	2003	25,727,197	23,366,361	90.82%	1,161,542	24,527,903	95.34%
2005	2004	29,046,375	27,966,970	96.28%	1,244,372	29,211,342	100.57%
2006	2005	33,280,696	32,052,675	96.31%	1,356,021	33,408,696	100.38%

<sup>1</sup> Source: Broward County Revenue Collection Division Accountability Statement.

Table 10

**TOWN OF DAVIE, FLORIDA**  
**Ratio of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

September 30	Governmental Activities		Business-Type	Total Primary Government	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>
	General Obligation Bonds	Capital Improvement Revenue Bonds	Water and Sewer Revenue Bonds			
1997	\$ 19,800,000	\$ 22,702,250	\$ 23,025,666	\$ 65,527,916	4.09%	\$ 1,071.03
1998	19,566,896	20,018,750	22,729,518	62,315,164	4.69%	1,008.35
1999	29,282,347	47,419,752	23,408,370	100,110,469	6.66%	1,494.52
2000	30,514,122	19,547,494	23,062,222	23,062,222	1.49%	341.52
2001	29,669,873	14,888,583	22,666,074	67,224,530	3.90%	887.80
2002	28,753,201	19,950,922	21,014,926	69,719,049	3.79%	886.02
2003	27,782,028	17,614,761	15,948,001	61,344,790	2.95%	769.09
2004	27,782,028	14,101,464	16,889,546	58,773,038	2.74%	718.10
2005	25,404,833	23,167,198	16,696,092	65,268,123	3.05%	790.37
2006	65,493,015	20,892,260	16,402,637	102,787,912	4.46%	1,227.76

<sup>1</sup> See Table 15 for Schedule of Demographics and Economic Statistics for personal income and population data.

Table 11

**TOWN OF DAVIE, FLORIDA**  
**Ratio of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

<b>September 30</b>	<b>Population</b>	<b>Assessed Value (in thousands)</b>	<b>General Bonded Debt</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
1997	61,182	3,204,710	\$ 19,800,000	\$ -	\$ 19,800,000	0.62%	\$ 323.62
1998	61,799	3,373,742	\$ 19,566,896	-	19,566,896	0.61%	316.62
1999	66,985	3,590,432	\$ 29,282,347	-	29,282,347	0.87%	437.15
2000	67,529	4,014,355	\$ 30,514,122	-	30,514,122	0.85%	451.87
2001	75,720	4,491,716	\$ 29,669,873	-	29,669,873	0.74%	391.84
2002	78,688	4,938,258	\$ 28,753,201	-	28,753,201	0.64%	365.41
2003	79,763	5,548,225	\$ 27,782,028	-	27,782,028	0.56%	348.31
2004	81,845	6,195,528	\$ 27,782,028	-	27,782,028	0.50%	339.45
2005	82,579	7,107,799	\$ 25,404,833	-	25,404,833	0.36%	307.64
2006	83,720	7,552,889	\$ 65,493,015	-	65,493,015	0.87%	782.29

Table 12

**TOWN OF DAVIE, FLORIDA**  
**Direct and Overlapping Governmental Activity Debt**  
**September 30, 2006**

<b>Jurisdiction</b>	<b>Net Bonded Debt Outstanding</b>		<b>Percentage Percentage Applicable to Town of Davie</b>	<b>Estimated Share of Overlapping Debt</b>
Town of Davie	\$ 65,493,015		100.000%	\$ 65,493,015
Broward County	575,382,288	1	0.966%	5,555,673
Broward County School District	<u>54,055,669</u>	2	0.96068%	<u>519,301</u>
<b>Total</b>	<b><u><u>\$ 694,930,972</u></u></b>			<b><u><u>\$ 71,567,991</u></u></b>

<sup>1</sup> Source: Broward County Accounting Division.

<sup>2</sup> Source: School Board of Broward County Financial Reporting Division.

Table 13

**TOWN OF DAVIE, FLORIDA**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	September 30,									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt limit	\$ 390,693,114	\$ 403,672,567	\$ 427,676,444	\$ 476,616,892	\$ 528,033,657	\$ 576,815,369	\$ 644,035,328	\$ 716,125,964	\$ 816,174,431	\$ 875,485,842
Total net debt applicable to limit	19,800,000	19,566,896	29,282,347	30,514,122	29,669,873	28,753,201	27,782,028	27,782,028	25,404,833	65,493,015
Legal debt margin	\$ 370,893,114	\$ 384,105,671	\$ 398,394,097	\$ 446,102,770	\$ 498,363,784	\$ 548,062,168	\$ 616,253,300	\$ 688,343,936	\$ 790,769,598	\$ 809,992,827
Total net debt applicable to the limit as a percentage of debt limit	5.07%	4.85%	6.85%	6.40%	5.62%	4.98%	4.31%	3.88%	3.11%	7.48%
Taxable Assessed Value	\$ 3,204,709,505	\$ 3,373,741,817	\$ 3,590,431,720	\$ 4,014,355,128	\$ 4,491,716,423	\$ 4,938,257,537	\$ 5,548,225,292	\$ 6,195,528,336	\$ 7,107,799,132	\$ 7,552,888,908
Tax Exempt Real Property	702,221,635	662,983,850	686,332,720	751,813,790	788,620,150	829,896,150	892,127,990	965,731,300	1,053,945,180	1,201,969,510
	\$ 3,906,931,140	\$ 4,036,725,667	\$ 4,276,764,440	\$ 4,766,168,918	\$ 5,280,336,573	\$ 5,768,153,687	\$ 6,440,353,282	\$ 7,161,259,636	\$ 8,161,744,312	\$ 8,754,858,418

**Legal Debt Margin Calculation for Fiscal Year 2006**

Assessed Value	\$ 7,552,888,908
Add back: exempt real property	1,201,969,510
	\$ 8,754,858,418
Debt limit (10% of total assessed value)	875,485,842
General obligation bonds	65,493,015
Less: Amounts set aside for repayment of general obligation debt	65,493,015
Total net debt applicable to limit	65,493,015
Legal debt margin	\$ 809,992,827

Table 14

**TOWN OF DAVIE, FLORIDA**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

Fiscal Year Ended September 30,	Water and Sewer Revenue Bonds						Coverage
	Water Charges And Other	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
1997	\$ 8,759,178	\$ 3,241,087	\$ 5,518,091	\$ 490,000	\$ 2,216,221	203.90%	
1998	7,869,501	3,190,446	\$ 4,679,055	930,000	2,171,581	150.86%	
1999	6,994,953	3,315,684	\$ 3,679,269	975,000	2,126,758	118.62%	
2000	7,023,766	3,596,644	\$ 3,427,122	1,025,000	2,075,976	110.52%	
2001	8,011,486	4,070,028	\$ 3,941,458	1,075,000	2,020,839	127.31%	
2002	7,073,372	4,205,238	\$ 2,868,134	1,135,000	1,960,855	92.64%	
2003	7,177,269	4,785,383	\$ 2,391,886	1,265,000	2,650,210	61.09%	
2004	7,702,480	5,926,227	\$ 1,776,253	1,235,000	2,010,415	54.73%	
2005	8,394,866	5,978,961	\$ 2,415,905	1,135,000	1,910,370	79.33%	
2006	8,566,430	6,358,403	\$ 2,208,027	1,235,000	1,885,670	70.75%	

Source: Town of Davie Finance Department

Table 15

**TOWN OF DAVIE, FLORIDA  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

<b>Fiscal Year Ended September 30,</b>	<b>Population</b>	<b>Personal Income (amounts expressed in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Broward County Unemployment Rate</b>
1997	61,182	1,602,479	26,192	38.9	13,692	4.1%
1998	61,799	1,328,122	21,491	38.0	16,065	4.1%
1999	66,985	1,502,675	22,433	36.6	16,884	3.7%
2000	67,529	1,545,199	22,882	37.0	17,521	4.2%
2001	75,720	1,723,009	22,755	37.0	18,193	4.4%
2002	78,688	1,839,962	23,383	35.6	16,285	5.7%
2003	79,763	2,076,949	26,039	36.4	15,887	4.1%
2004	81,845	2,148,513	26,251	35.9	15,568	4.5%
2005	82,579	2,141,604	25,934	36.2	15,987	3.0%
2006	83,720	2,304,142	27,522	35.4	15,518	2.8%



**TOWN OF DAVIE, FLORIDA**  
**Full-Time Equivalent City Government Employees by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Legislative	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Administrative	N/A	80.0	80.0	80.0						
Public Works/Utilities	N/A	107.0	107.0	107.0						
Parks & Recreation	N/A	147.0	147.0	147.0						
Development Services	N/A	84.0	84.0	84.0						
Non Public Safety Department*	208.0	225.0	206.0	320.0	339.0	668.0	415.0	-	-	-
Police	102.0	187.0	207.0	199.0	214.0	227.0	245.0	246.0	246.0	247.0
Fire/Rescue	72.0	73.0	88.0	95.0	103.0	96.0	158.0	145.0	173.0	172.0
<b>Total</b>	<b>387.0</b>	<b>490.0</b>	<b>506.0</b>	<b>619.0</b>	<b>661.0</b>	<b>996.0</b>	<b>823.0</b>	<b>814.0</b>	<b>842.0</b>	<b>842.0</b>

\*Breakdown of non public safety positions not available prior to FY04

Table 18

**TOWN OF DAVIE, FLORIDA**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year Ended September 30,									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Police</b>										
Physical arrest	2,078	4,455	3,715	4,970	2,414	2,357	1,989	4,413	4,062	6,069
Citations issued	16,002	14,416	15,786	14,668	14,818	14,160	22,056	23,066	16,636	19,929
<b>Fire rescue</b>										
Number of calls answered	7,688	6,993	9,459	10,769	11,469	11,733	10,710	14,750	14,526	13,807
Inspections	2,438	1,606	4,370	6,110	5,224	4,432	4,497	8,400	2,653	2,813
<b>Community development</b>										
Building permits issued	406	626	811	833	427	496	502	625	521	705
<b>Highway and streets</b>										
Street resurfacing (miles)	6	3	6	6	3	8	5	6	8	5,500
<b>Culture and recreations</b>										
Athletic programs (participants)	(1)	(1)	(1)	(1)	(1)	3,477	2,405	4,188	4,433	3,460
Youth camps (participants)	(1)	(1)	(1)	(1)	(1)	511	596	633	621	449
Club memberships	(1)	(1)	(1)	(1)	(1)	258	525	563	560	549
Facility rentals	(1)	(1)	(1)	(1)	(1)	2,723	488	(1)	(1)	469
Pool admissions	(1)	(1)	(1)	(1)	3,181	2,643	(1)	(1)	1,081	4,490
<b>Water</b>										
Number of water meters operating	7,894	7,894	7,859	8,124	8,276	8,521	8,951	8,951	9,723	9,723
Average daily consumption (in thousands of gallons)	3.4 MGD	3.4 MGD	3.76 MGD	3.8 MGD	3.6 MGD	3.8 MGD	4.2 MGD	4.2 MGD	4.53 MGD	4.53 MGD
<b>Sewer</b>										
Average daily sales (in thousands of gallons)	2.2 MGD	2.3 MGD	2.6 MGD	2.8 MGD	2.8 MGD	2.9 MGD	2.9 MGD	2.9 MGD	3.24 MGD	3.24 MGD

(1) Information not available

Table 19

**TOWN OF DAVIE, FLORIDA**  
**Capital Assets by Function**  
**Last Ten Fiscal Years**

	Fiscal Year Ended September 30,									
	1997	1998	1999	2000	2001	2002	2003 <sup>1</sup>	2004	2005	2006
<b>Function</b>										
Public safety										
Police stations	2	1	1	1	1	1	1	1	1	1
Fire stations	3	3	4	4	4	4	4	4	4	5
Highway and streets										
Streets (miles)	240	256	257.1	257.1	274.9	276.5	284.5	292.0	292.5	298.6
Number of street lights	2,710	2,774	3,011	3,011	3,027	3,561	3,580	3,580	3,598	3,684
Culture and recreations										
Number of parks	20	20	20	28	26	31	35	35	36	37
Number of libraries	-	-	-	-	-	-	-	-	-	-
Swimming pools	1	1	1	1	1	1	2	2	2	2
Community centers	3	3	3	3	4	9	10	5	7	10
Community bus shuttles	2	2	2	2	4	4	4	6	6	6
Water										
Water mains (miles)	127	130	133	136	140	144	144	144	151	154
Fire hydrants	6,809	6,809	6,809	6,809	6,809	6,809	6,809	6,809	1,086	1,086
Maximum daily capacity (in thousands of gallons)	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD	7.4 MGD
Sewer										
Sanitary sewers (miles)	53	54	56	58	61	63	63	63	67	68
Storm sewers (miles)	-	-	-	-	-	-	-	-	-	-
Maximum daily treatment capacity (in millions of gallons per day - MGD)	3 MGD	5 MGD	5 MGD	3 MGD	3 MGD	4.9 MGD	4.9 MGD	4.9 MGD	4.85 MGD	4.85 MGD

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**COMPLIANCE SECTION**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor, Town Council and Town Administrator  
Town of Davie, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Davie, Florida (the Town) as of and for the year ended September 30, 2006 and have issued our report thereon dated March 24, 2008. We did not audit the financial statements of the Town of Davie Police Employees Pension Trust Fund or the Town of Davie Firefighters' Pension Plan, which together represents 88% of the assets and 83% of the revenues of the fiduciary fund totals, which are included in the fund financial statements. Those financial statements were audited by other independent auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Davie Police Employees Pension Trust Fund and the Firefighters' Pension Plan, are based solely on the report of other auditors. The financial statements of the Town of Davie Police Employees Pension Trust Fund and the Firefighters' Pension Plan were not audited in accordance with *Government Auditing Standards*. Our report herein does not address their respective internal control or compliance. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. See reportable conditions in the accompanying schedule of findings and questioned costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described in the referenced document above are not a material weakness.

In addition, we noted other matters involving the internal control over financial reporting that we have reported to management of the Town in the accompanying schedule of findings and questioned costs.

Honorable Mayor, Town Council and Town Administrator  
Town of Davie, Florida  
Page Two

Compliance

As part of obtaining reasonable assurance about whether the Town's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as material non compliance.

This report is intended solely for the information and use of the Mayor, Town Council, management, grantor agencies and pass-through entities and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink, appearing to read "D. L. [unclear]", is positioned above the date.

March 24, 2008

**MANAGEMENT LETTER IN ACCORDANCE WITH  
THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

Honorable Mayor, Town Council and Town Administrator  
Town of Davie, Florida

We have audited the basic financial statements of the Town of Davie, Florida (the Town) as of and for the year ended September 30, 2006, and have issued a report thereon dated March 24, 2008. We did not audit the financial statements of the Town of Davie Police Officers Retirement System or the Town of Davie Firefighters' Pension Plan, which together represents 88% of the assets and 83% of the revenues of the fiduciary fund totals, which are included in the fund financial statements. Those statements were audited by other independent auditors whose reports thereon have been furnished to us, and our opinion, insofar as it related to the amounts included for the Police Employees Pension Trust Fund and the Firefighters' Pension Plan, are based solely upon the reports of the other independent auditors. The financial statements of the Town of Davie Police Employees Pension Trust Fund and the Firefighters' Pension Plan were not audited in accordance with *Government Auditing Standards*.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. We have issued our Report on Internal Control over Financial Reporting and Compliance and Other Matters, Report on Compliance Applicable to each Major Federal Program and Internal Control over Compliance with OMB Circular A-133, Summary Schedule of Prior Audit Findings and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedules, which are dated March 24, 2008, should be considered in conjunction with this management letter.

In connection with our audit of the basic financial statements of the Town for the fiscal year ended September 30, 2006, we report the following in accordance with Chapter 10.550 Rules of the Auditor General, *Local Governmental Entity Audits* which requires that this report specifically address but not be limited to the matters outlined in Rule 10.554(1)(h):

1. Unless otherwise required to be reported in the auditor's report on compliance and on internal controls, the management letter shall include, but not be limited to a statement as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2005, except as disclosed in the Schedule of findings and questioned costs.
2. The Town did not comply with Section 218.415, Florida Statutes, regarding the investment of public funds. See Schedule of findings and questioned costs.

Honorable Mayor, Town Council and Town Administrator  
Town of Davie, Florida

3. There were no violations of laws, rules, regulations, and contractual provisions or abuse ,that were not clearly inconsequential, that have occurred, or were likely to have occurred, that were discovered within the scope of the audit except as disclosed in the Schedule of findings and questioned costs.
4. There were no illegal or improper expenditures that were not clearly inconsequential, discovered within the scope of the audit that may not materially affect the financial statements, except as disclosed in the Schedule of findings and questioned costs.
5. There were no deficiencies in internal control that are not reportable conditions, including but not limited to, improper or inadequate accounting procedures, failure to properly record financial transactions or other inaccuracies, shortages, defalcations, or instances of fraud discovered by, or that came to the attention of, the auditor except as disclosed in the Schedule of findings and questioned costs.
6. The Town has not met one or more of the conditions described in Section 218.503(1), Florida Statutes.
7. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2006 financial audit report.
8. The name and legal authority of for the Town are disclosed in the notes to the financial statements.
9. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.566(7) and no deteriorating financial conditions were noted. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment, which was performed as of the Town's fiscal year end, was based in part on representations made by management and the review of financial information provided by the same.

This report is intended solely for the information and use of the Mayor, Town Council, management and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.



March 24, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor, Town Council and Town Administrator  
Town of Davie, Florida

Compliance

We have audited the compliance of the Town of Davie, Florida (the Town) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended September 30, 2006. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

As described in the accompanying schedule of findings and questioned costs, the Town did not comply with certain requirements applicable to its major federal program. Compliance with such requirements is necessary, in our opinion, for the Town to comply with the requirements applicable to the program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town complied, in all material aspects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2006.

Honorable Mayor, Town Council and Town Administrator  
Town of Davie, Florida

Internal Control over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely effect the Town's ability to administer a federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. See reportable conditions as described in the accompany schedule of findings and questioned costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions in the referenced document are not a material weakness.

This report is intended solely for the information and use of the Mayor, Town Council, management and the grantor agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



March 24, 2008

**TOWN OF DAVIE, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2006**

<u>FEDERAL AGENCY &amp; PROGRAM TITLE</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b><u>DIRECT FEDERAL PROGRAMS</u></b>			
U.S. DEPARTMENT OF HOMELAND SECURITY			
2004 Assistance to Firefighters Grant Program	EMW-2004-FG-17600	97.044	\$ 46,009
U.S. DEPARTMENT OF JUSTICE			
Federal Equitable Sharing / ACA Program	N/A - Agency 131011	N/A	234,589
COPS Universal Hiring Program	2003UMWX0289	16.710	147,783
COPS in Schools	2002SHWX0650	16.710	50,538
FY 2003 Local Law Enforcement Block Grant	2003-LB-BX-0799	16.592	4,552
FY 2004 Local Law Enforcement Block Grant	2004-LB-BX-0088	16.592	22,524
Bulletproof Vest Partnership 2003	NIJ# LC2-3	15.607	6,479
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grant	B-05-MC-12-0044	14.218	251,417
Community Development Block Grant	B-04-MC-12-0044	14.218	20,096
Community Development Block Grant	B-03-MC-12-0044	14.218	32,502
Community Development Block Grant	B-02-MC-12-0044	14.218	30,850
<b><u>FEDERAL PASS-THROUGH PROGRAMS</u></b>			
U.S. DEPARTMENT OF AGRICULTURE			
Pass-through FL Department of Education			
Summer Food Program 2006	04-0723	10.559	11,204
U.S. DEPARTMENT OF THE INTERIOR			
Pass-through FL Department of Environmental Protection			
Land & Water Conservation Fund - Silver Lakes	12-00401	15.916	10,062
Land & Water Conservation Fund - Van Kirk Grove	12-00516	15.916	2,496
U.S. DEPARTMENT OF JUSTICE			
Pass-through Broward County Sheriffs Office			
Bryne Justice Assistance Grant 2005	MOU between BSO and Davie	16.738	5,227
U.S. DEPARTMENT OF HOMELAND SECURITY			
Pass-through FL Dept. of Community Affairs			
Public Assistance Prog. - Hurricane Wilma (FEMA-1609-DR-FL)	06-WL&K-11-16-02-689; XF077	97.036	14,430,072
Public Assistance Prog. - Hurricane Katrina (FEMA-1602-DR-FL)	06-KF-B&-11-16-02-665; XF049	97.036	626,673
U.S. DEPARTMENT OF TRANSPORTATION			
Pass-through FL Dept. of Transportation			
FDOT Highway Safety Program	A0935-Project #FS-06-27-13	20.601	61,846
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Pass-through FL Department of Environmental Protection			
Nonpoint Source Implementation Grant Program	DEP G0089, EPA C9-99451503-0	66.460	93,658
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 16,088,577</b>

See notes to Schedule of Expenditures of Federal Awards

**TOWN OF DAVIE, FLORIDA**  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2006

**NOTE 1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Davie and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**TOWN OF DAVIE, FLORIDA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED SEPTEMBER 30, 2006**

**PRIOR YEAR COMMENTS AND STATUS**

The following addresses the status of financial statement findings reported in the September 30, 2005 schedule of findings and questioned costs.

Matters that are repeated in the accompanying schedule of findings and questioned costs:

- Compliance – Reporting requirements
- Compliance – Unauthorized investments
- Other – Procurement cards
- Other – Budget
- Other - Internal service funds – net assets

The following addresses the status of federal awards findings reported in the September 30, 2005 schedule of findings and questioned costs:

Matters that are repeated in the accompanying schedule of findings and questioned costs:

- Compliance – Reporting requirements

**TOWN OF DAVIE, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARDS PROGRAMS**  
**YEAR ENDED SEPTEMBER 30, 2006**

**I. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of the Town.
2. Reportable conditions relating to the audit of the financial statements are reported in the independent auditors' report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*. See Part II of this schedule.
3. Instances of noncompliance material to the financial statements of the Town were disclosed during the audit. See Part II of this schedule.
4. Reportable conditions relating to the audit of the major federal programs are reported in the independent auditors' report on compliance and on internal control over compliance applicable to each major federal program. See Part III of this schedule.
5. The independent auditors' report on compliance for each major federal program for the Town expresses a qualified opinion.
6. Audit findings relative to the major federal awards program for The Town are reported in Part III of this Schedule.
7. The programs/projects tested as major include:

<u>Federal Program</u>	<u>CFDA #</u>	<u>Amount</u>
Public Assistance Grants	97.036	\$ 15,056,745

8. The Town was determined to be a low-risk auditee pursuant to OMB Circular A-133.

**TOWN OF DAVIE, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARDS PROGRAMS**  
**YEAR ENDED SEPTEMBER 30, 2006**  
(Continued)

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Reportable Conditions**

**Allocation of interest**

The Town maintained significant cash and cash equivalent balances in the capital projects fund during the fiscal year ended September 30, 2006, however, the interest earnings on the balance were not allocated to that fund. As a result, interest earnings and available resources in the capital projects fund are understated.

**Recommendation**

We recommend the Town transfer applicable interest earnings to the capital projects fund.

**Accounts payable cut-off**

During the audit it was discovered that the Town's year end accrual policies extended out only one month. Due to the timing of invoices and actual close of the period, there were substantial expenditures for the current period that were not properly accrued by the Town.

**Recommendation**

The Town should consider extending its accrual period and should adjust its accounting records for material expenditures and payables discovered prior to the close of the financial records to ensure proper allocation of expenditures between periods.

**Grant revenue accruals**

During the audit it was discovered that the Town does not appropriately accrue receivables relating to reimbursable grant expenditures. These revenues were not completely accounted for.

**Recommendation**

The Town should reconcile recognized revenues to reimbursable grant expenditures on a consistent basis and ensure that all revenue and receivable accrual entries are made in a timely manner.

**Material Non Compliance**

**Insufficient eligibility documentation: CDBG Grant Program**

HUD conducted a monitoring of the Town's CDBG program and issued a report dated 9/28/07 that included one finding and three areas of concern. There was insufficient documentation in client files to support eligibility thus there was a lack of evidence that clients served were low to moderate income people.

**Recommendation**

We recommend the Town establish adequate procedures to monitor compliance with eligibility requirements. The Town (or its sub-recipient agency) should maintain sufficient documentation, (including income verification, eviction notices, three day-notice, and termination for rent, utilities

**TOWN OF DAVIE, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARDS PROGRAMS**  
**YEAR ENDED SEPTEMBER 30, 2006**  
(Continued)

cut-off notices or signed statement for beneficiary to document the emergency), in recipient files to support eligibility.

**Reporting requirements**

The Town did not submit the audited financial statements to the State of Florida by September 30, 2007 as required by State Statute. The Town's bond and finance agreements require that a copy of the annual audited financial statements of the Town, its most recent capital improvement plan and operating budget, and its Comprehensive Annual Financial Report be delivered to the bondholders within one hundred eighty (180) days of the end of the fiscal year; that date was March 31, 2006. The Town was not in compliance with this requirement for the audit period ended September 30, 2006. The same held true for the fiscal year ended September 30, 2005.

**Recommendation**

We recommend that the Town comply with their reporting requirements.

**Unauthorized investments**

The Town invested public funds in an investment that was prohibited by the Town's investment policy. Funds received from a developer were used to purchase an annuity. The annuity was not included as an approved investment in the Town's investment policy.

**Recommendation**

We recommend the Town establish procedures to review all prospective investment options.

**Other Findings**

**Procurement cards**

During our testing we determined that on two occasions purchase limits were circumvented by splitting the purchase into smaller amount that were under the transaction limits. The purchase limits placed on the credit cards are to prevent employees from purchasing items without performing the proper competitive bidding procedures. The same held true for the fiscal year ended September 30, 2005.

**Recommendation**

We recommend the Town establish procedures that would identify or prevent purchase splitting, or consider lowering the thresholds to a level that will prevent the circumvention of the policy.

**Budget**

For the year ended September 30, 2006, expenditures exceeded appropriations in Non-Departmental by \$143 and in Public Works by \$665,190 as presented in the Statement of Revenues and Expenditures – Budget and Actual – General Fund. For the year ended September 30, 2006, transfers out exceeded appropriations by \$2,171,374 as presented in the Statement of Revenues and Expenditures – Budget and Actual – General Fund. Expenditures also exceeded appropriations in several departments for the fiscal year ended September 30, 2005.

**TOWN OF DAVIE, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARDS PROGRAMS**  
**YEAR ENDED SEPTEMBER 30, 2006**  
(Continued)

**Recommendation**

The Town should amend the budget for overages related to specific departments and other financing uses.

**Internal Service Funds – Net Assets**

The Town has accumulated significant reserves in its internal service funds. These reserves have been increasing each year as charges to the departments include excess amounts to account for future repair and replacement of Town assets and potential future claims against the Town. However, the Town does not have a policy with regard to how much to accumulate or for what projects the reserves will be used. This is a repeat finding from the prior year.

**Recommendation**

We recommend that the Town implement a policy with regard to accumulated reserves in the internal service funds. This policy should document what the respective reserves specifically will be used for as well as setting limits as to how much to accumulate in net assets so as to not accumulate excess reserves. If it is determined that there are amounts reserved that are in excess of the Town's needs for future repair and replacement or for potential future claims, these amounts should be refunded back to the respective departments.

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**Reportable Conditions and Material Noncompliance**

**FEMA reimbursements**

During the year ended September 30, 2006, allegations were made that the Town falsified information submitted to Federal Emergency Management Agency ("FEMA"). The allegations relate to certain overtime paid by the Town related to emergency/disaster services resulting from the 2005/2006 hurricane season. The Town has referred the allegation to the Office of the Attorney General for investigation. As of the report date, the Town has not yet received a response as to the status of this matter.

In addition, in connection with the overtime related to emergency/disaster services resulting from the 2005/2006 hurricane season, the Town included the costs in the FEMA reimbursement request. It was determined that there were errors in the FEMA submission which resulted in a reduction from approximately \$1,500,000 to approximately \$910,000 for project labor costs subject to reimbursement. FEMA is currently in the process of closeout procedures and a standard audit of several grants relating to hurricane procedures and the Town has not yet been notified if any of the remaining submitted time will be considered for reimbursement from FEMA, or, if the Town will be required to reimburse FEMA for any portion of previously reimbursed expenditures.

Further, the Town had submitted an insurance reimbursement claim for certain costs incurred resulting from the 2005/2006 hurricane season. Subsequent to September 30, 2006 the Town received funds for the insurance claim filed and has undertaken procedures to determine what, if any, portion of the claimed costs were included in the FEMA project submission and what, if any, amounts may be required to be repaid to FEMA.

**TOWN OF DAVIE, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARDS PROGRAMS**  
**YEAR ENDED SEPTEMBER 30, 2006**  
(Continued)

**Recommendation**

We recommend that the Town implement procedures to ensure the accuracy of the computation for overtime benefits paid and submitted for grant reimbursement. In addition, the Town should implement procedures to ensure that costs incurred which are submitted for insurance claims are not also included in costs submitted for grant reimbursement.

**Reporting requirements**

In accordance with the Federal Single Audit Act, the Town is required to submit a reporting package that includes audited financial statements, a schedule of expenditures of federal awards including notes to that schedule, a summary schedule of prior audit findings, a schedule of findings and questioned costs, the auditor's reports, and a corrective action plan within nine months after the end of the audit period; that date was June 30, 2007. The Town has not met this requirement for the audit period ended September 30, 2006 and is at risk of losing current federal grant funds and the potential to lose future federal grant funds. This is a repeat finding from the prior year as the Town had not submitted its September 30, 2005 reporting package in accordance with the Federal Single Audit Act and the State Single Audit time requirements.

**Recommendation**

We recommend that the Town comply with timely submission of required reporting packages. If the report packages cannot be submitted within the specified time period, the Town should request, in advance, a longer period for reporting from its oversight agency.



The following is the Town's response to the issues brought forward in the external auditor's schedule of findings and questioned costs.

Auditor Comment

The Town maintained significant cash and cash equivalent balances in the capital projects fund during the fiscal year ended September 30, 2006, however, the interest earnings on the balance were not allocated to that fund. As a result, interest earnings and available resources in the capital projects fund are understated.

*Town Response*

The Town respectfully disagrees with this comment by the auditors. The large cash balance at the end of the fiscal year was the direct result of the Town recording cash proceeds in the fund of \$41.5 million for two general obligation bond series which were both issued in August 2006. Although the proceeds were recorded in the Capital Projects Fund, the principal and interest debt service payments are budgeted and paid from the Town's General Fund. Town policy has therefore been any interest earned on those proceeds that may be used to offset the debt service expenses is also recorded in the General Fund. If any excess earnings are received by the Town it would be considered arbitrage and subject to subsequent payment to the Internal Revenue Service and therefore not available for project expenses but rather would be recorded as a liability and subsequently paid from the Town's General Fund. Principal and interest expense payments for other capital projects related debt is handled in a similar manner.

Auditor Comment

During the audit it was discovered that the Town's year end accrual policies extended out only one month. Due to the timing of invoices and actual close of the period, there were substantial expenditures for the current period that were not properly accrued by the client.

*Town Response*

The Town agrees that there were 5 invoices, each over \$100,000, that were subject to accrual following the auditors search for unrecorded liabilities test work. We again respectfully disagree that this is a reportable condition as the established procedure with the audit staff that had performed the engagement for several preceding years was followed again for fiscal year 2006. The established procedure had been that the Town held open the year for one month past fiscal year end and then as part of the audit the Town's accounts payable staff would provide subsequent check registers and the backup documentation for all large items paid after the close of the fiscal year to the audit staff. We would discuss with the audit staff any additional items they believed should be subject to accrual and properly accrued those that the audit staff and Town staff agreed upon. If in future years the auditors would like the Town staff to perform this function first and then provide it to the audit staff for their review that would be acceptable to the Town. The Town believes this was perhaps the result of a misunderstanding due to the changeover in audit personnel of what had been requested from the Town in the past.

Auditor Comment

During the audit it was discovered that the Town does not appropriately accrue receivables relating to reimbursable grant expenditures. There were revenues not completely accounted for.

*Town Response*

During the period of preparation for the audit the Town's Grants Specialist was promoted to a different position within the Town. The new Grants Specialist was not as familiar with the Town's grants and therefore took longer and required significant assistance in preparing the grants schedule that is used to record the accruals. The Town Budget and Finance staff had been directed to provide the auditors with a trial balance so the audit fieldwork could begin. As the grant schedule had not yet been completed the trial balance was provided to the auditors along with the information that the grant schedule was not yet completed and that adjusting entries would be necessary once the schedule was complete. This is what transpired and the appropriate entries were subsequently provided to the auditors. In the future the Town will strive to have the grant schedule and appropriate entries recorded prior to the start of the audit but unfortunately the new Grants Specialist has subsequently resigned and that position is currently vacant.

Auditor Comment

HUD conducted a monitoring of the Town's CDBG program and issued a report dated 9/28/07 that included one finding and three areas of concern. There was insufficient documentation in client files to support eligibility thus there was a lack of evidence that clients served were low to moderate income people.

*Town Response*

HUD conducted a monitoring of the Town's CDBG Program and issued a report dated 9/28/07 that included one finding and three areas of concern, all of which were minor items that were immediately corrected. The finding dealt with HOPE Outreach Center Inc., which is the Town's contracted sub-recipient agency for the CDBG funded Emergency Assistance/Homeless Program Prevention. In a few instances, the client files did not contain third-party income verification. These discrepancies were attributed to the increased demand for services following Hurricane Wilma. The large number of Davie hurricane victims that required immediate assistance overwhelmed Hope Outreach Center's small staff. Hope Outreach Center's Executive Director sent a letter to the Town dated November 1, 2007, which provided a strategy to ensure that all future client case files contain the documentation required under the CDBG Program. The Town expects to be in full compliance upon the next HUD monitoring visit.

Auditor Comment

The Town did not submit the audited financial statements to the State of Florida by September 30, 2007 as required by State Statute. The Town's bond and finance agreements require that a copy of the annual audited financial statements of the Town, its most recent capital improvement plan and operating budget, and its Comprehensive Annual Financial Report be delivered to the bondholders within one hundred eighty (180) days of the end of the fiscal year; that date was March 31, 2006. The Town was not in compliance with this requirement for the audit period ended September 30, 2006. The same held true for the fiscal year ended September 30, 2005.

*Town Response*

The Town's Comprehensive Annual Financial Report for the fiscal year ended September 30, 2006, was late being issued because of a combination of circumstances. First, the audit started late because of the delay in completing the prior year audit related to investigations and audits concerning the alleged misappropriation of funds by the Town's former Town Administrator for

which legal action is still pending. Secondly, the aftermath of Hurricane Wilma also contributed to a delay in the necessary information being ready as did the retirement of the Town's Budget and Finance Director subsequent to the end of the fiscal year. A new Budget and Finance Director has now filled the vacancy and Town staff will work diligently to file the appropriate reports in a timely manner in the future.

#### Auditor Comment

The Town invested public funds in an investment that was prohibited by the Town's investment policy. Funds received from a developer were used to purchase an annuity. The annuity was not included as an approved investment in the Town's investment policy.

#### *Town Response*

This investment occurred in a prior fiscal year. Upon discovery the Town disclosed the investment and began reviewing its options to cancel the annuity contract and receive cash in lieu of the annuity, which would then be invested in an authorized investment vehicle. The Town does have an existing investment committee which was not consulted prior to the above referenced transaction. The funding involved in the transaction did not flow through the Town's Budget and Finance Department as it was paid directly by the developer to the insurance company providing the annuity contract. The arrangement was coordinated on the Town's behalf by the Town's former Town Administrator and the Town's former Town Attorney. In the subsequent fiscal year the insurance company agreed to cancel the annuity contract, refunding the investment amount plus interest to the Town.

#### Auditor Comment

During our testing we determined that on two occasions purchase limits were circumvented by splitting the purchase into smaller amounts that were under the transaction limits. The purchase limits placed on the credit cards are to prevent employees from purchasing items without performing the proper competitive bidding procedures. The same held true for the fiscal year ended September 30, 2005.

#### *Town Response*

The Town's procurement limits are established to be compatible with the Town's adopted procurement thresholds for bidding. The issue of splitting the purchases applies to purchase order transactions as well as to credit card transactions and the Town's procurement employees attempt to identify all such instances. If an employee is found to have intentionally violated Town policy regarding use of Town credit cards, then the Budget and Finance Director will recommend revocation of that employee's credit card to the Town Administrator.

#### Auditor Comment

For the year ended September 30, 2006, expenditures exceeded appropriations in Non-Departmental by \$143 and in Public Works by \$665,190 as presented in the Statement of Revenues and Expenditures – Budget and Actual – General Fund. For the year ended September 30, 2006, transfers out exceeded appropriations by \$2,171,374 as presented in the Statement of Revenues and Expenditures – Budget and Actual – General Fund. Expenditures also exceeded appropriations in several departments for the fiscal year ended September 30, 2005.

#### *Town Response*

The Town addressed significant variances in the "Significant Budget Variations" portion of the

*Management's Discussion and Analysis* section of the financial statements. To review briefly, in the prior year the variances related to expenditures being written off in connection to the Town's prior Town Administrator; an overage in the trash removal account resulting from Hurricane Katrina; and transfers to the Town's Capital Projects Fund for the flow through of bond proceeds to fund capital projects in process. For fiscal year 2006 a budget amendment was approved by the Town Council prior to the end of the fiscal year but unfortunately it did not anticipate perfectly the ultimate outcome for the fiscal year. The result was the minimal \$143 shortfall in one department and a larger \$665,190 shortfall in Public Works related to Hurricane Wilma trash removal. The transfers out item once again reflected the flow through of bond proceeds to the capital projects fund to cover project expenditures. It is the Town's intention to adopt amendments as necessary in future years.

#### Auditor Comment

The Town has accumulated significant reserves in its internal service funds. These reserves have been increasing each year as charges to the departments include excess amounts to account for future repair and replacement of Town assets and potential future claims against the Town. However, the Town does not have a policy with regard to how much to accumulate or for what projects the reserves will be used. This is a repeat finding from the prior year.

#### *Town Response*

The two internal service funds which have built up sizable reserves are the Vehicle Maintenance Fund and the Self Insurance Fund. These funds have been reviewed by the Town and an approved course of action was taken. The Town completed a Public Works Compound Expansion project by using existing Vehicle Maintenance Fund reserves rather than issuing debt. Also, in two prior fiscal years the vehicle charges were intentionally reduced to the point that the fund used approximately \$1 million per fiscal year of its reserves, leaving unrestricted net assets at approximately \$3.0 million as of September 30, 2006, which is slightly less than one year's worth of operating expenses. As to the Self Insurance Fund, the Town Council approved the Town's switching back to a self insured plan for employee health insurance coverage and joining a local government risk pool, a decision based in part on the availability of reserves in the Self Insurance Fund. Therefore, it is important that the Town maintain an adequate reserve in this fund. As of September 30, 2006, the Self Insurance Fund had unrestricted net assets of approximately \$8.8 million which is just over one year's worth of operating expenses. The other two internal service funds, Information Systems and Building Maintenance, have \$1.3 million and \$1.1 million in unrestricted net assets respectively and so do not have an undue accumulation.

#### Auditor Comment

During the fiscal year ended September 30, 2006, allegations were made that the Town falsified information submitted to Federal Emergency Management Agency ("FEMA"). The allegations relate to certain overtime paid by the Town related to emergency/disaster services resulting from the 2005/2006 hurricane season. The Town has referred the allegation to the Office of the Attorney General for investigation. As of the report date, the Town has not yet received a response as to the status of this matter.

In addition, in connection with the overtime related to emergency/disaster services resulting from the 2005/2006 hurricane season, the Town included the costs in the FEMA reimbursement request. It was determined that there were errors in the FEMA submission which resulted in a reduction from approximately \$1,500,000 to approximately \$910,000 for project labor costs subject to reimbursement. FEMA is currently in the process of closeout procedures and a standard audit of several grants relating to hurricane procedures and the Town has not yet been

notified if any of the remaining submitted time will be considered for reimbursement from FEMA, or, if the Town will be required to reimburse FEMA for any portion of previously reimbursed expenditures.

Further, the Town had submitted an insurance reimbursement claim for certain costs incurred resulting from the 2005/2006 hurricane season. Subsequent to September 30, 2006 the Town received funds for the insurance claim filed and has undertaken procedures to determine what, if any, portion of the claimed costs were included in the FEMA project submission and what, if any, amounts may be required to be repaid to FEMA.

#### *Town Response*

The Town has fully cooperated with all state and federal agencies following up on Hurricane Wilma expenditures, both routine and those related to the allegations. The allegations were made during a period of time that the Town was involved in protracted contract negotiations with one of its public safety unions and the Town believes these allegations may have been politically motivated. Nevertheless, the Town has taken the allegations seriously, having provided extensive documentation and devoted significant staff time to assisting the various auditors and law enforcement personnel involved. No errors in the actual payroll payments to employees have been discovered. The allegations concern the reporting of the expenditures. The Town remains committed to completing the normal closeout process and anticipates that the Town will be entitled to additional reimbursement from FEMA, but the Town is also prepared, if accidental mistakes are proven, to reimburse any substantiated overpayments. Concerning the insurance payments, the Town had made FEMA aware of the Town's insurance coverage and estimated allowances were included by FEMA on the project worksheets as appropriate. Now that the actual insurance reimbursement is known, however, part of the closeout process will be to determine whether the estimated insurance proceeds were over or under the actual insurance receipts which may change the amount ultimately allowable for FEMA reimbursement to increase or decrease for each covered project. The Town will comply with all FEMA and other federal and state requirements concerning Hurricane Wilma disaster assistance as we consider these entities our partners who have assisted the Town in times of need to provide a safe and renewed community for our residents.

#### Auditor Comment

In accordance with the Federal Single Audit Act, the Town is required to submit a reporting package that includes audited financial statements, a schedule of expenditures of federal awards including notes to that schedule, a summary schedule of prior audit findings, a schedule of findings and questioned costs, the auditor's reports, and a corrective action plan within nine months after the end of the audit period; that date was June 30, 2007. The Town has not met this requirement for the audit period ended September 30, 2006 and is at risk of losing current federal grant funds and the potential to lose future federal grant funds. This is a repeat finding from the prior year as the Town had not submitted its September 30, 2005 reporting package in accordance with the Federal Single Audit Act and the State Single Audit time requirements.

#### *Town Response*

The Town's report was delayed for the reasons described in the Town's response to the fifth auditor comment above concerning submission of the report to the State of Florida and the same response applies to this comment.