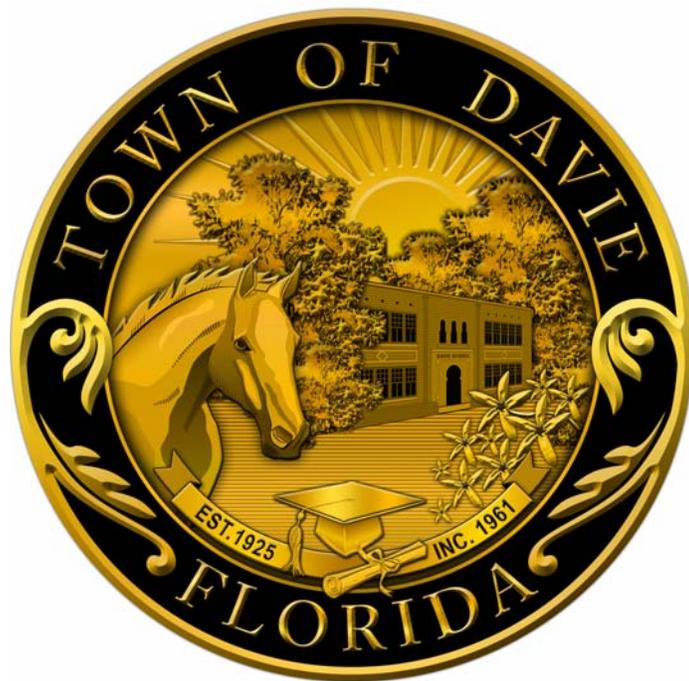


# Comprehensive Annual Financial Report



Fiscal Year Ended  
September 30, 2005



TOWN OF DAVIE, FLORIDA

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TOWN OF DAVIE, FLORIDA

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## INTRODUCTORY SECTION

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December 18, 2006

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, 2005. 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 seventh 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, save for an enclave of 5,000 people that was not annexed into the Town until after September 30, 2005. 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 40% 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 majority of 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 tax base grew by over \$574 million, representing an increase of almost 12% from the previous year. It is unlikely that the Town can maintain this level of growth and we are starting to see signs of 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. Industrial and commercial development have been and will continue to be very strong.

### **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, cable television, 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 has not

changed in over 10 years. The last millage rate increase occurred because we eliminated a tax on water service. This shifted the burden from the poor to those with more wealth.

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 2005. 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.

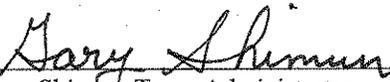
The financial section is divided into four main subsections:

- 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**

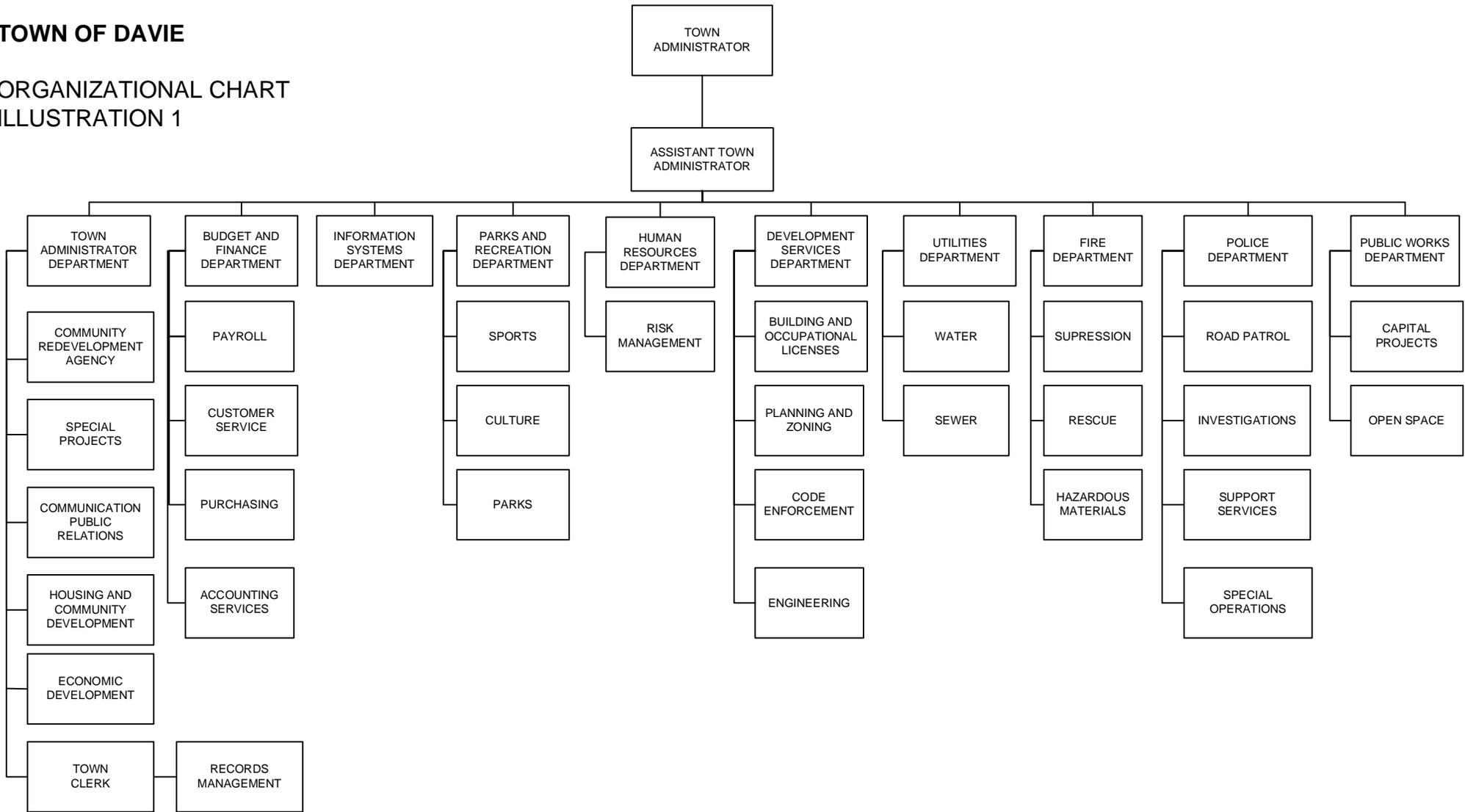
We greatly appreciate the time and effort expended in the preparation of this report by our Budget and Finance Department staff. We feel very fortunate that all of our staff has been with us for a very long time and that they care very much about their work and what it means to our community. Without 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

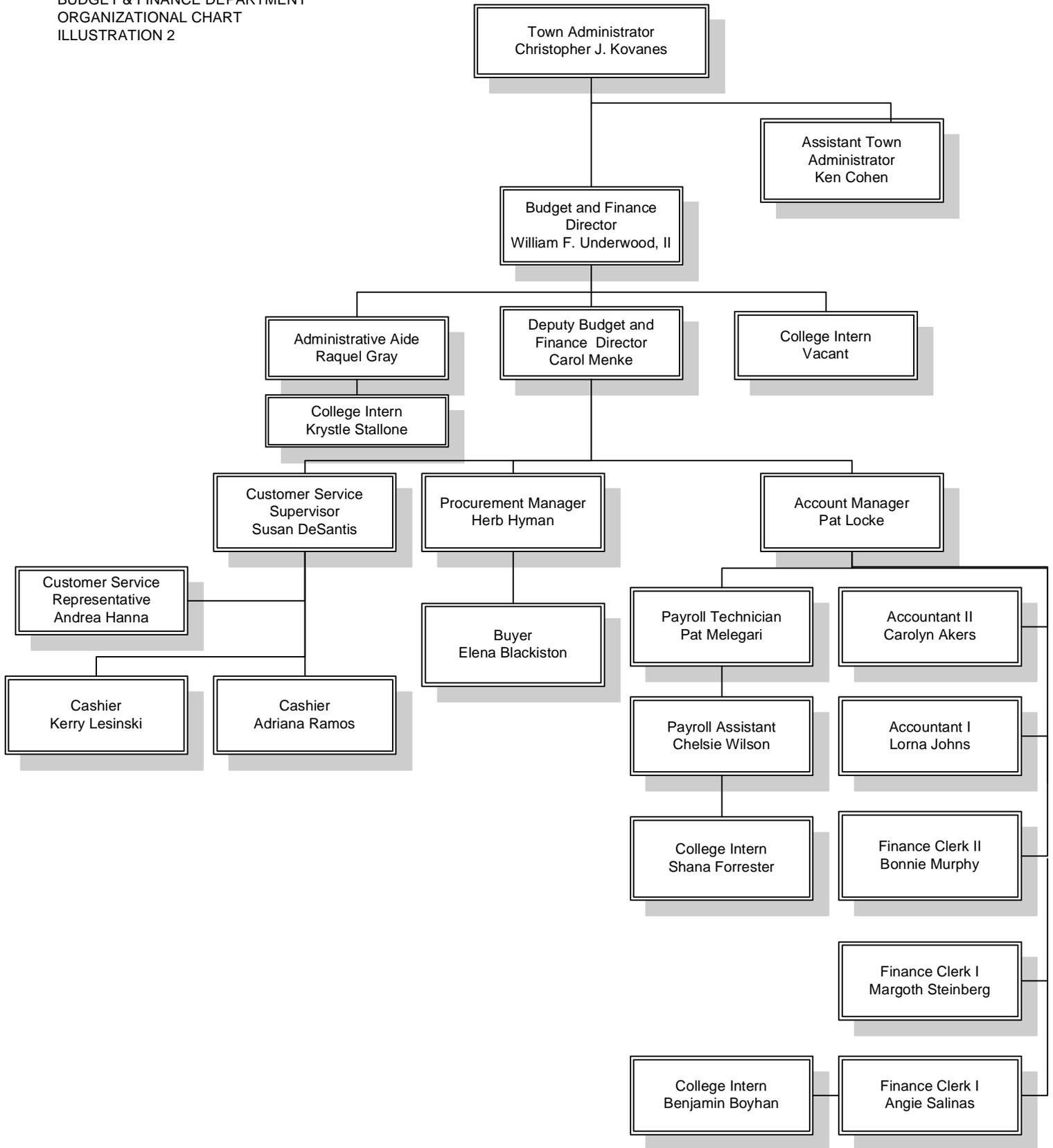
  
\_\_\_\_\_  
Carol Menke, Acting Budget and Finance Director

# TOWN OF DAVIE

## ORGANIZATIONAL CHART ILLUSTRATION 1



BUDGET & FINANCE DEPARTMENT  
 ORGANIZATIONAL CHART  
 ILLUSTRATION 2



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

**2004-2005 Town Council**

|                 |               |
|-----------------|---------------|
| Tom Truex       | Mayor         |
| Judy Paul       | Vice Mayor    |
| Michael Crowley | Councilmember |
| Lisa Hubert     | Councilmember |
| Susan Starkey   | Councilmember |

**Administrative Officials**

|                          |  |
|--------------------------|--|
| Christopher J. Kovanos   | Town Administrator                         |
| Ken Cohen                | Assistant Town Administrator               |
| William F. Underwood, II | Budget & Finance Director                  |
| Mark Kutney              | Development Service Director               |
| Don DiPetrillo           | Fire Chief                                 |
| Mark Alan                | Human Resources Director                   |
| Frank Apicella           | Information Systems Director               |
| Dennis Andresky          | Parks and Recreation Director              |
| John George              | Police Chief                               |
| Bonnie Stafiej           | Special Projects Director                  |
| Russell Muniz            | Town Clerk                                 |
| Dan Colabella            | Utilities Director                         |
| Bruce Bernard            | Public Works/Capital Projects Director     |
| Shirley Taylor-Prakelt   | Housing and Community Development Director |
| William Allen            | Redevelopment Administrator                |
| Monroe Kiar              | 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, 2005, 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 89% of the assets and 82% 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, 2005, 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 December 18, 2006 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 and state financial assistance 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 Chapter 10.550, Rules of the Auditor General 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, and the Schedule of County Assistance has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion thereon.



December 18, 2006

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

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

The Town of Davie's 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 seventh 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 FY2006 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 subsequent to the fiscal year end, 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 and private purpose trusts). 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.

### 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 9%, 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 noticeable financial pressure on the system.

Table 1

### Comparative Net Assets Table

Stated in Thousands

|                          | Governmental Activities |                |            | Business Type Activities |               |            | Total Government |                |            |
|--------------------------|-------------------------|----------------|------------|--------------------------|---------------|------------|------------------|----------------|------------|
|                          | 2005                    | 2004           | Change     | 2005                     | 2004          | Change     | 2005             | 2004           | Change     |
| <b>Assets</b>            |                         |                |            |                          |               |            |                  |                |            |
| Current and Other        | \$66,606                | \$55,979       | 19%        | \$22,384                 | \$22,679      | -1%        | \$88,990         | \$78,658       | 13%        |
| Capital Assets, Net      | 83,705                  | 78,618         | 6%         | 19,390                   | 19,494        | -1%        | 103,095          | 98,112         | 5%         |
| <b>Total Assets</b>      | <b>150,311</b>          | <b>134,597</b> | <b>12%</b> | <b>41,774</b>            | <b>42,173</b> | <b>-1%</b> | <b>192,085</b>   | <b>176,770</b> | <b>9%</b>  |
| <b>Liabilities</b>       |                         |                |            |                          |               |            |                  |                |            |
| Current                  | 12,352                  | 19,394         | -36%       | 1,778                    | 1,942         | -8%        | 14,130           | 21,336         | -34%       |
| Long Term                |                         |                |            |                          |               |            |                  |                |            |
| Due Within 1 Year        | 4,096                   | 3,312          | 24%        | 1,238                    | 1,165         | 6%         | 5,334            | 4,477          | 19%        |
| Due in More than 1 Year  | 49,752                  | 43,221         | 15%        | 15,813                   | 16,065        | -2%        | 65,565           | 59,286         | 11%        |
| <b>Total Liabilities</b> | <b>66,200</b>           | <b>65,927</b>  | <b>0%</b>  | <b>18,829</b>            | <b>19,172</b> | <b>-2%</b> | <b>85,029</b>    | <b>85,099</b>  | <b>0%</b>  |
| <b>Net Assets</b>        |                         |                |            |                          |               |            |                  |                |            |
| Invested in Capital      |                         |                |            |                          |               |            |                  |                |            |
| Assets, Net              | 36,855                  | 36,734         | 0%         | 2,694                    | 2,604         | 3%         | 39,549           | 39,338         | 1%         |
| Restricted               |                         |                |            |                          |               |            |                  |                |            |
| Renewal and Repl.        | -                       | -              | -          | 3,079                    | 3,217         | -4%        | 3,079            | 3,217          | -4%        |
| Capital projects         | 4,749                   | (826)          | 675%       | 838                      | 802           | 4%         | 5,587            | -24            | 23379%     |
| Debt service             | 1,052                   | 974            | 8%         | -                        | -             | -          | 1,052            | 974            | 8%         |
| Open space               | 1,522                   | 1,658          | -8%        | -                        | -             | -          | 1,522            | 1,658          | -8%        |
| Law enforcement          | 422                     | 418            | 1%         | -                        | -             | -          | 422              | 418            | 1%         |
| Impact Fees              | 2,532                   | 2,332          | 9%         | -                        | -             | -          | 2,532            | 2,332          | 9%         |
| Community Redevelop.     | 3,810                   | 2,462          | 55%        | -                        | -             | -          | 3,810            | 2,462          | 55%        |
| Development Related      | 8,988                   | 6,996          | 28%        | -                        | -             | -          | 8,988            | 6,996          | 28%        |
| Road resurfacing         | 148                     | 148            | 0%         | -                        | -             | -          | 148              | 148            | 0%         |
| Unreserved Unrestricted  | 24,033                  | 17,774         | 35%        | 16,334                   | 16,378        | 0%         | 40,367           | 34,152         | 18%        |
| <b>Total net assets</b>  | <b>84,111</b>           | <b>68,670</b>  | <b>22%</b> | <b>22,945</b>            | <b>23,001</b> | <b>0%</b>  | <b>107,056</b>   | <b>91,671</b>  | <b>17%</b> |

The Governmental Activities of the Town saw a 19% increase in Current and Other Assets while the current liabilities of those activities decreased 36%. Capital Assets increased by 6%, net of accumulated depreciation. Total Liabilities did not increase from the prior year. Unreserved unrestricted Net Assets now stand at \$24.0 million, a \$6.3 million increase from the previous year.

Business-type activities, almost entirely the Town's Water and Sewer system showed a slight decrease in both Current Assets and Total Assets. Current Liabilities decreased by 8% while Total Liabilities decreased by about 2%. Capital Asset Investment, net of related debt, increased by 3%. Renewal and Replacement (R&R) decreased by about 4%. This represents funds immediately available for system improvements. The Total Net Assets for the Business-type Activities did not change 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.

On a Total Government basis, Current Assets increased by 13% while current liabilities decreased by 34%. The Town is able to meet its short-term obligations. Total Net Assets increased by 17% for the year.

### **Statement of Activities**

Although activities in the Town (Table 2 below) reflected a modest growth in overall revenues over the prior year of 10%, total Town expenses were contained and reflect an overall increase of only 1%. 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 primarily reflect 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 increased a modest 5% in the Governmental Activities, with a 10% increase coming from direct charges to users of specific services, while operating grants remained virtually unchanged and capital grants actually decreased 5%.

Governmental Activities General Revenues increased by about 12% overall, with the largest percentage increase, 18%, coming from franchise fees. The operating millage rate has not changed for ten years but as taxable values have increased, through both new construction and price appreciation, the Town has collected additional revenues. Utility Taxes improved slightly by 5%.

The Business Activities of the Town had a modest year as charges for services increased 7% and higher developers contributions for connections to our system jumped 47% resulting in a 10% overall increase in program revenue.

Program Expenses in the Governmental Activities increased by 2% overall, with the largest percentage increase coming from Fire Rescue. A reduction of 12% in General Government spending largely offset the Fire Rescue spending increases, leading to the low 2% overall increase in Total Expenses for Governmental Activities.

Program Expenses in Business-type Activities decreased slightly by 1% 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 17% for the year, with a 22% increase noted for Governmental Activities.

Table 2  
**Comparative Statement of Activities**  
 Stated in Thousands

|                                       | <b>Governmental Activities</b> |               |            | <b>Business Type Activities</b> |               |            | <b>Total Government</b> |               |            |
|---------------------------------------|--------------------------------|---------------|------------|---------------------------------|---------------|------------|-------------------------|---------------|------------|
|                                       | 2005                           | 2004          | Change     | 2005                            | 2004          | Change     | 2005                    | 2004          | Change     |
| <b>Revenues:</b>                      |                                |               |            |                                 |               |            |                         |               |            |
| Program Revenues                      |                                |               |            |                                 |               |            |                         |               |            |
| Charges for Services                  | \$18,739                       | \$16,995      | 10%        | \$7,834                         | \$7,312       | 7%         | \$26,573                | \$24,307      | 9%         |
| Operating Grants and Contributions    | 3,998                          | 3,990         | 0%         | -                               | -             | -          | 3,998                   | 3,990         | 0%         |
| Capital Grants and Contributions      | 6,738                          | 7,076         | -5%        | 682                             | 464           | 47%        | 7,420                   | 7,540         | -2%        |
| <b>Total Program Revenues</b>         | <b>29,475</b>                  | <b>28,061</b> | <b>5%</b>  | <b>8,516</b>                    | <b>7,776</b>  | <b>10%</b> | <b>37,991</b>           | <b>35,837</b> | <b>6%</b>  |
| <b>General Revenues</b>               |                                |               |            |                                 |               |            |                         |               |            |
| Property Taxes, Operating             | 27,580                         | 24,416        | 13%        | -                               | -             | -          | 27,580                  | 24,416        | 13%        |
| Property Taxes, Debt Service          | 2,587                          | 2,239         | 16%        | -                               | -             | -          | 2,587                   | 2,239         | 16%        |
| Utility Taxes                         | 9,730                          | 9,274         | 5%         | -                               | -             | -          | 9,730                   | 9,274         | 5%         |
| Franchise Fees                        | 7,894                          | 6,694         | 18%        | -                               | -             | -          | 7,894                   | 6,694         | 18%        |
| Unrestricted Grants and Contributions | 8,394                          | 7,310         | 15%        | -                               | -             | -          | 8,394                   | 7,310         | 15%        |
| Investment Income                     | 1,797                          | 1,679         | 7%         | 561                             | 409           | 37%        | 2,358                   | 2,088         | 13%        |
| Miscellaneous                         | 821                            | 1,027         | -20%       | -                               | -             | -          | 821                     | 1,027         | -20%       |
| Transfers                             | 29                             | -             | -          | -29                             | -             | -          | 0                       | 0             | -          |
| <b>Total General Revenue</b>          | <b>58,832</b>                  | <b>52,639</b> | <b>12%</b> | <b>532</b>                      | <b>409</b>    | <b>30%</b> | <b>59,364</b>           | <b>53,048</b> | <b>12%</b> |
| <b>Total Revenues</b>                 | <b>88,307</b>                  | <b>80,700</b> | <b>9%</b>  | <b>9,048</b>                    | <b>8,185</b>  | <b>11%</b> | <b>97,355</b>           | <b>88,885</b> | <b>10%</b> |
| <b>Program Expenses</b>               |                                |               |            |                                 |               |            |                         |               |            |
| General Government                    | 8,079                          | 9,208         | -12%       | -                               | -             | -          | 8,079                   | 9,208         | -12%       |
| Development Services                  | 6,817                          | 6,377         | 7%         | -                               | -             | -          | 6,817                   | 6,377         | 7%         |
| Engineering                           | 780                            | 1,199         | -35%       | -                               | -             | -          | 780                     | 1,199         | -35%       |
| Public Works                          | 6,538                          | 6,085         | 7%         | -                               | -             | -          | 6,538                   | 6,085         | 7%         |
| Police                                | 25,788                         | 25,615        | 1%         | -                               | -             | -          | 25,788                  | 25,615        | 1%         |
| Fire Rescue                           | 17,001                         | 14,975        | 14%        | -                               | -             | -          | 17,001                  | 14,975        | 14%        |
| Parks and Recreation                  | 6,441                          | 6,764         | -5%        | -                               | -             | -          | 6,441                   | 6,764         | -5%        |
| Interest                              | 1,422                          | 1,439         | -1%        | -                               | -             | -          | 1,422                   | 1,439         | -1%        |
| Water and Sewer                       | -                              | -             | -          | 9,104                           | 9,156         | -1%        | 9,104                   | 9,156         | -1%        |
| Aquaculture                           | -                              | -             | -          | -                               | 21            | -100%      | 0                       | 21            | -100%      |
| <b>Total Expenses</b>                 | <b>72,866</b>                  | <b>71,662</b> | <b>2%</b>  | <b>9,104</b>                    | <b>9,177</b>  | <b>-1%</b> | <b>81,970</b>           | <b>80,839</b> | <b>1%</b>  |
| Change in Net Assets                  | 15,441                         | 9,038         | 71%        | -56                             | -992          | 94%        | 15,385                  | 8,046         | 91%        |
| Net Assets, October 1                 | 68,670                         | 59,632        | 15%        | 23,001                          | 23,993        | -4%        | 91,671                  | 83,625        | 10%        |
| <b>Net Assets, September 30</b>       | <b>84,111</b>                  | <b>68,670</b> | <b>22%</b> | <b>22,945</b>                   | <b>23,001</b> | <b>0%</b>  | <b>107,056</b>          | <b>91,671</b> | <b>17%</b> |

Expenses within the Town moderated significantly during this past year aiding the large increase in net assets. Much of the 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 \$9.6 million. Fund Balance increased by about \$11.290 million primarily due to increases in reserves for capital projects, reserves for development services building and engineering, and in undesignated Fund Balance. Further, discussion on the particulars will be found below in the Budget Variance Section.

The Community Redevelopment Agency had an increase in their Fund Balance of about \$1.3 million while spending over \$459 thousand on improvements in the redevelopment area. This fund is beginning to show tremendous growth because of the increased values now occurring with the defined area.

The Community Endowment Fund increased by about \$164 thousand in Fund Balance. The amount available in this fund for Community Obligations now stands at almost \$2.6 million.

The Capital Projects Fund provided projects of about \$9.1 million to the community this year, compared with \$14 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 open space, and parks and recreation.

The Vehicle Maintenance Fund reflected an operating loss of \$794 thousand that declined the Net Assets of that fund. The Town utilized a large portion of its unrestricted net assets to construct desperately needed fleet maintenance facilities and expand fleet vehicles. Money appropriated for FY2005 for vehicles approximated \$1.0 million. Vehicle charge rates to departments have not changed. The new garage facility is now 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 \$1.2 million to its Net Assets, again improving this fund's 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 \$7.9 million.

The Information Systems Fund added over \$565 thousand to its Net Assets, increasing it to \$1.2 million. This fund had not been accumulating enough resources to sustain its operations and so contributions from other funds were increased in FY2005 and will be raised again in future years. 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 \$135 thousand. The total Net Assets of this fund now stand at about \$748 thousand. 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 provided Operating Income of about \$598 thousand that resulted in a primary Net Revenue Bond Coverage of 0.79x, but a Pledged Revenue Coverage of 2.13x, a significant improvement from the prior year's 1.44x. 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 \$15.4 million. Because coverage is extremely tight on this fund, constant management of the financial operations is required.

## **Fiduciary Funds**

The Town's pension funds posted increases of over \$11.3 million to the net assets of the plans. The combined fair market value of the plans' holdings is \$84 million as of September 30. The Net Assets held for Pension Benefits of the various trusts total about \$80.1 million. The Town anticipates that it will continue to see sizable increases in its required contributions to the plans due to the previous, as well as anticipated future, 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. Summarized below are the significant variances accompanied by an explanation:

- Intergovernmental, Favorable \$3.7 million variance. Attributed to hurricane related FEMA grants and a Broward County grant for a park acquisition.
- Franchise Taxes, Favorable \$1.0 million variance. Attributed to higher than anticipated franchise revenue from FP&L.
- Charges for Services, Favorable \$1.1 million variance. Attributed primarily to higher than anticipated receipts related to recycling.
- General Government, Expenditures, Favorable \$894 thousand variance. Associated primarily with Town Administration and Administrative Services activity that did not occur when anticipated.
- Police Department, Personal services, Favorable \$635 thousand variance. Mostly attributed to lower than budgeted retirement contributions.
- Fire Department, Capital Outlay expenditures, Unfavorable \$183 thousand variance. Attributed primarily to the cost of upgrading the Fire Department's Self-Contained Breathing Apparatus (SCBA) equipment which was authorized under a FEMA grant awarded to the Town after the Town's budget adoption process.
- Public Works, Operating expenditures, Unfavorable \$388 thousand variance. Attributed primarily to trash removal charges related to Hurricane Katrina.
- Non-Departmental, Operating expenditures, Unfavorable \$230 thousand variance. Attributed primarily to the write off of certain expenditures originally charged to the Capital Projects Fund by the Town's former Town Administrator. These expenditures were discussed earlier at the beginning of this document.
- Debt Service, Interest expense, Favorable \$461 thousand variance. Attributed to lower than anticipated interest expense on the Town's variable rate debt.
- Other Financing Sources, Transfers Out, Unfavorable \$8.3 million variance. Attributed to transfers to the Capital Projects Fund for the flow through of bond proceeds to fund capital projects in process.

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

The Town issued long-term debt during the year. 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, while allowing for a cheaper cost of funds. Variable rate debt is matched to the Town's variable rate investments with the goal of achieving a 100 basis point spread. Historical spread levels have been, on average, about 80%. This internal hedge insulates that part of our asset/liability mix from interest rate movements and allows the Town to finance in a market that is historically more attractive over the life of the bonds. During the year, the Town retired approximately \$3.5 million in outstanding debt.

The Town spent approximately \$10.3 million in Governmental Funds on Capital Assets. About \$1.2 million 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 \$682 thousand, 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 was amended with the Save Our Homes amendment. Homestead property is now 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.

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 inure to the Component Unit and not the Governmental Activities of the Town, restricting the Town's revenue growth potential even further.

At the end of fiscal year 2005, annexations were almost complete in the Town with but one enclave remaining. The Town did annex this area in the subsequent year and this may provide some breathing room against these budget pressures. 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. The "leading indicators" of growth, such as platting of parcels of lands, site plans of lands, requested land use and zoning changes, have all been very strong, indicating the outlook for continued growth is favorable. 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 was involved in a dispute with a neighboring municipality regarding the provision of water and sewer services and expended significant sums of money on the issue. This matter will continue into the future and may result in the Town acquiring the system. This would greatly impact the Town's finances and would almost certainly require significant capital improvements that could only be accessed through the public finance markets.

The Town's fiscal year 2005 budget reflects an unchanged 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 2005 without raising 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, 2005**

|   | Governmental<br>Activities | Business-type<br>Activities | Total          |
|---|----------------------------|-----------------------------|----------------|
| <u>ASSETS</u>                                   |                            |                             |                |
| Pooled cash and cash equivalents                | \$ 51,220,829              | \$ 9,259,301                | \$ 60,480,130  |
| Investments                                     | 4,303,160                  | -                           | 4,303,160      |
| Receivables, net                                | 10,745,552                 | 1,906,300                   | 12,651,852     |
| Prepaid items                                   | 268,319                    | -                           | 268,319        |
| Inventory                                       | 67,640                     | 188,146                     | 255,786        |
| Restricted pooled cash and cash equivalents     | -                          | 4,060,240                   | 4,060,240      |
| Restricted receivables                          | -                          | 837,521                     | 837,521        |
| Other assets                                    | -                          | 548,094                     | 548,094        |
| Due from Governmental Activities                | -                          | 5,583,358                   | 5,583,358      |
| Capital assets not being depreciated            | 31,947,402                 | 1,042,324                   | 32,989,726     |
| Capital assets, net of accumulated depreciation | 51,758,033                 | 18,348,060                  | 70,106,093     |
| Total assets                                    | \$ 150,310,935             | \$ 41,773,344               | \$ 192,084,279 |
| <u>LIABILITIES</u>                              |                            |                             |                |
| Accounts payable and accrued liabilities        | \$ 5,005,001               | \$ 311,138                  | \$ 5,316,139   |
| Deferred revenue                                | 913,271                    | -                           | 913,271        |
| Other liabilities                               | 490,879                    | -                           | 490,879        |
| Due to Business Activities                      | 5,583,358                  | -                           | 5,583,358      |
| Deposits  | -                          | 981,120                     | 981,120        |
| Accrued interest                                | 359,629                    | 485,865                     | 845,494        |
| Noncurrent liabilities:                         |                            |                             |                |
| Due within one year                             | 4,095,786                  | 1,238,287                   | 5,334,073      |
| Due in more than one year                       | 49,752,024                 | 15,812,432                  | 65,564,456     |
| Total liabilities                               | 66,199,948                 | 18,828,842                  | 85,028,790     |
| <u>NET ASSETS</u>                               |                            |                             |                |
| Invested in capital assets, net of related debt | 36,855,276                 | 2,694,292                   | 39,549,568     |
| Restricted for:                                 |                            |                             |                |
| Renewal and replacement and rate stabilization  | -                          | 3,079,120                   | 3,079,120      |
| Capital projects                                | 4,749,054                  | 837,521                     | 5,586,575      |
| Debt service                                    | 1,052,000                  | -                           | 1,052,000      |
| Community redevelopment agency                  | 3,810,339                  | -                           | 3,810,339      |
| Police impact fees                              | 1,754,466                  | -                           | 1,754,466      |
| Fire impact fees                                | 778,017                    | -                           | 778,017        |
| Open space program                              | 1,521,462                  | -                           | 1,521,462      |
| Law enforcement forfeitures                     | 422,355                    | -                           | 422,355        |
| Development services - building                 | 6,339,181                  | -                           | 6,339,181      |
| Development services - engineering              | 2,648,393                  | -                           | 2,648,393      |
| Road resurfacing Orange Drive                   | 147,500                    | -                           | 147,500        |
| Unrestricted                                    | 24,032,944                 | 16,333,569                  | 40,366,513     |
|   | \$ 84,110,987              | \$ 22,944,502               | \$ 107,055,489 |

See notes to basic financial statements

**TOWN OF DAVIE, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2005**

| Functions/Programs   | Expenses          | Program Revenues           |  |  | Net (Expenses) Revenue and<br>Changes in Net Assets |                                 |                       |
|--|-------------------|----------------------------|--|--|---|---------------------------------|-----------------------|
|  |                   | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                          | Business-<br>type<br>Activities | Total                 |
| <b>Governmental activities:</b>                              |                   |                            |  |  |   |                                 |                       |
| General government   | \$ 8,079,153      | \$ 1,905,886               | \$ 519,730                               | \$ -                                   | \$ (5,653,537)                                      | \$ -                            | \$ (5,653,537)        |
| Development services   | 6,816,682         | 8,091,525                  | 94,774                                   | 349,074                                | 1,718,691   | -                               | 1,718,691             |
| Engineering  | 779,550           | -                          | -  | -                                      | (779,550)   | -                               | (779,550)             |
| Public works   | 6,538,264         | 290                        | 1,445,616                                | 211,525                                | (4,880,833)   | -                               | (4,880,833)           |
| Police   | 25,788,235        | 974,247                    | 1,292,239                                | -                                      | (23,521,749)  | -                               | (23,521,749)          |
| Fire rescue  | 17,001,145        | 6,820,025                  | 295,898                                  | -                                      | (9,885,222)   | -                               | (9,885,222)           |
| Parks and recreation   | 6,440,404         | 946,659                    | 349,342                                  | 6,177,026                              | 1,032,623   | -                               | 1,032,623             |
| Interest on long-term debt                                   | 1,421,797         | -                          | -  | -                                      | (1,421,797)   | -                               | (1,421,797)           |
| Total governmental activities                                | <u>72,865,230</u> | <u>18,738,632</u>          | <u>3,997,599</u>                         | <u>6,737,625</u>                       | <u>(43,391,374)</u>                                 | <u>-</u>                        | <u>(43,391,374)</u>   |
| <b>Business-type activities:</b>                             |                   |                            |  |  |   |                                 |                       |
| Water and sewer  | 9,104,400         | 7,834,430                  | -  | 682,070                                | -   | (587,900)                       | (587,900)             |
| Aquaculture  | -                 | -                          | -  | -                                      | -   | -                               | -                     |
| Total business-type activities                               | <u>9,104,400</u>  | <u>7,834,430</u>           | <u>-</u>                                 | <u>682,070</u>                         | <u>-</u>  | <u>(587,900)</u>                | <u>(587,900)</u>      |
| Total  | <u>81,969,630</u> | <u>26,573,062</u>          | <u>3,997,599</u>                         | <u>7,419,695</u>                       | <u>(43,391,374)</u>                                 | <u>(587,900)</u>                | <u>(43,979,274)</u>   |
| <b>General revenues:</b>                                     |                   |                            |  |  |   |                                 |                       |
| <b>Taxes:</b>  |                   |                            |  |  |   |                                 |                       |
| Property taxes, levied for general purposes                  |                   |                            |  |  | 27,579,583  | -                               | 27,579,583            |
| Property taxes, levied for debt service                      |                   |                            |  |  | 2,587,536   | -                               | 2,587,536             |
| Utility taxes  |                   |                            |  |  | 5,714,900   | -                               | 5,714,900             |
| Communications services tax                                  |                   |                            |  |  | 4,015,111   | -                               | 4,015,111             |
| Franchise fees on gross receipts                             |                   |                            |  |  | 7,894,195   | -                               | 7,894,195             |
| Grants and contributions not restricted to specific programs |                   |                            |  |  | 8,394,331   | -                               | 8,394,331             |
| Unrestricted investment earnings                             |                   |                            |  |  | 1,796,758   | 560,436                         | 2,357,194             |
| Miscellaneous  |                   |                            |  |  | 821,057   | -                               | 821,057               |
| Transfers  |                   |                            |  |  | 28,918  | (28,918)                        | -                     |
| Total general revenues and transfers                         |                   |                            |  |  | <u>58,832,389</u>                                   | <u>531,518</u>                  | <u>59,363,907</u>     |
| Change in net assets   |                   |                            |  |  | 15,441,015  | (56,382)                        | 15,384,633            |
| Net assets, October 1  |                   |                            |  |  | 68,669,972  | 23,000,884                      | 91,670,856            |
| Net assets, September 30                                     |                   |                            |  |  | <u>\$ 84,110,987</u>                                | <u>\$ 22,944,502</u>            | <u>\$ 107,055,489</u> |

See notes to basic financial statements

**TOWN OF DAVIE, FLORIDA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2005**

|  | General              | Community<br>Endowment | Capital<br>Projects | Other<br>Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|------------------------|---------------------|----------------------------|--------------------------------|
| <u>ASSETS</u>                            |                      |                        |                     |                            |                                |
| Pooled cash and cash equivalents         | \$ 31,042,051        | \$ -                   | \$ 4,903,006        | \$ 4,500,427               | \$ 40,445,484                  |
| Investments                              | -                    | 4,303,160              | -                   | -                          | 4,303,160                      |
| Receivables:                             |                      |                        |                     |                            |                                |
| Property taxes, net                      | 246,603              | -                      | -                   | -                          | 246,603                        |
| Utility and franchise taxes, net         | 1,839,688            | -                      | -                   | -                          | 1,839,688                      |
| Roadway assessment                       | 106,785              | -                      | -                   | -                          | 106,785                        |
| Other                                    | 561,454              | -                      | -                   | -                          | 561,454                        |
| Due from other governments               | 5,113,920            | -                      | 2,775,491           | 95,801                     | 7,985,212                      |
| Due from other funds                     | 2,428,246            | -                      | -                   | -                          | 2,428,246                      |
| Prepaid items                            | 8,609                | -                      | -                   | -                          | 8,609                          |
| Total assets                             | <u>\$ 41,347,356</u> | <u>\$ 4,303,160</u>    | <u>\$ 7,678,497</u> | <u>\$ 4,596,228</u>        | <u>\$ 57,925,241</u>           |
| <u>LIABILITIES AND FUND BALANCES</u>     |                      |                        |                     |                            |                                |
| Liabilities:                             |                      |                        |                     |                            |                                |
| Accounts payable and accrued liabilities | \$ 3,905,193         | \$ -                   | \$ 373,267          | \$ 76,256                  | \$ 4,354,716                   |
| Other liabilities                        | 490,879              | -                      | -                   | -                          | 490,879                        |
| Deferred revenue                         | 913,271              | -                      | -                   | -                          | 913,271                        |
| Due to other funds                       | -                    | 1,718,613              | 5,583,358           | 709,633                    | 8,011,604                      |
| Due to pension plan                      | -                    | -                      | -                   | -                          | -                              |
| Total liabilities                        | <u>5,309,343</u>     | <u>1,718,613</u>       | <u>5,956,625</u>    | <u>785,889</u>             | <u>13,770,470</u>              |
| Fund balances:                           |                      |                        |                     |                            |                                |
| Reserved for:                            |                      |                        |                     |                            |                                |
| Capital projects                         | 4,749,054            | -                      | 1,721,872           | -                          | 6,470,926                      |
| Debt service                             | 1,052,000            | -                      | -                   | -                          | 1,052,000                      |
| Encumbrances                             | 897,449              | 17,550                 | -                   | -                          | 914,999                        |
| Community redevelopment agency           | -                    | -                      | -                   | 3,810,339                  | 3,810,339                      |
| Police impact fees                       | 1,754,466            | -                      | -                   | -                          | 1,754,466                      |
| Fire impact fees                         | 778,017              | -                      | -                   | -                          | 778,017                        |
| Open space program                       | 1,521,462            | -                      | -                   | -                          | 1,521,462                      |
| Law enforcement forfeitures              | 422,355              | -                      | -                   | -                          | 422,355                        |
| Development services - building          | 6,339,181            | -                      | -                   | -                          | 6,339,181                      |
| Development services - engineering       | 2,648,393            | -                      | -                   | -                          | 2,648,393                      |
| Road resurfacing Orange Drive            | 147,500              | -                      | -                   | -                          | 147,500                        |
| Unreserved                               |                      |                        |                     |                            |                                |
| Designated for community obligations     | -                    | 2,566,997              | -                   | -                          | 2,566,997                      |
| Undesignated                             | 15,728,136           | -                      | -                   | -                          | 15,728,136                     |
| Total fund balances                      | <u>36,038,013</u>    | <u>2,584,547</u>       | <u>1,721,872</u>    | <u>3,810,339</u>           | <u>44,154,771</u>              |
| Total liabilities and fund balances      | <u>\$ 41,347,356</u> | <u>\$ 4,303,160</u>    | <u>\$ 7,678,497</u> | <u>\$ 4,596,228</u>        | <u>\$ 57,925,241</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, 2005**

|  |                     |                      |
|--|---------------------|----------------------|
| Fund balances - total governmental funds   |                     | \$ 44,154,771        |
| 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  | 129,346,468         |                      |
| Less accumulated depreciation  | <u>(45,641,033)</u> | 83,705,435           |
| Bond interest payable not reported in the governmental funds   |                     | (359,629)            |
| 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   | (48,572,031)        |                      |
| Compensated absences   | <u>(5,275,779)</u>  | (53,847,810)         |
| 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 that are reported with governmental activities, other than capital assets and long-term liabilities already included above. |                     |                      |
|  |                     | <u>10,458,220</u>    |
| Net assets governmental activities   |                     | <u>\$ 84,110,987</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, 2005**

|                                     | General              | Community<br>Endowment | Capital<br>Projects | Other<br>Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|-------------------------------------|----------------------|------------------------|---------------------|----------------------------|--------------------------------|
| <b>Revenues:</b>                    |                      |                        |                     |                            |                                |
| Intergovernmental                   | \$ 12,851,457        | \$ -                   | \$ 4,475,491        | \$ 349,074                 | \$ 17,676,022                  |
| Property taxes                      | 28,004,507           | -                      | -                   | 2,162,612                  | 30,167,119                     |
| Communications service tax          | 4,015,111            | -                      | -                   | -                          | 4,015,111                      |
| Utility taxes                       | 5,714,900            | -                      | -                   | -                          | 5,714,900                      |
| Franchise fees                      | 7,894,195            | -                      | -                   | -                          | 7,894,195                      |
| Licenses and permits                | 6,759,244            | -                      | -                   | -                          | 6,759,244                      |
| Charges for services                | 7,199,098            | -                      | -                   | 11,176                     | 7,210,274                      |
| Fines and forfeitures               | 791,744              | -                      | -                   | -                          | 791,744                        |
| Fire rescue assessments             | 4,176,282            | -                      | -                   | -                          | 4,176,282                      |
| Miscellaneous                       | 1,987,536            | 131,090                | -                   | -                          | 2,118,626                      |
| Investment income                   | 1,442,884            | 353,874                | -                   | -                          | 1,796,758                      |
| Total revenues                      | <u>80,836,958</u>    | <u>484,964</u>         | <u>4,475,491</u>    | <u>2,522,862</u>           | <u>88,320,275</u>              |
| <b>Expenditures:</b>                |                      |                        |                     |                            |                                |
| General government:                 |                      |                        |                     |                            |                                |
| Town administration department:     |                      |                        |                     |                            |                                |
| Personnel services                  | 1,305,614            | -                      | -                   | -                          | 1,305,614                      |
| Operating expenditures              | 1,365,121            | 274,200                | -                   | -                          | 1,639,321                      |
|                                     | <u>2,670,735</u>     | <u>274,200</u>         | <u>-</u>            | <u>-</u>                   | <u>2,944,935</u>               |
| Budget and finance department:      |                      |                        |                     |                            |                                |
| Personnel services                  | 955,435              | -                      | -                   | -                          | 955,435                        |
| Operating expenditures              | 374,344              | -                      | -                   | -                          | 374,344                        |
|                                     | <u>1,329,779</u>     | <u>-</u>               | <u>-</u>            | <u>-</u>                   | <u>1,329,779</u>               |
| Administrative services department: |                      |                        |                     |                            |                                |
| Personnel services                  | 1,079,079            | -                      | -                   | -                          | 1,079,079                      |
| Operating expenditures              | 1,572,684            | -                      | -                   | -                          | 1,572,684                      |
|                                     | <u>2,651,763</u>     | <u>-</u>               | <u>-</u>            | <u>-</u>                   | <u>2,651,763</u>               |
| Development services department:    |                      |                        |                     |                            |                                |
| Personnel services                  | 4,879,279            | -                      | -                   | 447,748                    | 5,327,027                      |
| Operating expenditures              | 807,997              | 19,128                 | -                   | 185,269                    | 1,012,394                      |
|                                     | <u>5,687,276</u>     | <u>19,128</u>          | <u>-</u>            | <u>633,017</u>             | <u>6,339,421</u>               |
| Engineering department:             |                      |                        |                     |                            |                                |
| Personnel services                  | 657,256              | -                      | -                   | -                          | 657,256                        |
| Operating expenditures              | 111,230              | -                      | -                   | -                          | 111,230                        |
|                                     | <u>768,486</u>       | <u>-</u>               | <u>-</u>            | <u>-</u>                   | <u>768,486</u>                 |
| Parks and recreation department:    |                      |                        |                     |                            |                                |
| Personnel services                  | 2,892,477            | -                      | -                   | -                          | 2,892,477                      |
| Operating expenditures              | 1,908,664            | -                      | -                   | -                          | 1,908,664                      |
|                                     | <u>4,801,141</u>     | <u>-</u>               | <u>-</u>            | <u>-</u>                   | <u>4,801,141</u>               |
| Total general government            | <u>\$ 17,909,180</u> | <u>\$ 293,328</u>      | <u>\$ -</u>         | <u>\$ 633,017</u>          | <u>\$ 18,835,525</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, 2005**  
**(Continued)**

|  | General              | Community<br>Endowment | Capital<br>Projects | Other<br>Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|------------------------|---------------------|----------------------------|--------------------------------|
| <b>Expenditures:</b>   |                      |                        |                     |                            |                                |
| <b>Public safety:</b>  |                      |                        |                     |                            |                                |
| <b>Police department:</b>                                    |                      |                        |                     |                            |                                |
| Personnel services   | \$ 22,010,892        | \$ -                   | \$ -                | \$ -                       | \$ 22,010,892                  |
| Operating expenditures                                       | 2,990,966            | -                      | -                   | -                          | 2,990,966                      |
|  | <u>25,001,858</u>    | -                      | -                   | -                          | <u>25,001,858</u>              |
| <b>Fire department:</b>                                      |                      |                        |                     |                            |                                |
| Personnel services   | 14,592,843           | -                      | -                   | -                          | 14,592,843                     |
| Operating expenditures                                       | 1,447,197            | -                      | -                   | -                          | 1,447,197                      |
|  | <u>16,040,040</u>    | -                      | -                   | -                          | <u>16,040,040</u>              |
| Total public safety  | <u>41,041,898</u>    | -                      | -                   | -                          | <u>41,041,898</u>              |
| <b>Public works:</b>   |                      |                        |                     |                            |                                |
| Personnel services   | 2,663,246            | -                      | -                   | -                          | 2,663,246                      |
| Operating expenditures                                       | 3,388,854            | -                      | -                   | -                          | 3,388,854                      |
| Total public works   | <u>6,052,100</u>     | -                      | -                   | -                          | <u>6,052,100</u>               |
| <b>Non Departmental:</b>                                     |                      |                        |                     |                            |                                |
| Personnel services   |                      | -                      | -                   | -                          | -                              |
| Operating expenditures                                       | 1,113,067            | -                      | -                   | -                          | 1,113,067                      |
| Total non departmental                                       | <u>1,113,067</u>     | -                      | -                   | -                          | <u>1,113,067</u>               |
| <b>Debt service:</b>   |                      |                        |                     |                            |                                |
| Principal retirements  | 3,255,462            | -                      | -                   | -                          | 3,255,462                      |
| Interest   | 1,238,632            | -                      | 148,151             | -                          | 1,386,783                      |
| Total debt service   | <u>4,494,094</u>     | -                      | <u>148,151</u>      | -                          | <u>4,642,245</u>               |
| <b>Capital outlay:</b>                                       |                      |                        |                     |                            |                                |
|  | <u>612,001</u>       | <u>27,543</u>          | <u>9,112,677</u>    | <u>541,324</u>             | <u>10,293,545</u>              |
| Total expenditures   | <u>71,222,340</u>    | <u>320,871</u>         | <u>9,260,828</u>    | <u>1,174,341</u>           | <u>81,978,380</u>              |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>9,614,618</u>     | <u>164,093</u>         | <u>(4,785,337)</u>  | <u>1,348,521</u>           | <u>6,341,895</u>               |
| <b>Other financing sources (uses):</b>                       |                      |                        |                     |                            |                                |
| Bonds issued   | 10,000,000           | -                      | -                   | -                          | 10,000,000                     |
| Transfers in   | -                    | -                      | 8,325,125           | -                          | 8,325,125                      |
| Transfers out  | (8,325,126)          | -                      | -                   | -                          | (8,325,126)                    |
| Total other financing sources (uses)                         | <u>1,674,874</u>     | -                      | <u>8,325,125</u>    | -                          | <u>9,999,999</u>               |
| Net change in fund balances                                  | 11,289,492           | 164,093                | 3,539,788           | 1,348,521                  | 16,341,894                     |
| Fund balances - October 1                                    | <u>24,748,521</u>    | <u>2,420,454</u>       | <u>(1,817,916)</u>  | <u>2,461,818</u>           | <u>27,812,877</u>              |
| Fund balance, September 30                                   | <u>\$ 36,038,013</u> | <u>\$ 2,584,547</u>    | <u>\$ 1,721,872</u> | <u>\$ 3,810,339</u>        | <u>\$ 44,154,771</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, 2005**

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

Net change in fund balances - total governmental funds \$ 16,341,894

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 | 9,569,338          |           |
| Less current year depreciation      | <u>(4,745,571)</u> | 4,823,767 |

The issuance of long-term debt (e.g. revenue bonds) 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       | (10,000,000)     |             |
| Principal payments | <u>3,255,462</u> | (6,744,538) |

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 | (19,284)        |          |
| Loss on disposal of fixed assets         | (42,948)        |          |
| Contributed assets from Aquaculture fund | 28,918          |          |
| Change in accrued interest               | <u>(35,014)</u> | (68,328) |

Internal service funds are used by management to charge the cost of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.

1,088,220

|   |  |                      |
|---|--|----------------------|
| Change in net assets of governmental activities |  | <u>\$ 15,441,015</u> |
|---|--|----------------------|

See notes to basic financial statements

**TOWN OF DAVIE, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2005**

| <u>ASSETS</u>   | Water<br>and Sewer   | Aquaculture<br>(a nonmajor<br>fund) | Water<br>and Sewer   | Internal<br>Service<br>Funds |
|---|----------------------|-------------------------------------|----------------------|------------------------------|
| <b>Current Assets:</b>  |                      |                                     |                      |                              |
| Pooled cash and cash equivalents                              | \$ 8,283,964         | \$ -                                | \$ 8,283,964         | \$ 11,750,682                |
| Due from other funds  | 5,583,358            | -                                   | 5,583,358            | -                            |
| Receivables   | 1,906,300            | -                                   | 1,906,300            | 5,810                        |
| Prepaid items   | -                    | -                                   | -                    | 259,710                      |
| Inventory   | 188,146              | -                                   | 188,146              | 67,640                       |
| Total current assets  | <u>15,961,768</u>    | <u>-</u>                            | <u>15,961,768</u>    | <u>12,083,842</u>            |
| <b>Noncurrent assets:</b>                                     |                      |                                     |                      |                              |
| Restricted pooled cash and cash equivalents                   | 4,060,240            | -                                   | 4,060,240            | -                            |
| Restricted accounts receivable                                | 837,521              | -                                   | 837,521              | -                            |
| Other assets  | 548,094              | -                                   | 548,094              | -                            |
| <b>Capital assets:</b>  |                      |                                     |                      |                              |
| Land  | 1,042,324            | -                                   | 1,042,324            | -                            |
| Improvements to land  | 2,332,748            | -                                   | 2,332,748            | -                            |
| Buildings and equipment                                       | 37,432,652           | -                                   | 37,432,652           | 11,754,133                   |
| Less accumulated depreciation                                 | (21,417,340)         | -                                   | (21,417,340)         | (6,487,743)                  |
| Total capital assets, net                                     | <u>19,390,384</u>    | <u>-</u>                            | <u>19,390,384</u>    | <u>5,266,390</u>             |
| Total noncurrent assets                                       | <u>24,836,239</u>    | <u>-</u>                            | <u>24,836,239</u>    | <u>5,266,390</u>             |
| Total assets  | <u>\$ 40,798,007</u> | <u>\$ -</u>                         | <u>\$ 40,798,007</u> | <u>\$ 17,350,232</u>         |
| <u>LIABILITIES</u>  |                      |                                     |                      |                              |
| <b>Current liabilities:</b>                                   |                      |                                     |                      |                              |
| Accounts payable and accrued liabilities                      | \$ 311,138           | \$ -                                | \$ 311,138           | \$ 823,099                   |
| Bonds payable   | 1,235,000            | -                                   | 1,235,000            | 56,000                       |
| Total current liabilities                                     | <u>1,546,138</u>     | <u>-</u>                            | <u>1,546,138</u>     | <u>879,099</u>               |
| <b>Noncurrent liabilities:</b>                                |                      |                                     |                      |                              |
| Deposits - payable from restricted assets                     | 981,120              | -                                   | 981,120              | -                            |
| Accrued interest  | 485,865              | -                                   | 485,865              | -                            |
| Compensated absences  | 354,627              | -                                   | 354,627              | -                            |
| Bonds payable   | 15,461,092           | -                                   | 15,461,092           | 56,000                       |
| Total noncurrent liabilities                                  | <u>17,282,704</u>    | <u>-</u>                            | <u>17,282,704</u>    | <u>56,000</u>                |
| Total liabilities   | <u>18,828,842</u>    | <u>-</u>                            | <u>18,828,842</u>    | <u>935,099</u>               |
| <u>NET ASSETS</u>   |                      |                                     |                      |                              |
| Investment in capital assets, net of related debt             | 2,694,292            | -                                   | 2,694,292            | 5,154,390                    |
| Restricted for renewal and replacement and rate stabilization | 3,079,120            | -                                   | 3,079,120            | -                            |
| Restricted for capital projects                               | 837,521              | -                                   | 837,521              | -                            |
| Unrestricted  | 15,358,232           | -                                   | 15,358,232           | 11,260,743                   |
| Total net assets  | <u>\$ 21,969,165</u> | <u>\$ -</u>                         | <u>\$ 21,969,165</u> | <u>\$ 16,415,133</u>         |

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.

975,337  
\$ 22,944,502

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, 2005**

|  | Enterprise funds   |                                     |               | Internal<br>Service<br>Funds |
|--|--------------------|-------------------------------------|---------------|------------------------------|
|  | Water<br>and Sewer | Aquaculture<br>(a nonmajor<br>fund) | Total         |                              |
| Operating revenues:                              |                    |                                     |               |                              |
| Charges for services                             | \$ 7,834,430       | \$ -                                | \$ 7,834,430  | \$ 12,915,182                |
| Operating expenses:                              |                    |                                     |               |                              |
| Personal services                                | 2,597,837          | -                                   | 2,597,837     | 624,604                      |
| Professional fees                                | 309,468            | -                                   | 309,468       | -                            |
| Heat, light and power                            | 951,233            | -                                   | 951,233       | -                            |
| Supplies and materials                           | 398,852            | -                                   | 398,852       | -                            |
| Maintenance                                      | 658,051            | -                                   | 658,051       | 2,158,589                    |
| Insurance  | -                  | -                                   | -             | 3,125,004                    |
| Claims   | -                  | -                                   | -             | 4,551,267                    |
| Administrative                                   | -                  | -                                   | -             | 56,872                       |
| Other  | 1,063,519          | -                                   | 1,063,519     | -                            |
| Depreciation and amortization                    | 1,257,468          | -                                   | 1,257,468     | 1,277,323                    |
| Total operating expenses                         | 7,236,428          | -                                   | 7,236,428     | 11,793,659                   |
| Operating income (loss)                          | 598,002            | -                                   | 598,002       | 1,121,523                    |
| Nonoperating revenues (expenses):                |                    |                                     |               |                              |
| Interest income                                  | 560,436            | -                                   | 560,436       | -                            |
| Gain on sale of assets                           | -                  | -                                   | -             | 11,923                       |
| Interest expense                                 | (1,910,370)        | -                                   | (1,910,370)   | (2,828)                      |
| Total nonoperating revenues (expenses):          | (1,349,934)        | -                                   | (1,349,934)   | 9,095                        |
| Income (Loss) before contributions and transfers | (751,932)          | -                                   | (751,932)     | 1,130,618                    |
| Capital contributions                            | 682,070            | -                                   | 682,070       | -                            |
| Transfers in/(out)                               | -                  | (28,918)                            | (28,918)      | -                            |
| Change in net assets                             | (69,862)           | (28,918)                            | (98,780)      | 1,130,618                    |
| Total net assets, October 1                      | 22,039,027         | 28,918                              | 22,067,945    | 15,284,515                   |
| Total net assets, September 30                   | \$ 21,969,165      | \$ -                                | \$ 21,969,165 | \$ 16,415,133                |

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 (98,780)

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.

42,398

Change in net assets - Statement of Activities

\$ (56,382)

See notes to basic financial statements

**TOWN OF DAVIE, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2005**

|  | Enterprise funds     |                                     |                      | Internal<br>Service<br>Funds |
|--|----------------------|-------------------------------------|----------------------|------------------------------|
|  | Water<br>and Sewer   | Aquaculture<br>(a nonmajor<br>fund) | Total                |                              |
| <b>Cash flows from operating activities:</b>   |                      |                                     |                      |                              |
| Cash received from customers   | \$ 7,605,703         | \$ 755                              | \$ 7,606,458         | \$ 12,914,316                |
| Cash paid to suppliers   | (4,046,968)          | (1,277)                             | (4,048,245)          | (9,715,966)                  |
| Cash paid to employees   | (2,100,029)          | -                                   | (2,100,029)          | (504,940)                    |
| Net cash provided (used) by operating activities   | <u>1,458,706</u>     | <u>(522)</u>                        | <u>1,458,184</u>     | <u>2,693,410</u>             |
| <b>Cash flow from noncapital financing activities:</b>   |                      |                                     |                      |                              |
| Loan to other funds  | <u>3,531,071</u>     | <u>(4,148)</u>                      | <u>3,526,923</u>     | <u>-</u>                     |
| <b>Cash flows from capital and related financing activities:</b>                               |                      |                                     |                      |                              |
| Proceeds from sale of capital assets   | -                    | -                                   | -                    | 11,923                       |
| Acquisition and construction of capital assets   | (1,179,014)          | -                                   | (1,179,014)          | (1,512,256)                  |
| Principal retirements of capital debt  | (1,135,000)          | -                                   | (1,135,000)          | (56,000)                     |
| Interest paid on capital debt  | (938,640)            | -                                   | (938,640)            | (2,828)                      |
| Capital contributed by developers  | 645,915              | -                                   | 645,915              | -                            |
| Net cash (used by) capital and related financing activities                                    | <u>(2,606,739)</u>   | <u>-</u>                            | <u>(2,606,739)</u>   | <u>(1,559,161)</u>           |
| <b>Cash flows from investing activities:</b>   |                      |                                     |                      |                              |
| Interest on investments  | <u>560,436</u>       | <u>-</u>                            | <u>560,436</u>       | <u>-</u>                     |
| Net increase (decrease) in pooled cash and cash equivalents                                    | <u>2,943,474</u>     | <u>(4,670)</u>                      | <u>2,938,804</u>     | <u>1,134,249</u>             |
| Pooled cash and cash equivalents, October 1  | <u>9,400,730</u>     | <u>4,670</u>                        | <u>9,405,400</u>     | <u>10,616,433</u>            |
| Pooled cash and cash equivalents, September 30   | <u>\$ 12,344,204</u> | <u>\$ -</u>                         | <u>\$ 12,344,204</u> | <u>\$ 11,750,682</u>         |
| <b>Pooled cash and cash equivalents per statement of net assets:</b>                           |                      |                                     |                      |                              |
| Unrestricted   | \$ 8,283,964         | \$ -                                | \$ 8,283,964         | \$ 11,750,682                |
| Restricted   | 4,060,240            | -                                   | 4,060,240            | -                            |
|  | <u>\$ 12,344,204</u> | <u>\$ -</u>                         | <u>\$ 12,344,204</u> | <u>\$ 11,750,682</u>         |
| <b>Reconciliation of operating income to net cash provided by operating activities:</b>        |                      |                                     |                      |                              |
| Operating income   | \$ 598,002           | \$ -                                | \$ 598,002           | \$ 1,121,523                 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: |                      |                                     |                      |                              |
| Depreciation and amortization  | 1,257,468            | -                                   | 1,257,468            | 1,277,323                    |
| Provision for bad debts  | 19,552               | -                                   | 19,552               | -                            |
| Change in assets and liabilities:  |                      |                                     |                      |                              |
| Decrease (increase) in accounts receivable   | (279,679)            | 755                                 | (278,924)            | (866)                        |
| (Increase) in inventory  | -                    | -                                   | -                    | (18,049)                     |
| (Increase) in prepaid items and other assets   | -                    | -                                   | -                    | (19,794)                     |
| Increase (decrease) in accounts payable, accrued liabilities and compensated absences          | (165,498)            | (1,277)                             | (166,775)            | 333,273                      |
| Increase in deposits   | 28,861               | -                                   | 28,861               | -                            |
| Total adjustments  | <u>860,704</u>       | <u>(522)</u>                        | <u>860,182</u>       | <u>1,571,887</u>             |
| Net cash provided (used) by operating activities   | <u>\$ 1,458,706</u>  | <u>\$ (522)</u>                     | <u>\$ 1,458,184</u>  | <u>\$ 2,693,410</u>          |

See notes to basic financial statements

**TOWN OF DAVIE, FLORIDA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2005**

|   | <u>Pension<br/>Trust<br/>Funds</u> |
|---|------------------------------------|
| <u>ASSETS</u>                                 |                                    |
| Pooled cash and cash equivalents              | \$ 3,634,194                       |
| Investments, at fair value                    | 77,896,103                         |
| Receivables:                                  |                                    |
| Interest and dividends                        | 295,823                            |
| Contributions receivable                      | 1,952,647                          |
| Securities sold                               | 221,831                            |
| Total assets                                  | <u>\$ 84,000,598</u>               |
| <u>LIABILITIES AND NET ASSETS</u>             |                                    |
| Liabilities:                                  |                                    |
| Accounts payable                              | \$ 341,230                         |
| Prepaid Town contribution                     | 525,244                            |
| DROP payable                                  | <u>3,042,637</u>                   |
| Total liabilities                             | <u>3,909,111</u>                   |
| Net assets held in trust for pension benefits | <u>\$ 80,091,487</u>               |

See notes to basic financial statements

**TOWN OF DAVIE, FLORIDA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2005**

|   | <u>Pension<br/>Trust<br/>Funds</u> |
|---|------------------------------------|
| <b>ADDITIONS</b>                              |                                    |
| Contributions:                                |                                    |
| Town  | \$ 5,926,673                       |
| Plan members                                  | 2,223,194                          |
| State   | <u>1,148,360</u>                   |
| Total contributions                           | <u>9,298,227</u>                   |
| Investment income:                            |                                    |
| Net depreciation in fair value of investments | 3,062,557                          |
| Interest and dividends                        | <u>2,732,367</u>                   |
|   | 5,794,924                          |
| Less investment expenses                      | <u>369,962</u>                     |
| Net investment income                         | <u>5,424,962</u>                   |
| Total additions                               | <u>14,723,189</u>                  |
| <b>DEDUCTIONS</b>                             |                                    |
| Benefits                                      | 2,898,733                          |
| Refunds of contributions                      | 96,980                             |
| Administrative expenses                       | <u>370,928</u>                     |
| Total deductions                              | <u>3,366,641</u>                   |
| Change in net assets                          | 11,356,548                         |
| Net assets, October 1                         | <u>68,734,939</u>                  |
| Net assets, September 30                      | <u><u>\$ 80,091,487</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, 2006. 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, 2005**  
(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.

**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, 2005  
(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, 2005  
(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 \$700,000.

***Aquaculture Enterprise Fund (a Nonmajor Fund)***

The *Aquaculture Fund* is used to account for the operations of the Town's Aquaculture Research Center. During the year operations accounted for in this fund were discontinued, and the assets were transferred to the general fund.

***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, 2005  
(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, 2005  
(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, of the aquaculture 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, 2005  
(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**

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, 2005  
(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.

**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.

**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.

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2005**  
(Continued)

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

**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 current cash surrender value of the annuity is estimated at approximately \$245,000. The investment has not been recorded by the Town, pending resolution of the legality of the investment.

As of September 30, 2005, the Town had the following deposits and investments:

|   | Carrying Amount (Fair Value) |                                  |                       |
|---|------------------------------|----------------------------------|-----------------------|
|   | Primary<br>Government        | Fiduciary Funds<br>Pension Trust | Total                 |
| City Investments                          |                              |                                  |                       |
| SBA - Local Government Surplus Trust Fund | \$ 59,872,069                | \$ -                             | \$ 59,872,069         |
| Pension Trust Funds                       |                              |                                  |                       |
| FMIT - Florida Municipal Investment Trust | 5,209,914                    | 9,137,098                        | 14,347,012            |
| Mutual funds                              | 4,303,160                    |                                  | 4,303,160             |
| U.S. Treasuries                           | -                            | 8,226,085                        | 8,226,085             |
| U.S. Agency Securities                    | -                            | 6,226,131                        | 6,226,131             |
| Corporate bonds                           | -                            | 7,931,983                        | 7,931,983             |
| Common Stock                              | -                            | 46,374,806                       | 46,374,806            |
| Less: Bank overdraft                      | (541,613)                    | -                                | (541,613)             |
|   | <u>\$ 68,843,530</u>         | <u>\$ 77,896,103</u>             | <u>\$ 146,739,633</u> |

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2005**  
(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, 2005.

| <u>Investment Type</u>               | <u>Fair Value</u>    | <u>Less than 1</u>   | <u>1 to 5</u>        | <u>6 to10</u>       | <u>More than 10</u> |
|--------------------------------------|----------------------|----------------------|----------------------|---------------------|---------------------|
| SBA - Local Government               |                      |                      |                      |                     |                     |
| Surplus Trust Fund                   | \$ 59,872,069        | \$ 59,872,069        | \$ -                 | \$ -                | \$ -                |
| U.S. Treasuries                      | 8,226,085            | 304,619              | 3,757,335            | 2,401,080           | 1,763,051           |
| U.S. agency securities               | 6,226,131            | 676,170              | 3,558,154            | 1,895,373           | 96,434              |
| Corporate bonds                      | 7,931,983            | 673,364              | 4,428,546            | 2,547,406           | 282,667             |
| Florida Municipal Investment Trust   | 5,209,914            | 5,209,914            | -                    | -                   | -                   |
| Florida Municipal Pension Trust Fund | 9,137,098            | 9,137,098            | -                    | -                   | -                   |
|                                      | <u>\$ 96,603,280</u> | <u>\$ 75,873,234</u> | <u>\$ 11,744,035</u> | <u>\$ 6,843,859</u> | <u>\$ 2,142,152</u> |

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, 2005 are summarized below.

| <u>Investment type</u> | <u>NRSRO Rating</u> | <u>Fair Value</u>   | <u>Police</u>       | <u>Fire</u>         |
|------------------------|---------------------|---------------------|---------------------|---------------------|
| Corporate Bonds        | AAA                 | \$ 1,067,980        | \$ 398,469          | \$ 669,511          |
| Corporate Bonds        | AA+                 | 103,980             | 103,980             | -                   |
| Corporate Bonds        | AA                  | 726,919             | 350,028             | 376,891             |
| Corporate Bonds        | AA-                 | 406,417             | 180,843             | 225,574             |
| Corporate Bonds        | A+                  | 3,522,932           | 1,678,993           | 1,843,939           |
| Corporate Bonds        | A                   | 1,573,192           | 1,077,280           | 495,912             |
| Corporate Bonds        | A-                  | 530,563             | 232,414             | 298,149             |
| Total debt investmetns |                     | <u>\$ 7,931,983</u> | <u>\$ 4,022,007</u> | <u>\$ 3,909,976</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 Florida 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, 2005**  
(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, 2005, property taxes receivable was \$1,279,176 net of approximately \$1,032,573 in allowances for non-collectible taxes. The Town levied a rate of 5.6297 per \$1,000 of assessed valuation for the fiscal year commencing October 1, 2004.

**D. INTERFUND TRANSACTIONS**

1. Interfund receivable and payable balances at September 30, 2005 were as follows:

|  | <u>Receivable</u>   | <u>Payable</u>      |
|--|---------------------|---------------------|
| Due to/from other funds:               |                     |                     |
| General Fund                           | \$ 2,428,246        | \$ -                |
| Capital Projects Fund                  | -                   | 5,583,358           |
| Community Endowment Fund               | -                   | 1,718,613           |
| Community Development Block Grant Fund | -                   | 709,633             |
| Water and Sewer Fund                   | 5,583,358           | -                   |
| Total                                  | <u>\$ 8,011,604</u> | <u>\$ 8,011,604</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 when the Aquaculture Fund was created and also to provide continuing assistance to that fund to cover operating losses.

The amount owed by the Capital Projects Fund to the Water and Sewer Fund is for the purchase of a parcel of land for approximately \$9.1 million the amount was financed from the Water and Sewer Fund with a loan to the Capital Projects Fund. It is anticipated that the purchase will be repaid to the Water and Sewer Fund from a combination of local and federal grants of approximately \$7.3 million and the balance from the sale of Wetland Mitigation Rights to Developers.

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2005**  
(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, 2005 were as follows:

|                       | Transfer in  | Transfers (out) |
|-----------------------|--------------|-----------------|
| General Fund          | \$ -         | \$ 8,325,126    |
| Capital Projects Fund | 8,325,126    | -               |
|                       | \$ 8,325,126 | \$ 8,325,126    |

**E. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2005 was as follows:

|  | Balance<br>September 30,<br>2004 | Additions    | Deletions   | Balance<br>September 30,<br>2005 |
|--|----------------------------------|--------------|-------------|----------------------------------|
| Governmental - activities:                   |                                  |              |             |                                  |
| Non-depreciable assets:                      |                                  |              |             |                                  |
| Land   | \$ 28,417,391                    | \$ 3,530,011 |             | \$ 31,947,402                    |
| Depreciable assets:                          |                                  |              |             |                                  |
| Improvements to land                         | 24,370,345                       | 664,265      |             | 25,034,610                       |
| Buildings and equipment                      | 55,688,160                       | 4,832,549    | (439,219)   | 60,081,490                       |
| Roads and Drainage                           | 10,156,336                       | 2,126,630    |             | 12,282,966                       |
| Totals depreciable assets                    | 90,214,841                       | 7,623,444    | (439,219)   | 97,399,066                       |
| Less accumulated depreciation                | (40,014,411)                     | (6,022,893)  | 396,271     | (45,641,033)                     |
| Total depreciable assets                     | 50,200,430                       | 1,600,551    | (42,948)    | 51,758,033                       |
| Governmental activities capital assets, net  | \$ 78,617,821                    | \$ 5,130,562 | \$ (42,948) | \$ 83,705,435                    |
| 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                      | 36,367,212                       | 1,137,113    | (71,673)    | 37,432,652                       |
| Totals depreciable assets                    | 38,699,960                       | 1,137,113    | (71,673)    | 39,765,400                       |
| Less accumulated depreciation                | (20,248,433)                     | (1,215,567)  | 46,660      | (21,417,340)                     |
| Total depreciable assets                     | 18,451,527                       | (78,454)     | (25,013)    | 18,348,060                       |
| Business-type activities capital assets, net | \$ 19,493,851                    | \$ (78,454)  | \$ (25,013) | \$ 19,390,384                    |

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2005**  
(Continued)

**E. CAPITAL ASSETS**

Depreciation was charged to functions/programs as follows:

|   |                            |
|---|----------------------------|
| Governmental activities:                                  |                            |
| General Government  | \$ 114,599                 |
| Development Services                                      | 186,215                    |
| Engineering   | 44,983                     |
| Police  | 908,056                    |
| Fire  | 1,035,883                  |
| Public Works  | 686,957                    |
| Parks and recreation                                      | 1,768,878                  |
| Subtotal  | <u>4,745,571</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>1,277,322</u>           |
| Total depreciation expense - Governmental activities      | <u><u>\$ 6,022,893</u></u> |
| Business type - activities                                |                            |
| Water and sewer   | <u>\$ 1,215,567</u>        |
| Total depreciation expense - Business type activities     | <u><u>\$ 1,215,567</u></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, 2005.

|                                |                            |
|--------------------------------|----------------------------|
| General fund                   | \$ 1,901,580               |
| Community Redevelopment Agency | 5,807                      |
| Information systems fund       | 94,242                     |
| Water and sewer fund           | 483,867                    |
| Capital projects fund          | 21,589                     |
| Total                          | <u><u>\$ 2,507,085</u></u> |

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

For the year ended September 30, 2005, the Town recorded revenues of \$300,086 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, 2005**  
(Continued)

**H. RESTRICTED ASSETS**

At September 30, 2005, the Town had \$4,060,240 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, 2005, the restricted amount related to this revenue generation system was \$2,329,120. The Town utilized \$421,509 for allowed items during the year ended September 30, 2005. Cash held as customer deposits is the third item. As of September 30, 2005, the Town held \$981,120 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, 2005**  
(Continued)

**J. LONG-TERM LIABILITIES**

**Governmental Activities**

|  | Balance<br>September 30, |                      |                       | Balance<br>September 30, |                     | Due<br>Within |
|--|--------------------------|----------------------|-----------------------|--------------------------|---------------------|---------------|
|  | 2004                     | Additions            | Reductions            | 2005                     | One Year            |               |
| <b>Bonds and Notes Payable</b>                 |                          |                      |                       |                          |                     |               |
| Note payable                                   | \$ 263,148               | \$ -                 | \$ (210,519)          | \$ 52,629                | \$ 52,629           |               |
| General Obligation Bonds 1989                  | 8,750,000                | -                    | (500,000)             | 8,250,000                | 500,000             |               |
| Public Improvement Revenue Bonds, Series 1993A | 1,818,202                | -                    | (363,633)             | 1,454,569                | 363,633             |               |
| Public Improvement Revenue Bonds, Series 1996  | 1,160,250                | -                    | (280,250)             | 880,000                  | 224,000             |               |
| General Obligation Bonds, Series 1997          | 7,381,469                | -                    | (443,264)             | 6,938,205                | 463,955             |               |
| General Obligation Bonds, Series 1998          | 8,811,673                | -                    | (336,295)             | 8,475,378                | 371,611             |               |
| Public Improvement Revenue Bonds, Series 1999  | 3,220,000                | -                    | (445,000)             | 2,775,000                | 400,000             |               |
| General Obligation Bonds, Series 1999          | 1,808,750                | -                    | (67,500)              | 1,741,250                | 76,250              |               |
| Public Improvement Revenue Bonds, Series 2001  | 8,670,000                | -                    | (665,000)             | 8,005,000                | 665,000             |               |
| Public Improvement Revenue Bonds, Series 2004  |                          | 10,000,000           |                       | 10,000,000               | 569,676             |               |
|  | <u>41,883,492</u>        | <u>10,000,000</u>    | <u>(3,311,461)</u>    | <u>48,572,031</u>        | <u>3,686,754</u>    |               |
| <b>Other Liabilities</b>                       |                          |                      |                       |                          |                     |               |
| Compensated absences                           | 5,256,495                | 19,284               |                       | 5,275,779                | 409,032             |               |
|  | <u>\$ 47,139,987</u>     | <u>\$ 10,019,284</u> | <u>\$ (3,311,461)</u> | <u>\$ 53,847,810</u>     | <u>\$ 4,095,786</u> |               |

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

1. \$4.2 million note payable to banking institution, 15-year amortization, due 2006, variable rate of 67% of one month LIBOR rate plus .8%, which, at September 30, 2005 was 3.38%. This note will be repaid by the General Fund from legally available non-ad valorem revenues and special assessment collections. If any shortfall occurs in the collection of special assessments from property owners, the Town is obligated to repay the note from legally available non-ad valorem revenues. However, there is no reserve or sinking fund requirement.

| Fiscal Year Ending<br>September 30, | Principal        | Interest      | Total            |
|-------------------------------------|------------------|---------------|------------------|
| 2006                                | <u>\$ 52,629</u> | <u>\$ 297</u> | <u>\$ 52,926</u> |

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2005**  
(Continued)

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

**Governmental Activities (Continued)**

2. \$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, 2005 was 3.29%. Property tax revenues of the General Fund are pledged to repay this bond issue.

| Fiscal Year<br>Ending<br>September 30, | Principal           | Interest            | Total             |
|--|---------------------|---------------------|-------------------|
| 2006                                   | \$ 500,000          | \$ 271,023          | \$ 771,023        |
| 2007                                   | 500,000             | 254,597             | 754,597           |
| 2008                                   | 500,000             | 238,172             | 738,172           |
| 2009                                   | 500,000             | 221,746             | 721,746           |
| 2010                                   | 500,000             | 205,321             | 705,321           |
| 2011-2015                              | 2,750,000           | 780,218             | 3,530,218         |
| 2016-2020                              | 3,000,000           | 246,385             | 3,246,385         |
|  | <u>\$ 8,250,000</u> | <u>\$ 2,217,461</u> | <u>10,467,461</u> |

3. \$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, 2005 was 3.39%. Franchise fees, sales tax, and public service tax revenues of the General Fund are pledged to repay this bond issue.

| Fiscal Year<br>Ending<br>September 30, | Principal           | Interest          | Total               |
|--|---------------------|-------------------|---------------------|
| 2006                                   | \$ 363,633          | \$ 49,239         | \$ 412,872          |
| 2007                                   | 363,633             | 36,930            | 400,563             |
| 2008                                   | 363,633             | 24,620            | 388,253             |
| 2009                                   | 363,670             | 12,311            | 375,981             |
|  | <u>\$ 1,454,569</u> | <u>\$ 123,099</u> | <u>\$ 1,577,668</u> |

4. \$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<br>Ending<br>September 30, | Principal         | Interest          | Total               |
|--|-------------------|-------------------|---------------------|
| 2006                                   | 224,000           | 37,175            | \$ 261,175          |
| 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             |
| 2009-2011                              | 150,000           | 15,674            | 165,674             |
|  | <u>\$ 880,000</u> | <u>\$ 133,950</u> | <u>\$ 1,013,950</u> |

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2005**  
(Continued)

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

**Governmental Activities (Continued)**

5. \$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<br>Ending<br>September 30, | Principal           | Interest            | Total               |
|--|---------------------|---------------------|---------------------|
| 2006                                   | 463,955             | 324,925             | \$ 788,880          |
| 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             |
| 2011-2015                              | 3,246,682           | 924,475             | 4,171,157           |
| 2016-2020                              | 1,135,208           | 48,111              | 1,183,319           |
|  | <u>\$ 6,938,205</u> | <u>\$ 2,360,672</u> | <u>\$ 9,298,877</u> |

6. \$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<br>Ending<br>September 30, | Principal           | Interest            | Total                |
|--|---------------------|---------------------|----------------------|
| 2006                                   | \$ 371,611          | \$ 349,101          | \$ 720,712           |
| 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              |
| 2011-2015                              | 3,437,857           | 1,020,133           | 4,457,990            |
| 2016-2020                              | 2,782,272           | 234,720             | 3,016,992            |
|  | <u>\$ 8,475,378</u> | <u>\$ 2,831,408</u> | <u>\$ 11,306,786</u> |

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2005**  
(Continued)

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

**Governmental Activities (Continued)**

7. \$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, 2005 was 2.85%. Legally available non-ad valorem revenues of the General Fund will be used to repay this bond issue.

| Fiscal Year<br>Ending<br>September 30, | Principal           | Interest            | Total               |
|--|---------------------|---------------------|---------------------|
| 2006                                   | \$ 400,000          | \$ 299,393          | \$ 699,393          |
| 2007                                   | 400,000             | 253,771             | 653,771             |
| 2008                                   | 300,000             | 212,426             | 512,426             |
| 2009                                   | 300,000             | 178,210             | 478,210             |
| 2010                                   | 300,000             | 143,994             | 443,994             |
| 2011-2015                              | 1,075,000           | 302,458             | 1,377,458           |
|  | <u>\$ 2,775,000</u> | <u>\$ 1,390,251</u> | <u>\$ 4,165,251</u> |

8. \$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, 2005 was 2.85%. Property tax revenues of the General Fund are pledged to repay this bond issue.

| Fiscal Year<br>Ending<br>September 30, | Principal           | Interest          | Total               |
|--|---------------------|-------------------|---------------------|
| 2006                                   | \$ 76,250           | \$ 49,649         | \$ 125,899          |
| 2007                                   | 81,250              | 47,475            | 128,725             |
| 2008                                   | 87,500              | 45,158            | 132,658             |
| 2009                                   | 97,500              | 42,663            | 140,163             |
| 2010                                   | 107,500             | 39,883            | 147,383             |
| 2011-2015                              | 610,000             | 150,231           | 760,231             |
| 2016-2020                              | 681,250             | 57,490            | 738,740             |
|  | <u>\$ 1,741,250</u> | <u>\$ 432,551</u> | <u>\$ 2,173,801</u> |

9. \$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, 2005 was 3.24%.

| Fiscal Year<br>Ending<br>September 30, | Principal           | Interest            | Total               |
|--|---------------------|---------------------|---------------------|
| 2006                                   | \$ 665,000          | \$ 248,653          | \$ 913,653          |
| 2007                                   | 665,000             | 227,102             | 892,102             |
| 2008                                   | 665,000             | 205,550             | 870,550             |
| 2009                                   | 665,000             | 183,998             | 848,998             |
| 2010                                   | 665,000             | 162,447             | 827,447             |
| 2011-2015                              | 3,990,000           | 522,099             | 4,512,099           |
| 2016                                   | 690,000             | 11,181              | 701,181             |
|  | <u>\$ 8,005,000</u> | <u>\$ 1,561,030</u> | <u>\$ 9,566,030</u> |

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2005**  
(Continued)

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

**Governmental Activities (Continued)**

10. \$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<br>Ending<br>September 30, | Principal            | Interest            | Total                |
|--|----------------------|---------------------|----------------------|
| 2006                                   | \$ 569,676           | \$ 481,008          | \$ 1,050,684         |
| 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              |
| 2011-2015                              | 3,276,136            | 1,041,849           | 4,317,985            |
| 2016-2020                              | 3,930,657            | 375,187             | 4,305,844            |
|  | <u>\$ 10,000,000</u> | <u>\$ 3,136,272</u> | <u>\$ 13,136,272</u> |

Summary of Governmental Activities Bonds and Notes Payments:

| Fiscal Year<br>Ending<br>September 30, | Principal            | Interest             | Total                |
|--|----------------------|----------------------|----------------------|
| 2006                                   | \$ 3,686,754         | \$ 2,110,462         | \$ 5,797,217         |
| 2007                                   | 3,577,455            | 1,823,444            | 5,400,900            |
| 2008                                   | 3,539,903            | 1,663,939            | 5,203,842            |
| 2009                                   | 3,636,444            | 1,507,998            | 5,144,442            |
| 2010                                   | 3,376,412            | 1,350,937            | 4,727,349            |
| 2011-2015                              | 18,535,676           | 4,757,136            | 23,292,812           |
| 2016-2020                              | 12,219,387           | 973,074              | 13,192,461           |
| Total                                  | <u>\$ 48,572,031</u> | <u>\$ 14,186,991</u> | <u>\$ 62,759,022</u> |

**Business - Type Activities**

|                                   | Balance<br>September 30,<br>2004 | Additions        | Reductions          | Balance<br>September 30,<br>2005 | Due<br>Within<br>One Year |
|-----------------------------------|----------------------------------|------------------|---------------------|----------------------------------|---------------------------|
| Bonds and Notes Payable           |                                  |                  |                     |                                  |                           |
| Water and Sewer                   | \$ 26,305,000                    | \$ -             | \$ (1,135,000)      | \$ 25,170,000                    | \$ 1,235,000              |
| Less deferred amount on refunding | (9,415,454)                      | -                | 941,546             | (8,473,908)                      |                           |
| Total bonds and notes payable     | <u>16,889,546</u>                | -                | <u>(193,454)</u>    | <u>16,696,092</u>                | <u>1,235,000</u>          |
| Compensated absences              | 340,686                          | 13,941           | -                   | 354,627                          | 3,287                     |
| Total                             | <u>\$ 17,230,232</u>             | <u>\$ 13,941</u> | <u>\$ (193,454)</u> | <u>\$ 17,050,719</u>             | <u>\$ 1,238,287</u>       |

**TOWN OF DAVIE, FLORIDA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005  
(Continued)

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

**Business – Type Activities** (Continued)

\$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<br>Ended<br>September 30,   | Principal          | Interest            | Total                |
|---|--------------------|---------------------|----------------------|
| 2006                                    | 1,235,000          | 947,030             | 2,182,030            |
| 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            |
| 2011-2015                               | 7,460,000          | 3,285,570           | 10,745,570           |
| 2016-2020                               | 9,160,000          | 1,429,550           | 10,589,550           |
| 2021                                    | 2,110,000          |                     | 2,110,000            |
| Total                                   | 25,170,000         | <u>\$ 9,153,345</u> | <u>\$34,323,345</u>  |
| Less deferred<br>amount on<br>refunding | <u>(8,473,908)</u> |                     | <u>\$ 16,696,092</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, 2005, the amount outstanding related to the defeased Series 1992 Bonds was \$27,235,000.

**TOWN OF DAVIE, FLORIDA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005  
(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, 2005.

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 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, 2005  
(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 \$2,681,472 in premiums to the Risk Pool during the year ended September 30, 2005. 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.

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

***Litigation***

The Town is involved in various 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, 2005 are approximately \$5.1 million for projects that are all fully funded.

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2005**  
(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, 2005, the Town held the following guarantees from various financial institutions for developers' infrastructure requirements:

|                               |                      |
|-------------------------------|----------------------|
| Irrevocable letters of credit | \$ 14,579,077        |
| Surety bonds                  | 17,101,831           |
| Cash bonds                    | 354,055              |
| Total guarantees held         | <u>\$ 32,034,963</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, 2005, is approximately \$1,000,000.

***Contingencies***

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, 2005.

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, 2005.

***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.

**TOWN OF DAVIE, FLORIDA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005  
(Continued)

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

***Subsequent Events***

Fraud by Town Manager

Subsequent to year end, the Town discovered that the former Town Manager had fraudulently submitted and received payment for services that were never performed. The fraud resulted in approximately \$430,000 being stolen from the Town during the years ended September 30, 2005 and 2004. Approximately \$330,000 was stolen during the fiscal year ended September 30, 2005. The Town has made a claim with their insurance policy and has recouped approximately \$429,000. As a result of the fraud, the Town has hired outside consultants to review the controls over procurement, cash disbursements and other areas which could be compromised. No adjustment has been made to the financial statements as a result of the fraud committed.

Bond Issues

Subsequent to year end, the Town has issued General Obligation Bonds for \$16,500,000 and Limited Obligation Bonds for \$25,000,000.

FEMA Allegations

Subsequent to year end, allegations were made that the Town falsified information submitted to FEMA. The allegations relate to overtime paid by the Fire Department during Hurricane Wilma in October 2005. Since these accusations were subsequent to year end and FEMA has not completed its reimbursement procedures, it is unclear whether FEMA will reimburse the Town for the overtime.

**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, 2005, there were 182 plan members. Contributions for fiscal year ended September 30, 2005 for the Plan were \$455,427 (representing \$7,304,128 in covered payroll). Total payroll for the Town for the year was \$40,181,152.

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, 2005  
(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, 2005**  
(Continued)

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

**2. Plan Description and Contribution Information (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, 2004.

All full time firefighters are eligible to participate in the Plan. Employees who have completed 10 or more years of service are entitled to benefits of 3% of their average monthly earnings times the number of years and completed months of continuous service for the first twenty years, plus 2% of the next ten years thereafter.

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.

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, 2004 was as follows:

|   |                   |
|---|-------------------|
| Inactive employees:                                     |                   |
| Retirees and beneficiaries currently receiving benefits | 32                |
| Deferred vested members                                 | 12                |
| Active plan participants                                | <u>102</u>        |
| Total   | <u><u>146</u></u> |

**TOWN OF DAVIE, FLORIDA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005  
(Continued)

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

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

**Funding Policy**

Firefighters' Pension Plan members are required to contribute 7% of their base compensation. Included in the contribution for 2004 is \$80,346 relating to retroactive 2% increase for the September 30, 2003 fiscal year. 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.

**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, 2004.

**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 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 with an 90% (80% prior to October 1, 2003) maximum of the final average earnings. However, after 40 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.

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2005**  
(Continued)

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

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

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

**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.

**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, 2004 was as follows:

|   |            |
|---|------------|
| Inactive employees:                                     |            |
| Retirees and beneficiaries currently receiving benefits | 39         |
| Deferred vested members                                 | 4          |
| Active plan participants                                | 162        |
| Total   | <u>205</u> |

**TOWN OF DAVIE, FLORIDA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005  
(Continued)

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

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

***Police Pension Plan*** (Continued)

**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.

***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, 2004.

**TOWN OF DAVIE, FLORIDA**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2005  
 (Continued)

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

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

***Management and General Employees Plan***

Employee membership data at October 1, 2004 was as follows:

|  |            |
|--|------------|
| Inactive employees:  |            |
| Retirees and beneficiaries currently receiving benefits              | 1          |
| Terminated employees entitled to benefits but not yet receiving them | -          |
| Active plan participants   | 136        |
| Total  | <u>137</u> |

**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.

**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.

**TOWN OF DAVIE, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2005**  
(Continued)

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

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

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

**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.

**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 &<br>General Employees |
|---------------------|--------------|--------------|-----------------------------------|
| Annual pension cost | \$ 2,319,345 | \$ 3,090,663 | \$ 1,080,337                      |
| Contributions made  | 2,626,267    | 3,377,261    | 3,078,100                         |

The required contributions for the current year were determined by the Firefighters October 1, 2004 actuarial valuation and the Police October 1, 2004 actuarial valuation using the frozen entry age actuarial cost method. 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 5.8%. 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, 2005**  
(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           |              |              |
|-------------------------------|------------------------|--------------|--------------|
|                               | 2005                   | 2004         | 2003         |
| Annual pension cost (APC)     | \$ 2,319,345           | \$ 1,813,022 | \$ 1,466,241 |
| Percentage of APC contributed | 113%                   | 113%         | 109%         |
|                               | Police                 |              |              |
|                               | 2005                   | 2004         | 2003         |
| Annual pension cost (APC)     | \$ 3,090,663           | \$ 3,123,244 | \$ 2,427,655 |
| Percentage of APC contributed | 109%                   | 136%         | 106%         |
|                               | Management and General |              |              |
|                               | 2005                   | 2004         |              |
| Annual pension cost (APC)     | \$ 1,080,337           | \$ 1,080,337 |              |
| Percentage of APC contributed | 285%                   | 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 and State 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, 2005**

|                                     | Original             | Final                | Actual<br>Amounts<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|-------------------------------------|----------------------|----------------------|---|---|
| <b>Revenues:</b>                    |                      |                      |   |   |
| Intergovernmental                   | \$ 13,040,248        | \$ 13,168,266        | \$ 16,866,568                             | \$ 3,698,302  |
| Property taxes                      | 28,554,142           | 28,554,142           | 28,004,507                                | (549,635)   |
| Utility taxes                       | 5,603,000            | 5,595,800            | 5,714,900                                 | 119,100   |
| Franchise taxes                     | 6,886,000            | 6,888,500            | 7,894,195                                 | 1,005,695   |
| Licenses and permits                | 7,673,396            | 6,360,000            | 6,759,244                                 | 399,244   |
| Charges for services                | 6,661,130            | 6,053,605            | 7,199,098                                 | 1,145,493   |
| Fines and forfeitures               | 770,785              | 584,010              | 791,744                                   | 207,734   |
| Fire rescue assessments             | 3,907,700            | 4,101,000            | 4,176,282                                 | 75,282  |
| Miscellaneous                       | 2,945,842            | 1,697,320            | 1,987,536                                 | 290,216   |
| Interest                            | 702,000              | 1,157,000            | 1,442,884                                 | 285,884   |
| Total revenues                      | <u>76,744,243</u>    | <u>74,159,643</u>    | <u>80,836,958</u>                         | <u>6,677,315</u>  |
| <b>Expenditures:</b>                |                      |                      |   |   |
| General government:                 |                      |                      |   |   |
| Town administration department:     |                      |                      |   |   |
| Personnel services                  | 1,144,880            | 1,201,055            | 1,305,614                                 | (104,559)   |
| Operating expenditures              | 1,310,511            | 1,781,524            | 1,433,446                                 | 348,078   |
| Capital outlay                      | -                    | -                    | 14,977                                    | (14,977)  |
|                                     | <u>2,455,391</u>     | <u>2,982,579</u>     | <u>2,754,037</u>                          | <u>228,542</u>  |
| Budget and finance department:      |                      |                      |   |   |
| Personnel services                  | 1,029,316            | 983,790              | 955,054                                   | 28,736  |
| Operating expenditures              | 396,670              | 401,972              | 376,315                                   | 25,657  |
| Capital outlay                      | 3,000                | 6,200                | 4,816                                     | 1,384   |
|                                     | <u>1,428,986</u>     | <u>1,391,962</u>     | <u>1,336,185</u>                          | <u>55,777</u>   |
| Administrative services department: |                      |                      |   |   |
| Personnel services                  | 1,117,805            | 1,098,590            | 1,079,079                                 | 19,511  |
| Operating expenditures              | 2,132,782            | 2,241,398            | 1,692,150                                 | 549,248   |
| Capital outlay                      | -                    | -                    | 2,264                                     | (2,264)   |
|                                     | <u>3,250,587</u>     | <u>3,339,988</u>     | <u>2,773,493</u>                          | <u>566,495</u>  |
| Development services department:    |                      |                      |   |   |
| Personnel services                  | 6,377,919            | 5,534,154            | 5,544,243                                 | (10,089)  |
| Operating expenditures              | 1,109,582            | 1,049,102            | 949,642                                   | 99,460  |
| Capital outlay                      | 2,700                | 41,918               | (11,236)                                  | 53,154  |
|                                     | <u>7,490,201</u>     | <u>6,625,174</u>     | <u>6,482,649</u>                          | <u>142,525</u>  |
| Parks and recreation department:    |                      |                      |   |   |
| Personnel services                  | 3,385,577            | 2,718,790            | 2,892,477                                 | (173,687)   |
| Operating expenditures              | 2,500,266            | 1,998,500            | 1,933,896                                 | 64,604  |
| Capital outlay                      | 15,300               | 22,600               | 12,945                                    | 9,655   |
|                                     | <u>5,901,143</u>     | <u>4,739,890</u>     | <u>4,839,318</u>                          | <u>(99,428)</u>   |
| Total general government            | <u>\$ 20,526,308</u> | <u>\$ 19,079,593</u> | <u>\$ 18,185,682</u>                      | <u>\$ 893,911</u>                                       |

(Continued)

**TOWN OF DAVIE, FLORIDA**  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2005  
(Continued)

|                                      | Original          | Final                | Actual<br>Amounts<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--------------------------------------|-------------------|----------------------|---|---|
| Expenditures:                        |                   |                      |   |   |
| Public safety:                       |                   |                      |   |   |
| Police department:                   |                   |                      |   |   |
| Personnel services                   | \$ 22,258,524     | \$ 22,645,732        | \$ 22,010,892                             | \$ 634,840  |
| Operating expenditures               | 2,711,166         | 2,904,709            | 2,992,151                                 | (87,442)  |
| Capital outlay                       | 368,604           | 371,626              | 370,331                                   | 1,295   |
|                                      | <u>25,338,294</u> | <u>25,922,067</u>    | <u>25,373,374</u>                         | <u>548,693</u>  |
| Fire department:                     |                   |                      |   |   |
| Personnel services                   | 15,557,381        | 14,720,140           | 14,577,807                                | 142,333   |
| Operating expenditures               | 1,079,720         | 1,467,712            | 1,445,069                                 | 22,643  |
| Capital outlay                       | -                 | 94,000               | 276,975                                   | (182,975)   |
|                                      | <u>16,637,101</u> | <u>16,281,852</u>    | <u>16,299,851</u>                         | <u>(17,999)</u>   |
| Total public safety                  | <u>41,975,395</u> | <u>42,203,919</u>    | <u>41,673,225</u>                         | <u>530,694</u>  |
| Public works:                        |                   |                      |   |   |
| Personnel services                   | 3,188,225         | 2,595,280            | 2,663,246                                 | (67,966)  |
| Operating expenditures               | 2,928,322         | 3,080,633            | 3,469,074                                 | (388,441)   |
| Capital outlay                       | -                 | 16,500               | 5,216                                     | 11,284  |
| Total public works                   | <u>6,116,547</u>  | <u>5,692,413</u>     | <u>6,137,536</u>                          | <u>(445,123)</u>  |
| Non-Departmental                     |                   |                      |   |   |
| Personnel services                   |                   |                      |   |   |
| Operating expenditures               | 1,939,403         | 883,225              | 1,113,067                                 | (229,842)   |
| Total non-departmental               | <u>1,939,403</u>  | <u>883,225</u>       | <u>1,113,067</u>                          | <u>(229,842)</u>  |
| Debt service:                        |                   |                      |   |   |
| Principal retirements                | 3,311,462         | 3,311,462            | 3,255,462                                 | 56,000  |
| Interest                             | 1,885,729         | 1,700,000            | 1,238,632                                 | 461,368   |
| Total debt service                   | <u>5,197,191</u>  | <u>5,011,462</u>     | <u>4,494,094</u>                          | <u>517,368</u>  |
| Total expenditures                   | <u>75,754,844</u> | <u>72,870,612</u>    | <u>71,603,604</u>                         | <u>1,267,008</u>  |
| Excess of revenues over expenditures | <u>989,399</u>    | <u>1,289,031</u>     | <u>9,233,354</u>                          | <u>7,944,323</u>  |
| Other financing sources (uses):      |                   |                      |   |   |
| Bond Proceeds                        | -                 | 9,989,808            | 10,000,000                                | 10,192  |
| Transfers in                         | -                 | -                    | -   | -   |
| Transfers out                        | (68,531)          | -                    | (8,325,126)                               | (8,325,126)   |
| Total other financing sources (uses) | <u>(68,531)</u>   | <u>9,989,808</u>     | <u>1,674,874</u>                          | <u>(8,314,934)</u>                                      |
| Net change in fund balances          | <u>\$ 920,868</u> | <u>\$ 11,278,839</u> | <u>10,908,228</u>                         | <u>\$ (370,611)</u>                                     |
| Fund balance, October 1              |                   |                      | <u>24,748,521</u>                         |   |
| Fund balance, September 30           |                   |                      | <u>\$ 35,656,749</u>                      |   |

**TOWN OF DAVIE, FLORIDA**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 NOTES TO BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED SEPTEMBER 30, 2003

**NOTE 1. 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 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 year ended September 30, 2005, resulting in an increase in revenues of \$9,989,808 and a decrease in appropriations in the amount of \$2,884,232. Budget revisions made during the year were not material in relation to the original appropriation.

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, 2005 to a fund financial statement basis:

|   | <u>General Fund</u>  |
|---|----------------------|
| Net Change in Fund Balance – budgetary basis            | \$ 10,908,228        |
| To adjust expenditures for encumbrances                 | 381,264              |
| Net Change in Fund Balance – Fund Financial Statements: | <u>\$ 11,289,492</u> |

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

For the year ended September 30, 2005, expenditures exceeded appropriations in Non-Departmental by \$229,842 and in Public Works by \$445,123 as presented in the Statement of Revenues and Expenditures – Budget and Actual – General Fund. For the year ended September 30, 2005, transfers out exceeded appropriations by \$8,325,126 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, 2005**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value<br>of Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>Frozen<br>Entry Age<br>(AAL)<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b) - (a) | Funded<br>Ratio<br>(a) / (b) | Annual<br>Covered<br>Payroll<br>(c) | UAAL<br>as a<br>Percentage<br>of Covered<br>Payroll<br>(b-a) / (c) |
|--------------------------------|--|--|--|------------------------------|-------------------------------------|--|
| <b><u>FIREFIGHTERS</u></b>     |  |  |  |                              |                                     |  |
| 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   | 775                                    | 95.5%                        | 5,013                               | 15.9%  |
| 10/1/2004                      | 17,543                                 | 21,040   | 3,497                                  | 83.4%                        | 5,352                               | 65.3%  |
| <b><u>POLICE</u></b>           |  |  |  |                              |                                     |  |
| 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%   |

(1) The figures are based on Entry Age Normal Actuarial Accrued Liability; all others are based on Frozen Initial Liability.

**MANAGEMENT AND GENERAL**

Information not available

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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, 2005**

|  | <u>Community<br/>Development<br/>Block Grant</u> | <u>Community<br/>Redevelopment<br/>Agency</u> | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|--|--|---|--|
| <u>ASSETS</u>                            |  |   |  |
| Pooled cash and cash equivalents         | \$ 624,823                                       | \$ 3,875,604                                  | \$ 4,500,427   |
| Intergovernmental                        | 95,801   | -   | 95,801   |
| Total assets                             | \$ 720,624                                       | \$ 3,875,604                                  | \$ 4,596,228   |
| <u>LIABILITIES AND FUND BALANCES</u>     |  |   |  |
| Liabilities:                             |  |   |  |
| Accounts payable and accrued liabilities | \$ 10,991  | \$ 65,265                                     | \$ 76,256  |
| Due to other funds                       | 709,633  | -   | 709,633  |
| Total liabilities                        | 720,624  | 65,265  | 785,889  |
| Fund balances:                           |  |   |  |
| Reserved for:                            |  |   |  |
| Community redevelopment agency           | -  | 3,810,339                                     | 3,810,339  |
| Total fund balances                      | -  | 3,810,339                                     | 3,810,339  |
| Total liabilities and fund balances      | \$ 720,624                                       | \$ 3,875,604                                  | \$ 4,596,228   |

**TOWN OF DAVIE, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2005**

|  | Community<br>Development<br>Block Grant | Community<br>Redevelopment<br>Agency | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|---|--------------------------------------|--|
| <b>Revenues:</b>                                     |   |                                      |  |
| Intergovernmental                                    | \$ 349,074                              | \$ -                                 | \$ 349,074                                 |
| Property taxes                                       | -                                       | 2,162,612                            | 2,162,612                                  |
| Other  | -                                       | 11,176                               | 11,176                                     |
| Total revenues                                       | <u>349,074</u>                          | <u>2,173,788</u>                     | <u>2,522,862</u>                           |
| <b>Expenditures:</b>                                 |   |                                      |  |
| Development services department:                     |   |                                      |  |
| Personnel services                                   | 237,377                                 | 210,371                              | 447,748                                    |
| Operating expenditures                               | 30,017                                  | 155,252                              | 185,269                                    |
| Total general government                             | <u>267,394</u>                          | <u>365,623</u>                       | <u>633,017</u>                             |
| Capital Outlay                                       | 81,680                                  | 459,644                              | 541,324                                    |
| Total expenditures                                   | <u>349,074</u>                          | <u>825,267</u>                       | <u>1,174,341</u>                           |
| Excess (deficiency) of revenues<br>over expenditures | <u>-</u>                                | <u>1,348,521</u>                     | <u>1,348,521</u>                           |
| Fund balances - October 1                            | -                                       | 2,461,818                            | 2,461,818                                  |
| Fund balance - September 30                          | <u>\$ -</u>                             | <u>\$ 3,810,339</u>                  | <u>\$ 3,810,339</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, 2005**

|  | Vehicle<br>Maintenance | Self-<br>Insurance  | Information<br>Systems | Building<br>Maintenance | Total                |
|--|------------------------|---------------------|------------------------|-------------------------|----------------------|
| <u>ASSETS</u>  |                        |                     |                        |                         |                      |
| Current assets:                                      |                        |                     |                        |                         |                      |
| Pooled cash and cash equivalents                     | \$ 2,137,305           | \$ 8,178,217        | \$ 759,115             | \$ 676,045              | \$ 11,750,682        |
| Receivables  | 5,810                  | -                   | -                      | -                       | 5,810                |
| Prepaid items  | -                      | 68,806              | 190,904                | -                       | 259,710              |
| Inventory  | 67,640                 | -                   | -                      | -                       | 67,640               |
| Total assets   | <u>2,210,755</u>       | <u>8,247,023</u>    | <u>950,019</u>         | <u>676,045</u>          | <u>12,083,842</u>    |
| Capital assets:                                      |                        |                     |                        |                         |                      |
| Buildings and equipment                              | 8,691,652              | -                   | 2,779,411              | 283,070                 | 11,754,133           |
| Less accumulated depreciation                        | (4,055,705)            | -                   | (2,229,873)            | (202,165)               | (6,487,743)          |
| Total capital assets, net                            | <u>4,635,947</u>       | <u>-</u>            | <u>549,538</u>         | <u>80,905</u>           | <u>5,266,390</u>     |
|  | <u>\$ 6,846,702</u>    | <u>\$ 8,247,023</u> | <u>\$ 1,499,557</u>    | <u>\$ 756,950</u>       | <u>\$ 17,350,232</u> |
| <u>LIABILITIES</u>                                   |                        |                     |                        |                         |                      |
| Current liabilities:                                 |                        |                     |                        |                         |                      |
| Accounts payable and accrued liabilities             | \$ 345,423             | 320,085             | \$ 148,601             | \$ 8,990                | \$ 823,099           |
| Bonds payable  | -                      | -                   | 56,000                 | -                       | 56,000               |
| Total current liabilities                            | <u>345,423</u>         | <u>320,085</u>      | <u>204,601</u>         | <u>8,990</u>            | <u>879,099</u>       |
| Noncurrent liabilities:                              |                        |                     |                        |                         |                      |
| Bonds payable  | -                      | -                   | 56,000                 | -                       | 56,000               |
| Total liabilities                                    | <u>345,423</u>         | <u>320,085</u>      | <u>260,601</u>         | <u>8,990</u>            | <u>935,099</u>       |
| <u>NET ASSETS</u>                                    |                        |                     |                        |                         |                      |
| Investment in capital assets,<br>net of related debt | 4,635,947              | -                   | 437,538                | 80,905                  | 5,154,390            |
| Unrestricted   | 1,865,332              | 7,926,938           | 801,418                | 667,055                 | 11,260,743           |
| Total net assets                                     | <u>\$ 6,501,279</u>    | <u>\$ 7,926,938</u> | <u>\$ 1,238,956</u>    | <u>\$ 747,960</u>       | <u>\$ 16,415,133</u> |

**TOWN OF DAVIE, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2005**

|   | Vehicle<br>Maintenance | Self-<br>Insurance | Information<br>Systems | Building<br>Maintenance | Total         |
|---|------------------------|--------------------|------------------------|-------------------------|---------------|
| Operating revenues:                     |                        |                    |                        |                         |               |
| Charges for services                    | \$ 1,933,239           | \$ 8,642,104       | \$ 1,954,591           | \$ 385,248              | \$ 12,915,182 |
| Operating expenses:                     |                        |                    |                        |                         |               |
| Personal services                       | -                      | -                  | 624,604                | -                       | 624,604       |
| Maintenance                             | 1,423,371              | -                  | 504,940                | 230,278                 | 2,158,589     |
| Insurance                               | 315,940                | 2,809,064          | -                      | -                       | 3,125,004     |
| Claims                                  | -                      | 4,551,267          | -                      | -                       | 4,551,267     |
| Administrative                          | -                      | 56,872             | -                      | -                       | 56,872        |
| Depreciation and amortization           | 1,001,138              | -                  | 255,852                | 20,333                  | 1,277,323     |
| Total operating expenses                | 2,740,449              | 7,417,203          | 1,385,396              | 250,611                 | 11,793,659    |
| Operating income (loss)                 | (807,210)              | 1,224,901          | 569,195                | 134,637                 | 1,121,523     |
| Nonoperating revenues (expenses):       |                        |                    |                        |                         |               |
| Interest expense                        | -                      | -                  | (2,828)                | -                       | (2,828)       |
| Gain on sale of assets                  | 12,466                 | -                  | (543)                  | -                       | 11,923        |
| Total Nonoperating revenues (expenses): | 12,466                 | -                  | (3,371)                | -                       | 9,095         |
| Change in net assets                    | (794,744)              | 1,224,901          | 565,824                | 134,637                 | 1,130,618     |
| Net assets, October 1                   | 7,296,023              | 6,702,037          | 673,132                | 613,323                 | 15,284,515    |
| Net assets, September 30                | \$ 6,501,279           | \$ 7,926,938       | \$ 1,238,956           | \$ 747,960              | \$ 16,415,133 |

**TOWN OF DAVIE, FLORIDA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2005**

|   | Vehicle<br>Maintenance | Self-<br>Insurance  | Information<br>Systems | Building<br>Maintenance | Total                |
|---|------------------------|---------------------|------------------------|-------------------------|----------------------|
| <b>Cash flows from operating activities:</b>  |                        |                     |                        |                         |                      |
| Cash received from service charges  | \$ 1,932,373           | \$ 8,642,104        | \$ 1,954,591           | \$ 385,248              | \$ 12,914,316        |
| Cash paid to suppliers  | (1,742,055)            | (6,976,876)         | (746,404)              | (250,631)               | (9,715,966)          |
| Cash paid to employees  | -                      | -                   | (504,940)              | -                       | (504,940)            |
| Net cash provided (used) by operating activities  | <u>190,318</u>         | <u>1,665,228</u>    | <u>703,247</u>         | <u>134,617</u>          | <u>2,693,410</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  | 12,466                 | -                   | (543)                  | -                       | 11,923               |
| Acquisition and construction of capital assets  | (1,212,521)            | -                   | (247,212)              | (52,523)                | (1,512,256)          |
| Interest paid on long-term debt   | -                      | -                   | (2,828)                | -                       | (2,828)              |
| Net cash (used in) capital and related financing activities   | <u>(1,200,055)</u>     | <u>-</u>            | <u>(306,583)</u>       | <u>(52,523)</u>         | <u>(1,559,161)</u>   |
| Net increase (decrease) in pooled cash and cash equivalents   | (1,009,737)            | 1,665,228           | 396,664                | 82,094                  | 1,134,249            |
| Pooled cash and cash equivalents, October 1   | <u>3,147,042</u>       | <u>6,512,989</u>    | <u>362,451</u>         | <u>593,951</u>          | <u>10,616,433</u>    |
| Pooled cash and cash equivalents, September 30  | <u>\$ 2,137,305</u>    | <u>\$ 8,178,217</u> | <u>\$ 759,115</u>      | <u>\$ 676,045</u>       | <u>\$ 11,750,682</u> |
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b> |                        |                     |                        |                         |                      |
| Operating income (loss)   | \$ (807,210)           | \$ 1,224,901        | \$ 569,195             | \$ 134,637              | \$ 1,121,523         |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities:        |                        |                     |                        |                         |                      |
| Depreciation  | 1,001,138              | -                   | 255,852                | 20,333                  | 1,277,323            |
| Change in assets and liabilities:   |                        |                     |                        |                         | -                    |
| (Increase) in receivables   | (866)                  | -                   | -                      | -                       | (866)                |
| (Increase) in inventory   | (18,049)               | -                   | -                      | -                       | (18,049)             |
| (Increase) decrease in prepaid items  | -                      | 120,242             | (140,036)              | -                       | (19,794)             |
| Increase (decrease) in accounts payable and accrued liabilities and compensated absences              | 15,305                 | 320,085             | 18,236                 | (20,353)                | 333,273              |
| Total adjustments   | <u>997,528</u>         | <u>440,327</u>      | <u>134,052</u>         | <u>(20)</u>             | <u>1,571,887</u>     |
| Net cash provided (used) by operating activities  | <u>\$ 190,318</u>      | <u>\$ 1,665,228</u> | <u>\$ 703,247</u>      | <u>\$ 134,617</u>       | <u>\$ 2,693,410</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, 2005**

|   | Police<br>Pension    | Firefighters<br>Pension | Management<br>and General<br>Employees | Total                |
|---|----------------------|-------------------------|--|----------------------|
| <u>ASSETS</u>                                 |                      |                         |  |                      |
| Pooled cash and cash equivalents              | \$ 2,377,406         | \$ 1,256,788            | \$ -                                   | \$ 3,634,194         |
| Receivables:                                  |                      |                         |  |                      |
| Interest and dividends                        | 180,686              | 115,137                 | -                                      | 295,823              |
| Contributions                                 | 747,045              | 1,205,602               | -                                      | 1,952,647            |
| Securities sold                               | -                    | 221,831                 | -                                      | 221,831              |
| Investments, at fair value                    | 45,389,401           | 23,369,604              | 9,137,098                              | 77,896,103           |
| Total assets                                  | <u>\$ 48,694,538</u> | <u>\$ 26,168,962</u>    | <u>\$ 9,137,098</u>                    | <u>\$ 84,000,598</u> |
| <u>LIABILITIES</u>                            |                      |                         |  |                      |
| Accounts payable                              | \$ 60,596            | \$ 280,104              | \$ 530                                 | \$ 341,230           |
| DROP payable                                  | 1,615,852            | 1,426,785               | -                                      | 3,042,637            |
| Prepaid Town contribution                     | 382,004              | 143,240                 | -                                      | 525,244              |
| Total liabilities                             | <u>2,058,452</u>     | <u>1,850,129</u>        | <u>530</u>                             | <u>3,909,111</u>     |
| <u>NET ASSETS</u>                             |                      |                         |  |                      |
| Net assets held in trust for pension benefits | <u>\$ 46,636,086</u> | <u>\$ 24,318,833</u>    | <u>\$ 9,136,568</u>                    | <u>\$ 80,091,487</u> |

**TOWN OF DAVIE, FLORIDA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2005**

|   | Police<br>Pension    | Firefighters<br>Pension | Management<br>and General<br>Employees | Total                |
|---|----------------------|-------------------------|--|----------------------|
| <b>ADDITIONS</b>                              |                      |                         |  |                      |
| Contributions:                                |                      |                         |  |                      |
| Town  | \$ 2,805,088         | \$ 2,050,080            | \$ 1,071,505                           | \$ 5,926,673         |
| Plan members                                  | 726,109              | 549,536                 | 947,549                                | 2,223,194            |
| State   | 572,173              | 576,187                 | -                                      | 1,148,360            |
| Total contributions                           | <u>4,103,370</u>     | <u>3,175,803</u>        | <u>2,019,054</u>                       | <u>9,298,227</u>     |
| Investment income:                            |                      |                         |  |                      |
| Net appreciation in fair value of investments | 2,443,064            | 619,493                 | -                                      | 3,062,557            |
| Interest and dividends                        | 1,326,396            | 710,020                 | 695,951                                | 2,732,367            |
|   | <u>3,769,460</u>     | <u>1,329,513</u>        | <u>695,951</u>                         | <u>5,794,924</u>     |
| Less investment expenses                      | 214,966              | 140,008                 | 14,988                                 | 369,962              |
| Net investment income                         | <u>3,554,494</u>     | <u>1,189,505</u>        | <u>680,963</u>                         | <u>5,424,962</u>     |
| Total additions                               | <u>7,657,864</u>     | <u>4,365,308</u>        | <u>2,700,017</u>                       | <u>14,723,189</u>    |
| <b>DEDUCTIONS</b>                             |                      |                         |  |                      |
| Benefits                                      | 1,362,599            | 1,525,320               | 10,814                                 | 2,898,733            |
| Refund of contributions                       | 66,325               | 30,655                  | -                                      | 96,980               |
| Administrative expenses                       | 187,181              | 171,069                 | 12,678                                 | 370,928              |
| Total deductions                              | <u>1,616,105</u>     | <u>1,727,044</u>        | <u>23,492</u>                          | <u>3,366,641</u>     |
| Change in net assets                          | 6,041,759            | 2,638,264               | 2,676,525                              | 11,356,548           |
| Net assets, October 1                         | <u>40,594,327</u>    | <u>21,680,569</u>       | <u>6,460,043</u>                       | <u>68,734,939</u>    |
| Net assets, September 30                      | <u>\$ 46,636,086</u> | <u>\$ 24,318,833</u>    | <u>\$ 9,136,568</u>                    | <u>\$ 80,091,487</u> |

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**STATISTICAL SECTION**

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TABLE 1

**TOWN OF DAVIE, FLORIDA**  
**GOVERNMENT-WIDE EXPENSES BY FUNCTION**  
**LAST TEN FISCAL YEARS (1)**

| Fiscal Year | Governmental Activities |                        |             |              |               |              |                      | Business-type Activities   |                 |             | Total         |
|-------------|-------------------------|------------------------|-------------|--------------|---------------|--------------|----------------------|----------------------------|-----------------|-------------|---------------|
|             | General Government      | Developmental Services | Engineering | Public Works | Police        | Fire Rescue  | Parks and Recreation | Interest on Long-Term Debt | Water and Sewer | Aquaculture |               |
| 1999        | \$ 2,905,407            | \$ 3,385,610           | \$ 168,819  | \$ 2,066,774 | \$ 15,525,304 | \$ 7,820,451 | \$ 4,945,341         | \$ 2,038,608               | \$ 7,220,249    | \$ 188,538  | \$ 46,265,101 |
| 2000        | 3,359,067               | 4,142,512              | 218,069     | 2,606,620    | 16,362,859    | 7,892,772    | 5,377,743            | 2,237,853                  | 7,413,851       | 193,486     | 49,804,832    |
| 2001        | 3,906,989               | 5,051,261              | 8,745       | 2,250,859    | 19,192,972    | 9,468,076    | 7,334,706            | 2,029,540                  | 7,908,209       | 314,427     | 57,465,784    |
| 2002        | 4,293,745               | 5,933,961              | 301,427     | 1,943,438    | 21,178,189    | 10,684,060   | 8,238,172            | 1,471,005                  | 7,970,124       | 60,259      | 62,074,379    |
| 2003        | 4,874,713               | 6,040,459              | 799,397     | 4,972,814    | 23,401,069    | 12,543,511   | 6,398,184            | 1,267,994                  | 8,502,907       | 21,238      | 68,822,286    |
| 2004        | 6,452,633               | 9,132,174              | 1,198,909   | 6,085,395    | 25,615,085    | 14,975,262   | 6,763,471            | 1,438,985                  | 9,155,969       | 21,265      | 80,839,148    |
| 2005        | 8,039,006               | 6,826,862              | 786,638     | 6,442,287    | 25,765,617    | 16,615,248   | 6,457,577            | 1,421,797                  | 8,104,401       | -           | 80,459,433    |

(1) Information for fiscal years ended September 30, 1992 to 1998 are unavailable.  
The Town implemented GASB Statement No. 34 for the fiscal year ended September 30, 1999.

TABLE 2

**TOWN OF DAVIE, FLORIDA**  
**GOVERNMENT-WIDE REVENUES**  
**LAST TEN FISCAL YEARS (1)**

| Fiscal Year | Program Revenues     |                                    |                                  | General Revenues |                                  |  |           |               |               |
|-------------|----------------------|------------------------------------|----------------------------------|------------------|----------------------------------|--|-----------|---------------|---------------|
|             | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Taxes (2)        | Unrestricted Investment Earnings | Grants and Contributions not Restricted to Specific Programs | Transfers | Miscellaneous | Total         |
| 1999        | \$ 13,917,021        | \$ 4,089,011                       | \$ 2,143,943                     | \$ 25,966,400    | \$ 2,328,774                     | \$ 5,246,280   | \$ -      | \$ 324,732    | \$ 54,016,161 |
| 2000        | 14,832,964           | 4,008,134                          | 1,664,537                        | 29,984,967       | 3,477,939                        | 5,448,111  | -         | 873,148       | 60,289,800    |
| 2001        | 15,921,176           | 3,825,465                          | 442,339                          | 33,446,419       | 3,001,096                        | 5,591,650  | (832,999) | 598,517       | 61,993,663    |
| 2002        | 10,098,204           | 3,982,149                          | 1,547,226                        | 35,999,722       | 742,935                          | 6,383,304  | -         | 606,394       | 59,359,934    |
| 2003        | 13,283,017           | 3,778,005                          | 1,008,381                        | 38,973,344       | 1,789,177                        | 6,316,335  | (2,567)   | 365,820       | 65,511,512    |
| 2004        | 16,995,253           | 3,989,476                          | 7,075,454                        | 42,623,451       | 1,679,068                        | 7,310,298  | -         | 1,027,182     | 80,700,182    |
| 2005        | 18,672,942           | 3,997,599                          | 6,737,625                        | 47,791,325       | 1,796,758                        | 8,394,331  | 28,918    | 821,057       | 88,240,555    |

(1) Information for fiscal years ended September 30, 1992 to 1998 are unavailable.  
The Town implemented GASB Statement No. 34 for the fiscal year ended September 30, 1999.

(2) Taxes include property taxes, utility taxes and franchise taxes.

TABLE 3

**TOWN OF DAVIE, FLORIDA**  
**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)**  
**LAST TEN FISCAL YEARS**

| <u>Fiscal Year</u> | <u>General Government</u> | <u>Public Safety</u> | <u>Public Works</u> | <u>Culture and Recreation</u> | <u>Capital Outlay</u> | <u>Debt Service</u> | <u>Total</u> |
|--------------------|---------------------------|----------------------|---------------------|-------------------------------|-----------------------|---------------------|--------------|
| 1996               | 5,558,561                 | 17,725,911           | 1,502,800           | 2,817,915                     | 1,102,864             | 4,187,894           | 32,895,945   |
| 1997               | 5,746,424                 | 19,849,215           | 1,623,524           | 3,187,507                     | 1,493,511             | 4,856,002           | 36,756,183   |
| 1998               | 6,105,652                 | 21,305,069           | 1,919,879           | 3,711,885                     | 1,115,204             | 5,099,924           | 39,257,613   |
| 1999               | 6,791,670                 | 23,164,889           | 2,069,393           | 3,994,131                     | 1,194,372             | 5,572,975           | 42,787,430   |
| 2000               | 7,545,544                 | 24,396,575           | 2,664,354           | 4,243,039                     | 1,039,451             | 6,775,530           | 46,664,493   |
| 2001               | 4,170,642                 | 29,433,205           | 2,866,365           | 4,911,032                     | 488,280               | 7,617,503           | 49,487,027   |
| 2002               | 9,462,060                 | 32,188,929           | 2,521,228           | 5,446,681                     | 990,529               | 7,346,176           | 57,955,603   |
| 2003               | 10,665,602                | 35,186,825           | 4,547,133           | 4,359,991                     | 1,390,589             | 4,508,973           | 60,659,113   |
| 2004               | 12,552,290                | 38,304,489           | 5,421,079           | 4,819,600                     | 516,827               | 4,662,170           | 66,276,455   |
| 2005               | 14,210,914                | 41,041,898           | 6,052,100           | 4,801,141                     | 546,311               | 4,494,094           | 71,146,458   |

(1) Includes General Fund only

(2) Debt service for the year includes amounts relating to refinancing of existing Town debt. Portion related to refinancing was \$17,250,000 in 1994.

TABLE 4

**TOWN OF DAVIE, FLORIDA**  
**GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)**  
**LAST TEN FISCAL YEARS**

| <u>Fiscal Year</u> | <u>Ad Valorem Taxes</u> | <u>Utility Taxes</u> | <u>Franchise Fees</u> | <u>Licenses and Permits</u> | <u>Inter-Governmental</u> | <u>Charges for Services</u> | <u>Fines and Forfeitures</u> | <u>Roadway Assessment</u> | <u>Fire Rescue Assessment</u> | <u>Interest and Miscellaneous</u> | <u>Total</u> |
|--------------------|-------------------------|----------------------|-----------------------|-----------------------------|---------------------------|-----------------------------|------------------------------|---------------------------|-------------------------------|-----------------------------------|--------------|
| 1996               | 10,854,249              | 5,287,878            | 4,193,150             | 2,347,517                   | 6,128,817                 | 1,639,660                   | 1,144,352                    | -                         | -                             | 2,388,522                         | 33,984,145   |
| 1997               | 11,937,524              | 5,814,706            | 4,664,620             | 2,554,959                   | 6,831,009                 | 1,844,483                   | 1,018,672                    | -                         | 1,119,581                     | 2,704,182                         | 38,489,736   |
| 1998               | 13,557,730              | 6,121,911            | 4,548,644             | 3,195,318                   | 7,383,242                 | 2,447,620                   | 1,084,761                    | -                         | 1,243,466                     | 2,828,030                         | 42,410,722   |
| 1999               | 14,631,099              | 6,660,567            | 4,674,734             | 3,842,647                   | 7,949,627                 | 3,038,327                   | 1,260,104                    | -                         | 1,268,290                     | 3,135,465                         | 46,460,860   |
| 2000               | 16,639,030              | 7,107,217            | 5,600,751             | 4,196,511                   | 8,318,761                 | 3,567,836                   | 1,468,091                    | -                         | 1,217,161                     | 4,462,821                         | 52,578,179   |
| 2001               | 18,754,486              | 7,610,816            | 6,279,562             | 3,485,333                   | 7,780,589                 | 4,034,801                   | 1,237,809                    |                           | 1,530,279                     | 3,676,071                         | 54,389,746   |
| 2002               | 20,165,636              | 9,179,260            | 5,560,921             | 3,980,727                   | 9,565,842                 | 4,462,648                   | 1,139,464                    | -                         | 1,654,108                     | 2,514,541                         | 58,225,149   |
| 2003               | 22,164,850              | 5,343,231            | 6,080,368             | 6,352,264                   | 12,232,616                | 5,071,000                   | 1,057,937                    |                           | 1,743,479                     | 2,514,565                         | 62,560,310   |
| 2004               | 24,802,109              | 5,354,224            | 6,694,922             | 7,779,426                   | 13,296,799                | 6,422,927                   | 997,596                      | -                         | 2,669,405                     | 2,884,066                         | 70,901,474   |
| 2005               | 28,004,507              | 5,714,900            | 7,894,195             | 6,759,244                   | 16,866,568                | 7,133,408                   | 791,744                      | -                         | 4,176,282                     | 3,430,420                         | 80,771,268   |

(1) Includes General Fund only

TABLE 5

**TOWN OF DAVIE, FLORIDA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**

| <u>Fiscal Year</u> | <u>Total Tax Levy</u> | <u>Current Tax Collection</u> | <u>Percentage of Total Tax Collections to Tax Levy</u> | <u>Delinquent Tax Deductions</u> | <u>Total Tax Collections</u> | <u>Ratio of Total Tax Collections to Total Tax Levy</u> | <u>Outstanding Delinquent Taxes</u> | <u>Ratio of Total Delinquent Taxes to Total Tax Levy</u> |
|--------------------|-----------------------|-------------------------------|--|----------------------------------|------------------------------|---|-------------------------------------|--|
| 1996               | 10,692,663            | 10,633,023                    | 99.4   | 52,273                           | 10,685,296                   | 99.9  | 595,761                             | 5.6  |
| 1997               | 12,320,333            | 12,149,371                    | 98.6   | 30,522                           | 12,179,893                   | 98.9  | 746,351                             | 6.1  |
| 1998               | 13,986,795            | 13,898,455                    | 99.4   | 26,194                           | 13,924,649                   | 99.6  | 787,578                             | 5.6  |
| 1999               | 15,353,024            | 15,257,581                    | 99.4   | 18,113                           | 15,275,694                   | 99.5  | 858,804                             | 5.6  |
| 2000               | 17,639,407            | 17,523,255                    | 99.3   | 22,546                           | 17,545,801                   | 99.5  | 929,706                             | 5.3  |
| 2001               | 19,786,104            | 19,715,688                    | 99.6   | 32,769                           | 19,748,457                   | 99.8  | 920,757                             | 4.6  |
| 2002               | 21,380,015            | 21,247,535                    | 99.2   | 29,334                           | 21,276,869                   | 99.5  | 1,040,258                           | 4.8  |
| 2003               | 23,448,930            | 23,366,361                    | 99.6   | 28,889                           | 23,395,250                   | 99.7  | 1,084,146                           | 4.6  |
| 2004               | 25,727,194            | 24,738,814                    | 96.1   | 28,900                           | 23,395,261                   | 90.9  | 1,161,542                           | 4.5  |
| 2005               | 29,046,375            | 27,966,970                    | 96.3   | 30,204                           | 27,997,174                   | 96.4  | 1,244,372                           | 4.3  |

TABLE 6

**TOWN OF DAVIE, FLORIDA**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF ALL TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**

| Fiscal Year | <u>Real Property</u> |                        | <u>Personal Property</u> |                        | <u>Total</u>   |                        | Ratio of Total Assessed Value to Total Estimated Actual Value (2) | Real and Personal Property Exemptions (1) | Taxable Value |
|-------------|----------------------|------------------------|--------------------------|------------------------|----------------|------------------------|---|---|---------------|
|             | Assessed Value (1)   | Estimated Actual Value | Assessed Value           | Estimated Actual Value | Assessed Value | Estimated Actual Value |   |   |               |
| 1996        | 2,685,825,500        | 2,839,139,006          | 201,885,245              | 213,409,350            | 2,887,710,745  | 3,052,548,356          | 94.6%   | 649,968,442                               | 2,237,742,303 |
| 1997        | 2,909,679,640        | 2,984,286,810          | 214,912,128              | 220,422,695            | 3,124,591,768  | 3,204,709,505          | 97.5%   | 702,221,635                               | 2,422,370,133 |
| 1998        | 3,125,419,230        | 3,147,451,390          | 224,706,394              | 226,290,427            | 3,350,125,624  | 3,373,741,817          | 99.3%   | 662,983,850                               | 2,687,141,774 |
| 1999        | 3,363,676,250        | 3,425,332,230          | 226,755,470              | 230,911,884            | 3,590,431,720  | 3,656,244,114          | 98.2%   | 686,332,720                               | 2,904,099,000 |
| 2000        | 3,783,319,830        | 3,772,003,818          | 231,035,298              | 230,344,265            | 4,014,355,128  | 4,002,348,083          | 100.3%  | 751,813,790                               | 3,262,541,338 |
| 2001        | 4,226,479,170        | 4,402,582,468          | 265,237,253              | 276,288,805            | 4,491,716,423  | 4,678,871,273          | 96.0%   | 788,620,150                               | 3,703,096,273 |
| 2002        | 4,625,896,210        | 4,508,095,257          | 312,361,327              | 309,268,640            | 4,938,257,537  | 4,817,363,897          | 101.0%  | 829,896,150                               | 4,108,361,387 |
| 2003        | 5,224,952,600        | 5,267,089,315          | 323,272,692              | 325,879,729            | 5,548,225,292  | 5,592,969,044          | 99.2%   | 892,127,990                               | 4,656,097,302 |
| 2004        | 5,825,332,670        | 5,739,244,010          | 370,195,666              | 364,724,794            | 6,195,528,336  | 6,103,968,804          | 101.50%   | 965,731,300                               | 5,229,797,036 |
| 2005        | 6,751,654,720        | 6,924,774,072          | 356,144,412              | 365,276,320            | 7,107,799,132  | 7,290,050,392          | 97.50%  | 1,053,945,180                             | 6,053,853,952 |

(1) Source: Broward County Property Appraiser

(2) Source: State of Florida Ad Valorem Taxation

TABLE 7

**TOWN OF DAVIE, FLORIDA**  
**PROPERTY TAX RATES**  
**DIRECT AND OVERLAPPING GOVERNMENTS (1)**  
**LAST TEN FISCAL YEARS**

| <u>Fiscal Year</u> | <u>Town of Davie</u> | <u>County Commission</u> | <u>School Board</u> | <u>South Water Management</u> | <u>Children's Services</u> | <u>Broward Hospital</u> | <u>Florida Navigation District</u> | <u>Total</u> |
|--------------------|----------------------|--------------------------|---------------------|-------------------------------|----------------------------|-------------------------|------------------------------------|--------------|
| 1996               | 5.5378               | 7.7524                   | 9.9400              | 0.6720                        | -                          | 2.1132                  | 0.0380                             | 26.0534      |
| 1997               | 5.8378               | 7.8380                   | 9.9745              | 0.6970                        | -                          | 2.1132                  | 0.0500                             | 26.5105      |
| 1998               | 5.7589               | 7.5710                   | 9.7256              | 0.6970                        | -                          | 2.1132                  | 0.0470                             | 25.9127      |
| 1999               | 6.0089               | 7.5710                   | 9.1283              | 0.6970                        | -                          | 2.0831                  | 0.0440                             | 25.5323      |
| 2000               | 6.0089               | 7.5250                   | 8.9553              | 0.6970                        | -                          | 1.9939                  | 0.0410                             | 25.2211      |
| 2001               | 5.7911               | 7.4005                   | 8.7541              | 0.6970                        | 0.3055                     | 1.8694                  | 0.0385                             | 24.8561      |
| 2002               | 5.7442               | 7.3650                   | 8.8825              | 0.6970                        | 0.3316                     | 1.7336                  | 0.0385                             | 24.7924      |
| 2003               | 5.6184               | 7.188                    | 8.4176              | 0.697                         | 0.392                      | 1.7336                  | 0.6885                             | 24.7347      |
| 2004               | 5.6297               | 7.023                    | 8.2695              | 0.697                         | 0.4231                     | 1.5761                  | 0.6885                             | 24.3069      |
| 2005               | 5.5502               | 6.783                    | 8.0623              | 0.697                         | 0.4231                     | 1.4500                  | 0.0385                             | 23.0041      |

(1) Basis for property tax rates is per \$1,000 assessed value.

TABLE 8

**TOWN OF DAVIE, FLORIDA**  
**PRINCIPAL TAXPAYERS**  
**SEPTEMBER 30, 2005**

| <u>Taxpayer</u>                  | <u>Type<br/>of<br/>Business</u> | <u>Taxable<br/>Valuation</u> | <u>Percentage<br/>of Total<br/>Assessed<br/>Valuation</u> |
|----------------------------------|---------------------------------|------------------------------|---|
| Andrx Corp & Subsidiaries        | Pharmaceutical                  | \$ 61,819,779                | 0.92%   |
| Florida Power & Light Co.        | Utility                         | 42,553,842                   | 0.63%   |
| Equity One, Inc                  | Mortgage Loan Co.               | 34,017,950                   | 0.50%   |
| Palm Trace Landings              | Housing                         | 28,509,970                   | 0.42%   |
| Hacienda Cove LLC                | Housing                         | 28,470,570                   | 0.42%   |
| City National Bank of FL Trustee | Bank                            | 26,183,244                   | 0.39%   |
| Alliance Rt Limited              | Property Management             | 24,508,766                   | 0.36%   |
| Florida Auto Auction             | Auto Sales (Auctions)           | 23,844,280                   | 0.35%   |
| Konover & Associates South, Inc. | Housing                         | 18,123,690                   | 0.27%   |
| Ramco/Shenandoah LLC             | Insurance                       | 16,412,260                   | 0.24%   |
|                                  |                                 | <u>\$ 304,444,351</u>        | <u>4.51%</u>  |

TABLE 9

**TOWN OF DAVIE, FLORIDA**  
**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS**  
**LAST TEN FISCAL YEARS (1)**

| <u>Fiscal<br/>Year</u> | <u>Special<br/>Assessment<br/>Billings</u> | <u>Special<br/>Assessments<br/>Collected</u> |
|------------------------|--|--|
| 1997                   | \$ 1,160,717                               | \$ 1,150,722                                 |
| 1998                   | 1,287,684                                  | 1,286,094                                    |
| 1999                   | 1,245,305                                  | 1,242,011                                    |
| 2000                   | 1,263,879                                  | 1,261,251                                    |
| 2001                   | 1,591,847                                  | 1,591,094                                    |
| 2002                   | 1,711,565                                  | 1,709,917                                    |
| 2003                   | 1,805,867                                  | 1,805,449                                    |
| 2004                   | 2,766,446                                  | 2,668,402                                    |
| 2005                   | 4,344,329                                  | 4,169,950                                    |

(1) Since fiscal year 1997 was the initial year for the Fire Rescue Assessment, earlier years are not presented here since billings and collections for all previous years were \$0.

TABLE 10

**TOWN OF DAVIE, FLORIDA**  
 RATIO OF NET GENERAL OBLIGATION BONDED DEBT AND OTHER GENERAL BONDS AND NOTES PAYABLE TO  
 TAXABLE VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA  
 LAST TEN FISCAL YEARS

| <u>Fiscal Year</u> | <u>Population (1)</u> | <u>Taxable Value (2)</u> | <u>Net Bonded Debt (3)</u> | <u>Ratio of Net Bonded Debt to Taxable Value</u> | <u>Net Bonded Debt Per Capita</u> | <u>Non-General Obligation General Bonds and Notes Payable</u> | <u>Total Debt</u> | <u>Ratio of Total Debt to Taxable Value</u> | <u>General Bonds and Notes Payable Per Capita</u> |
|--------------------|-----------------------|--------------------------|----------------------------|--|-----------------------------------|---|-------------------|---|---|
| 1996               | 59,393                | 2,237,742,303            | 10,000,000                 | 0.4%   | 168                               | 22,397,508  | 32,397,508        | 1.4%  | 545   |
| 1997               | 61,182                | 2,422,370,133            | 19,800,000                 | 0.8%   | 324                               | 24,439,094  | 44,239,094        | 1.8%  | 723   |
| 1998               | 61,799                | 2,687,141,774            | 19,566,896                 | 0.7%   | 317                               | 21,545,066  | 41,111,962        | 1.5%  | 665   |
| 1999               | 66,985                | 2,904,099,000            | 29,282,347                 | 1.0%   | 437                               | 18,137,405  | 47,419,752        | 1.6%  | 708   |
| 2000               | 67,529                | 3,262,544,338            | 30,514,122                 | 0.9%   | 452                               | 19,547,494  | 50,061,616        | 1.5%  | 741   |
| 2001               | 75,720                | 3,703,096,273            | 29,669,873                 | 0.8%   | 392                               | 14,888,583  | 44,558,456        | 1.2%  | 588   |
| 2002               | 78,688                | 4,108,361,387            | 28,753,201                 | 0.7%   | 365                               | 19,950,922  | 48,704,123        | 1.2%  | 619   |
| 2003               | 79,763                | 4,656,097,302            | 27,782,028                 | 0.6%   | 348                               | 17,614,761  | 45,396,789        | 1.0%  | 569   |
| 2004               | 81,845                | 5,229,797,036            | 26,751,892                 | 0.5%   | 327                               | 15,187,600  | 41,939,492        | 0.8%  | 512   |
| 2005               | 82,579                | 6,053,853,952            | 25,404,833                 | 0.4%   | 308                               | 23,167,198  | 48,572,031        | 0.8%  | 588   |

(1) From Table 12.

(2) From Table 6.

(3) Amount does not include revenue bonds.

TABLE 11

**TOWN OF DAVIE, FLORIDA**  
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GOVERNMENTAL ACTIVITIES  
 TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES  
 LAST TEN FISCAL YEARS

| <u>Fiscal Year</u> | <u>Principal (1)</u> | <u>Interest (2)</u> | <u>Total Debt Service</u> | <u>Total General Governmental Expenditures (1, 3)</u> | <u>Ratio of Debt Service to General Governmental Expenditures</u> |
|--------------------|----------------------|---------------------|---------------------------|---|---|
| 1996               | 2,544,933            | 1,642,961           | 4,187,894                 | 32,895,945  | 12.7%   |
| 1997               | 2,958,414            | 1,897,588           | 4,856,002                 | 36,756,183  | 13.2%   |
| 1998               | 3,127,132            | 1,972,792           | 5,099,924                 | 39,257,613  | 13.0%   |
| 1999               | 3,817,210            | 1,755,765           | 5,572,975                 | 42,787,430  | 13.0%   |
| 2000               | 4,333,135            | 2,442,395           | 6,775,530                 | 46,664,493  | 14.5%   |
| 2001               | 5,478,161            | 2,139,342           | 7,617,503                 | 49,487,027  | 15.4%   |
| 2002               | 5,773,333            | 1,559,675           | 7,333,008                 | 57,995,603  | 12.6%   |
| 2003               | 3,282,334            | 1,226,639           | 4,508,973                 | 60,659,113  | 7.43%   |
| 2004               | 3,432,297            | 1,229,873           | 4,662,170                 | 66,276,455  | 7.03%   |
| 2005               | 3,255,462            | 1,238,632           | 4,494,094                 | 71,146,458  | 6.32%   |

(1) Excludes principal payments made during refinancings.

(2) Excludes bond issuance and other costs

(3) Includes General Fund only.

TABLE 12

**TOWN OF DAVIE, FLORIDA**  
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT (1)  
 GENERAL OBLIGATION BONDS  
 SEPTEMBER 30, 2005

| <u>Jurisdiction</u> | Net<br>General<br>Obligation<br>Bonded<br>Debt<br><u>Outstanding</u> | Percentage<br>Applicable<br>to<br><u>Government</u> | Amount<br>Applicable<br>to<br><u>Government</u> |
|---------------------|--|---|---|
| Direct:             |  |   |   |
| Town of Davie       | \$ 25,404,833  | <u>100.0%</u>                                       | \$ 25,404,833                                   |
| Overlapping:        |  |   |   |
| County Commission   | 611,605,000  | 5.3%  | 32,496,928                                      |
| School Board        | <u>79,088,087</u>  | 5.3%  | 4,178,881                                       |
|                     | <u>\$ 716,097,920</u>  |   | <u>\$ 62,080,643</u>                            |

(1) The Town of Davie has no debt limits.

TABLE 13

**TOWN OF DAVIE, FLORIDA**  
**REVENUE BOND COVERAGE**  
**WATER AND SEWER DIVISION**  
**LAST TEN FISCAL YEARS**

| Fiscal Year | Gross Revenues (1) | Operating Expenses (2) | Net Revenues Available for Debt Service | Pledged Revenues Available for Debt Service | Debt Service Requirements (3) |           |           | Net Revenue Coverage | Pledged Revenue Coverage |
|-------------|--------------------|------------------------|---|---|-------------------------------|-----------|-----------|----------------------|--------------------------|
|             |                    |                        |   |   | Principal                     | Interest  | Total     |                      |                          |
| 1996        | 8,557,867          | 3,221,223              | 5,336,644                               | 9,539,144                                   | 490,000                       | 2,247,204 | 2,737,204 | 1.95                 | 3.48                     |
| 1997        | 8,759,178          | 3,241,087              | 5,518,091                               | 10,700,432                                  | 890,000                       | 2,216,221 | 3,106,221 | 1.78                 | 3.44                     |
| 1998        | 7,869,501          | 3,190,446              | 4,679,055                               | 9,822,023                                   | 930,000                       | 2,171,581 | 3,101,581 | 1.51                 | (4) 3.17                 |
| 1999        | 6,994,953          | 3,315,684              | 3,679,269                               | 10,090,884                                  | 975,000                       | 2,126,758 | 3,101,758 | 1.19                 | (4) 3.25                 |
| 2000        | 7,023,766          | 3,596,644              | 3,427,122                               | 9,948,243                                   | 1,025,000                     | 2,075,976 | 3,100,976 | 1.11                 | (4) 3.21                 |
| 2001        | 8,011,486          | 4,070,028              | 3,941,458                               | 10,301,116                                  | 1,075,000                     | 2,020,839 | 3,095,839 | 1.27                 | (4) 3.33                 |
| 2002        | 7,073,372          | 4,205,238              | 2,868,134                               | 11,458,553                                  | 1,135,000                     | 1,960,855 | 3,095,855 | 0.93                 | (4) 3.70                 |
| 2003        | 7,177,269          | 4,785,383              | 2,391,886                               | 7,177,269                                   | 1,265,000                     | 2,650,210 | 3,915,210 | 0.61                 | (4) 1.89                 |
| 2004        | 7,702,480          | 5,926,227              | 1,776,253                               | 7,702,480                                   | 1,235,000                     | 2,010,415 | 3,245,415 | 0.55                 | (4) 1.44                 |
| 2005        | 8,394,866          | 5,978,961              | 2,415,905                               | 8,394,866                                   | 1,135,000                     | 1,910,370 | 3,045,370 | 0.79                 | (4) 2.13                 |

(1) Gross revenues include interest income.

(2) Total operating exclusive of depreciation and amortization.

(3) Includes principal and interest of revenue bonds only. It does not include debt defeasance transactions.

(4) In March 1988, the Town adopted an overall rate reduction of 28%, resulting in reduced net revenue coverage.

TABLE 14

**TOWN OF DAVIE, FLORIDA**  
**DEMOGRAPHIC STATISTICS**  
**LAST TEN FISCAL YEARS**

| <u>Fiscal Year</u> | <u>Population (1)</u> | <u>Per Capital Income Broward County (2)</u> | <u>Median Age (2)</u> | <u>Public School Enrollment (3)</u> | <u>Unemployment Rate (4)</u> |
|--------------------|-----------------------|--|-----------------------|-------------------------------------|------------------------------|
| 1996               | 59,393                | 19,737                                       | 35.2                  | 13,147                              | 5.3                          |
| 1997               | 61,182                | 26,192                                       | 38.9                  | 13,692                              | 4.1                          |
| 1998               | 61,799                | 21,491                                       | 38.0                  | 16,065                              | 4.1                          |
| 1999               | 66,985                | 22,433                                       | 36.6                  | 16,884                              | 3.7                          |
| 2000               | 67,529                | 22,882                                       | 37.0                  | 17,521                              | 4.2                          |
| 2001               | 75,720                | 22,755                                       | 37.0                  | 18,193                              | 4.4                          |
| 2002               | 78,688                | 23,383                                       | 35.6                  | 16,285                              | 5.7                          |
| 2003               | 79,763                | 26,039                                       | 36.4                  | 15,887                              | 4.1                          |
| 2004               | 81,845                | 26,251                                       | 35.9                  | 15,568                              | 4.5                          |
| 2005               | 82,579                | 25,934                                       | 36.2                  | 15,987                              | 3.0                          |

(1) Source: Local Government Financial Information Handbook.

(2) Source: U.S. Census Bureau.

(3) Source: Broward County School Board 20th Day Membership Report

(4) Source: Florida Department of Labor and Employment Security.

TABLE 15

**TOWN OF DAVIE, FLORIDA**  
**PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS**  
**LAST TEN FISCAL YEARS**

| Fiscal<br>Year | Real<br>and<br>Personal<br>Property<br>Value<br>(1) | Exemptions<br>(1) | Net<br>Real<br>Property<br>Value | New Commercial<br>Construction (2) |            | New Residential<br>Construction (2) |             | Bank<br>Deposits<br>(3) |
|----------------|---|-------------------|----------------------------------|------------------------------------|------------|-------------------------------------|-------------|-------------------------|
|                |   |                   |                                  | Number<br>of<br>Units              | Valuation  | Number<br>of<br>Units               | Valuation   |                         |
| 1996           | 2,887,710,745                                       | 649,968,442       | 2,237,742,303                    | 23                                 | 7,300,798  | 973                                 | 88,311,259  | 13,541,832,000 (5)      |
| 1997           | 3,124,591,768                                       | 702,221,635       | 2,422,370,133                    | 25                                 | 18,181,514 | 381                                 | 50,058,315  | 13,689,973,000 (5)      |
| 1998           | 3,350,125,624                                       | 662,983,850       | 2,687,141,774                    | 38                                 | 9,837,460  | 588                                 | 111,675,647 | 13,747,758,000 (5)      |
| 1999           | 3,590,431,720                                       | 686,332,720       | 2,904,099,000                    | 46                                 | 51,799,840 | 765                                 | 108,133,302 | 14,747,331,000 (5)      |
| 2000           | 4,014,355,128                                       | 751,813,790       | 3,262,541,338                    | 82                                 | 36,990,007 | 751                                 | 88,180,290  | 14,861,878,000 (5)      |
| 2001           | 4,491,716,423                                       | 788,620,150       | 3,703,096,273                    | 32                                 | 58,122,726 | 427                                 | 43,740,491  | 16,114,187,000 (5)      |
| 2002           | 4,938,257,537                                       | 829,896,150       | 4,108,361,387                    | 40                                 | 39,776,694 | 496                                 | 58,542,367  | 26,307,559,000 (5)      |
| 2003           | 5,548,225,292                                       | 892,127,990       | 4,656,097,302                    | 36                                 | 10,405,435 | 502                                 | 74,330,452  | 28,403,800,000 (5)      |
| 2004           | 6,195,528,336                                       | 965,731,300       | 5,229,797,036                    | 22                                 | 5,715,359  | 625                                 | 68,391,682  | 36,689,909,000 (5)      |
| 2005           | 7,107,799,132                                       | 1,053,945,180     | 6,053,853,952                    | 32                                 | 17,560,920 | 521                                 | 57,315,010  | 33,565,307,000 (5)      |

(1) Source: From Table 6.

(2) Source: Town of Davie Building Department.

(3) Source: Florida Bankers Association

(4) Source: Information unavailable.

(5) Source: Information is no longer available for just the Town, but for the entire County.

**TOWN OF DAVIE, FLORIDA**  
**MISCELLANEOUS STATISTICAL DATA**  
**SEPTEMBER 30, 2005**

|  |                       |
|--|-----------------------|
| Date of incorporation                            | November 16, 1925     |
| Date of reincorporation                          | September 19, 1961    |
| Form of government                               | Council-Administrator |
| Number of employees (excluding police and fire): |                       |
| Classified                                       | 332                   |
| Exempt   | 4                     |
| Population                                       | 82,579                |
| Area   | 34.5 square miles     |
| Town of Davie facilities and services:           |                       |
| Miles of paved streets                           | 292.5                 |
| Miles of roads repaved                           | 8.25                  |
| Miles of new roads paved                         | 0.5                   |
| Number of street lights                          | 3,598                 |
| Culture and recreation:                          |                       |
| Community centers                                | 7                     |
| Parks  | 36                    |
| Park acreage                                     | 268                   |
| Open space acreage                               | 431                   |
| Ball fields                                      | 39                    |
| Playgrounds                                      | 23                    |
| Special facilities                               | 4                     |
| Fire protection:                                 |                       |
| Number of stations                               | 4                     |
| Number of fire personnel and officers            | 173                   |
| Number of calls answered                         | 14,526                |
| Number of inspections conducted                  | 2,653                 |
| Police protection:                               |                       |
| Number of stations                               | 1                     |
| Number of police personnel and officers          | 246                   |
| Number of patrol units                           | 165                   |
| Number of law violations:                        |                       |
| Physical arrests                                 | 4,062                 |
| Citations issued                                 | 16,636                |

**TOWN OF DAVIE, FLORIDA**  
**MISCELLANEOUS STATISTICAL DATA**  
(Continued)  
**SEPTEMBER 30, 2005**

|   |                  |
|---|------------------|
| Code Compliance:                                  |                  |
| Inspections and investigations                    | 3,774            |
| Correction notices issued                         | 3,008            |
| Code enforcement board/special master cases       | 722              |
| Building permits issued (new construction)        | 521              |
| Occupational licenses issued                      | 5,320            |
| Sewerage system:                                  |                  |
| Miles of gravity sewer lines                      | 67               |
| Miles of effluent discharge lines (ocean outfall) | 7                |
| Miles of force mains                              | 25               |
| Number of treatment plant sites                   | 1                |
| Number of manholes                                | 1,513            |
| Number of service connections                     | 7,390            |
| Daily average treatment in gallons                | 3.24 MGD         |
| Maximum daily capacity of plant in gallons        | 4.85 MGD         |
| Water system:                                     |                  |
| Miles of water mains                              | 151              |
| Number of service connections                     | 9,723            |
| Number of hydrants                                | 1086 (1194)      |
| Daily average consumption in gallons              | 4.53 MGD         |
| Maximum daily capacity of plant in gallons        | 7.4 MGD capacity |
| Number of water plant sites                       | 2                |
| Meetings:   |                  |
| Town Council                                      | 49               |
| Site Plan Committee                               | 16               |
| Planning and Zoning Board                         | 14               |
| Charter Review Board                              | n/a              |
| Other   | 167              |
| Public Education:                                 |                  |
| Number of schools                                 | 14               |
| Number of enrolled students                       | 15,987           |

TABLE 17

**TOWN OF DAVIE, FLORIDA**  
**CUSTOMERS AND RATE SCHEDULE - WATER AND SEWER DIVISION**  
**SEPTEMBER 30, 2005**

| <b>CUSTOMERS</b>  | <u>Water</u>                                  | <u>Sewer</u> |
|---|---|--------------|
| Residential   | 3,713   | 2,115        |
| Multi unit residential and mobile homes   | 3,835   | 3,513        |
| Commercial  | <u>1,880</u>                                  | <u>1,492</u> |
|   | <u>9,428</u>                                  | <u>7,120</u> |
|   | Monthly Base<br>Service Charge<br>(0 Gallons) |              |
| <b>RATE SCHEDULE</b>  | <u>Water</u>                                  | <u>Sewer</u> |
| Residential:  |   |              |
| Single family   | \$ 8.80                                       | \$ 10.99     |
| Multi unit - including duplexes, townhomes, etc. (per dwelling unit)  | 8.15  | 10.20        |
| Mobile homes (per dwelling unit)  | 7.53  | 9.48         |
| Plus a water charge of \$1.37 per each 1,000 gallons consumed.  |   |              |
| Plus a sewer charge of \$1.71 per each 1,000 gallons disposed to a maximum of 15,000 gallons per dwelling unit. |   |              |
| Other than residential (excluding institutional customers and irrigation meters):                               |   |              |
| Meter size:   |   |              |
| 3/4 or less   | 8.80  | 10.99        |
| 1"  | 41.76   | 52.20        |
| 1 1/2"  | 72.71   | 90.89        |
| 2"  | 165.30  | 206.63       |
| 3" and over   | *   | *            |
| Institutional customers:  |   |              |
| Meter size:   |   |              |
| 3/4 or less   | 9.55  | 11.94        |
| 1"  | 45.41   | 56.74        |
| 1 1/2"  | 79.03   | 98.81        |
| 2"  | 179.38  | 224.61       |
| 3" and over   | *   | *            |
| Irrigation meters:  |   |              |
| Minimum, up to 1 ERC (Equivalent Residential Connection) - 350 G.P.D.   | 8.83  |              |
| For each additional ERC - 350 G.P.D. (as calculated by the Utility Department)                                  | 8.83  |              |
| (*) By agreement only   |   |              |
| Plus a water charge of \$1.37 per each 1,000 gallons consumed.  |   |              |

**TOWN OF DAVIE, FLORIDA**  
**SCHEDULE OF INSURANCE IN FORCE**  
**SEPTEMBER 30, 2005**

South East Risk Management - Policy No. SERMA-12

1. General Liability / Automobile Liability, POL & EPL  
LIMIT: Each person - \$100,000  
Each occurrence - \$200,000  
SPECIFIC EXCESS: \$1,000,000  
DEDUCTIBLE: \$0
2. CRIME: Emp. Dishonesty/Faithful Perf., Forgery or Alteration, Theft, Computer Fraud  
LIMIT: \$1,000,000  
DEDUCTIBLE: \$1,000
3. Real / Personal Property - South East Risk Management - Policy No. SERMA-12  
LIMIT: Varies per location/item  
DEDUCTIBLE: \$1000 Wind: 3% Buildings/Structures & Autos, 10% Misc. Property
4. Environmental Liability - Illinois Union- Policy No. PPLG21740020  
LIMIT: Each loss - \$2,000,000  
Total for all losses - \$4,000,000  
DEDUCTIBLE: \$25,000
5. Boiler and Machinery - South East Risk Management - Policy No. SERMA-12  
LIMIT: Direct damage - \$30,000,000 (per accident)  
a. Demolition - \$500,000  
b. CFC refrigerants - \$100,000  
c. Expediting expenses - \$100,000  
d. Hazardous substances - \$100,000  
Business income including extra expense - Included with Property  
DEDUCTIBLE: \$1,000
6. Storage Tank Third Party Liability/Corrective Action - Florida Petroleum Liability - Policy No. FPL 7508538  
LIMIT: Each incident - \$1,000,000  
Aggregate - \$1,000,000  
DEDUCTIBLE: \$10,000
7. Flood - Fidelity National Property & Casualty - Policy Nos.: 09-7700509444-02, 09-7700502417-02  
09-7700502413-02, 09-7700502413-02, 09-7700509447-02, 09-7700509449-02  
09-7700509440-02, 09-7700509448-02, 09-7700510525-02, 09-7700616552-01  
09-7700616560-01, 09-7700616564-01, 09-7700616535-01, 09-7700616556-01  
09-7700616542-01, 09-7700618321-00, 09-0009615529-03, 09-0009615528-03  
09-7700502411-03  
LIMIT: Various per location, Only specific Occupied Buildings Covered.  
DEDUCTIBLE: \$500
8. Workers' Compensation & Employers Liability: SERMA-12  
LIMIT: Florida Statutory with Excess coverage to \$1,000,000  
Deductible: NONE



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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 basic financial statements of the Town of Davie, Florida (the Town) as of and for the year ended September 30, 2005 and have issued our report thereon dated December 18, 2006. 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 89% of the assets and 82% 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 opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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. We noted a violation of the Town's purchasing policy which we have reported under Finding 5-03 in the accompanying schedule of findings and questioned costs as material non compliance.

However, we also noted certain matters, which we have reported to management of the Town of Davie, Florida in the accompanying schedule of findings and questioned costs.

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.

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

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.



December 18, 2006

**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, 2005, and have issued a report thereon dated December 18, 2006. 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 89% of the assets and 82% 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 the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, and Chapter 10.550, Rules of the Auditor General. We have issued our Report of Independent Certified Public Accountants on Compliance and Internal Control over Financial Reporting, Report of Independent Certified Public Accountants on Compliance and Internal Control over Compliance Applicable to each Major Federal Awards Program and State Financial Assistance, Summary Schedule of Prior Audit Findings and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedules, which are dated December 18, 2006, should be considered in conjunction with this management letter.

In connection with our audit of the basic financial statements of the Town for the year ended September 30, 2005, 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, 2004, 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.

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, 2005 financial audit report.
8. The Town was incorporated by Laws of Florida 61-2056; the Town's component unit, the Davie Community Redevelopment Agency was established May 4, 1988 by Ordinance 88-23.
9. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.566(8). 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 on representations made by management and the review of financial information provided by the Town. There were no findings regarding deteriorating financial conditions.

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.



December 18, 2006

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND STATE FINANCIAL ASSISTANCE 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* and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2005. The Town's major federal awards program and state projects 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 awards program and state projects 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*; and Chapter 10.550, Rules of the Auditor General. Those standards and OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, 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 awards program or state project occurred. 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 requirements regarding the due date of the Federal or the State Single Audit that is applicable to its major federal awards programs and state financial assistance. Compliance with such requirements is necessary, in our opinion, for the Town to comply with the requirements applicable to those programs.

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 awards programs and state projects for the year ended September 30, 2005.

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

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 awards programs and state projects. 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 major federal awards programs and state projects 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 and Chapter 10.550, Rules of the Auditor General.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 that would be material in relation to a major federal awards programs and state projects being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



December 18, 2006

**TOWN OF DAVIE, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED SEPTEMBER 30, 2005**

| <u>FEDERAL AGENCY &amp; PROGRAM TITLE</u>                       | <u>Grant Number</u>             | <u>Federal<br/>CFDA<br/>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                             | \$ 79,746           |
| 2003 Assistance to Firefighters Grant Program                   | EMW-2003-FG-15992               | 83.554                             | 102,887             |
| U.S. DEPARTMENT OF JUSTICE                                      |                                 |                                    |                     |
| Federal Equitable Sharing / ACA Program                         | N/A                             | N/A                                | 118,498             |
| COPS in Schools   | 2002SHWX0650                    | 16.710                             | 108,031             |
| COPS Universal Hiring Program 2002                              | 2003UMWX0289                    | 16.710                             | 164,226             |
| FY 2003 Local Law Enforcement Block Grant                       | 2003-LB-BX-0799                 | 16.592                             | 35,768              |
| Bulletproof Vest Partnership 2003                               | NIJ# LC2-3                      | 15.607                             | 3,194               |
| Bulletproof Vest Partnership 2002                               | NIJ# ZL6                        | 15.607                             | 1,868               |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT                |                                 |                                    |                     |
| Community Development Block Grant                               | B-04-MC-12-0044                 | 14.218                             | 241,704             |
| Community Development Block Grant                               | B-03-MC-12-0044                 | 14.218                             | 37,707              |
| Community Development Block Grant                               | B-02-MC-12-0044                 | 14.218                             | 2,300               |
| <b><u>FEDERAL PASS-THROUGH PROGRAMS</u></b>                     |                                 |                                    |                     |
| U.S. DEPARTMENT OF AGRICULTURE                                  |                                 |                                    |                     |
| Pass-through FL Department of Education                         |                                 |                                    |                     |
| Summer Food Program 2005  | 04-0723                         | 10.559                             | 12,570              |
| Pass-through FL Department of Agriculture and Consumer Services |                                 |                                    |                     |
| 2003 Urban & Community Forestry Program                         | 008806                          | 10.675                             | 4,708               |
| U.S. DEPARTMENT OF THE INTERIOR                                 |                                 |                                    |                     |
| Pass-through FL Department of Environmental Protection          |                                 |                                    |                     |
| Land & Water Conservation Fund - Silver Lakes                   | 12-00401                        | 15.916                             | 53,714              |
| U.S. DEPARTMENT OF HOMELAND SECURITY                            |                                 |                                    |                     |
| Pass-through FL Dept. of Community Affairs                      |                                 |                                    |                     |
| Public Assistance Prog. - Tropical Storm Rita (FEMA-3259-EM-FL) | 06-RT-&W-11-16-02-521; XF076    | 97.036                             | 70,923              |
| Public Assistance Prog. - Hurricane Katrina (FEMA-1602-DR-FL)   | 06-KF-B&-11-16-02-665; XF049    | 97.036                             | 654,474             |
| Public Assistance Prog. - Hurricane Jeanne (FEMA-1561-DR-FL)    | 05-PA-E=-11-16-00-260; WF068    | 97.036                             | 163,620             |
| U.S. DEPARTMENT OF TRANSPORTATION                               |                                 |                                    |                     |
| Pass-through FL Dept. of Transportation                         |                                 |                                    |                     |
| FHWA Emergency Relief Program - Hurricane Katrina               | KA86-009, FL-05-03              | 20.205                             | 103,174             |
| FHWA Emergency Relief Program - Hurricane Frances               | ANX-49; F86-021; FN 41728527801 | 20.205                             | 49,120              |
| 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                             | 175,770             |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                     |                                 |                                    | <b>\$ 2,184,002</b> |

**TOWN OF DAVIE, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED SEPTEMBER 30, 2005**  
**(Continued)**

| <u>AGENCY &amp; PROGRAM TITLE</u>                               | <u>Grant Number</u>                     | <u>CFSA<br/>Number</u> | <u>Expenditures</u>        |
|---|---|------------------------|----------------------------|
| <b>STATE OF FLORIDA ASSISTANCE</b>                              |   |                        |                            |
| FL Dept. of Community Affairs                                   |   |                        |                            |
| Florida Forever - Sunny Lake                                    | 06-CT-34-04-F4-A1-010, Proj. 04-010-FF4 | 52.002                 | \$ 1,701,535               |
| Public Assistance Program - Hurricane Jeanne (FEMA-1561-DR-FL)  | 05-PA-E--11-16-00-260, Grant WS068      | 52.600308              | 7,454                      |
| Public Assistance Program - Hurricane Katrina (FEMA-DR-1602-FL) | 06-KF-B&-11-16-02-665, Grant XS049      | 52.600308              | 75,693                     |
| FL Dept. of Environmental Protection                            |   |                        |                            |
| FRDAP - Falcon's Lea  | F4119                                   | 37.017                 | 31,226                     |
| FL Dept. of Financial Services, State Fire Marshal              |   |                        |                            |
| Type IV Light Technical Rescue Team                             | Team 748                                |                        | 9,228                      |
| FL Dept. of Transportation                                      |   |                        |                            |
| Service Development Grant                                       | FM# 416752-1-94-01, Contract #ANU95     | 55.012                 | 2,522                      |
| State Thoroughfare Beautification Prog.                         | FM# 416553-1-58-01, Contract # ANH53    | 55.003                 | 21,515                     |
| FL Housing Finance Agency (Pass-through Broward Co.)            |   |                        |                            |
| State Housing Initiatives Partnership Program (SHIP)            | N/A                                     | 52.901                 | <u>29,927</u>              |
| <b>TOTAL EXPENDITURES OF STATE OF FLORIDA AWARDS</b>            |   |                        | <b><u>\$ 1,879,100</u></b> |

See notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

**TOWN OF DAVIE, FLORIDA**  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED SEPTEMBER 30, 2005

**NOTE 1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state 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* and Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The percentage tested for major programs are as follows;

|                 |     |
|-----------------|-----|
| Federal Program | 41% |
| State Project   | 91% |

**TOWN OF DAVIE, FLORIDA**  
**SCHEDULE OF COUNTY ASSISTANCE**  
**YEAR ENDED SEPTEMBER 30, 2005**

**BROWARD COUNTY ASSISTANCE**

|  |                      |     |    |                     |
|--|----------------------|-----|----|---------------------|
| Cultural Division  |                      |     |    |                     |
| Community Education & Development Program                        | ECD 10-2005          | N/A | \$ | 15,900              |
| Dept. of Environmental Protection                                |                      |     |    |                     |
| Safe Parks & Land Preservation Bond Program - Sunny Lake (OS-83) | Interlocal Agreement | N/A |    | 1,700,000           |
| Engineering Division - Trafficways Beautification                |                      |     |    |                     |
| Trafficways Beautification - Pine Island Road                    | Project 5244         | N/A |    | 6,836               |
| Mass Transit Division  |                      |     |    |                     |
| Community Bus Service Program - SFEC Bus                         | Interlocal Agreement | N/A |    | 124,460             |
| Community Bus Service Program - Davie Community Bus              | Interlocal Agreement | N/A |    | 295,910             |
|  |                      |     |    | 295,910             |
| <b>TOTAL EXPENDITURES OF COUNTY AWARDS</b>                       |                      |     |    | <b>\$ 2,143,106</b> |
|  |                      |     |    | <b>2,143,106</b>    |

**TOWN OF DAVIE, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED SEPTEMBER 30, 2005**

**PRIOR YEAR COMMENTS AND STATUS**

The following addresses the status of financial statement findings reported in the September 30, 2004 schedule of findings and questioned costs.

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

- Compliance – reporting – bond and finance agreements (See 05-01)
- Compliance – Budget – (See 05-05)
- Internal service funds – net assets (See 05-06)

The following addresses the status of federal awards findings reported in the September 30, 2004 schedule of findings and questioned costs:

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

- Compliance – reporting (See 05-07)

**TOWN OF DAVIE, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED SEPTEMBER 30, 2005**

**I. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of the Town.
2. No 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*.
3. Instances of noncompliance material to the financial statements of the Town were disclosed during the audit. See Part II of this schedule.
4. No reportable conditions relating to the audit of the major federal programs or major state projects are reported in the independent auditors' report on compliance and on internal control over compliance applicable to each major federal program and state project.
5. The independent auditors' report on compliance for each major federal programs and state projects for the Town expresses an unqualified opinion.
6. Audit findings relative to the major federal awards programs and state financial assistance projects for The Town are reported in Part III of this Schedule.
7. The programs/projects tested as major programs include:

| <u>Federal Program</u>    | <u>CFDA #</u> | <u>Amount</u> |
|---------------------------|---------------|---------------|
| Public Assistance Grants  | 97.036        | \$ 889,017    |
|                           |               |               |
| <u>State Project</u>      | <u>CSFA#</u>  | <u>Amount</u> |
| Florida Communities Trust | 52.002        | \$ 1,701,535  |

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

**TOWN OF DAVIE, FLORIDA**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED SEPTEMBER 30, 2005

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Material Non Compliance**

**05-1 Reporting Requirements**

The Town did not submit the audited financial statements to the State of Florida by September 30, 2006 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, 2005. The Town was not in compliance with this requirement for the audit period ended September 30, 2005.

**Recommendation**

We recommend that the Town comply with their reporting requirements.

**05-02 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.

**05-03 Related Party Transaction**

During the audit it was discovered that the public works director violated the Town's purchasing policy by awarding contracts to a company in which a family member was an officer. The purpose of the policy is to prevent overpaying for goods and services.

**Recommendation**

The Town should consider requiring individuals with the authority to effect or influence procurement decision to complete questionnaires designed to identify potential conflicts-of-interest.

**Other Findings**

**05-04 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.

**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.

**TOWN OF DAVIE, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED SEPTEMBER 30, 2005**

**05-05 Budget**

For the year ended September 30, 2005, expenditures exceeded appropriations in Non-Departmental by \$229,842 and in Public Works by \$445,123 as presented in the Statement of Revenues and Expenditures – Budget and Actual – General Fund. For the year ended September 30, 2005, transfers out exceeded appropriations by \$8,325,126 as presented in the Statement of Revenues and Expenditures – Budget and Actual – General Fund

**Recommendation**

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

**05-06 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 AND STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

**05-07 Compliance - Reporting**

In accordance with the Federal Single Audit Act and the State Single Audit, 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 for the Federal Single Audit Act and the State Single Audit within nine months after the end of the audit period; that date was June 30, 2006. The Town has not met this requirement for the audit period ended September 30, 2005 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.

**Recommendation**

We recommend that the Town comply with timely submission of the Federal and State 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.



## BUDGET AND FINANCE DEPARTMENT

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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 did not submit the audited financial statements to the State of Florida by September 30, 2006 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, 2005. The Town was not in compliance with this requirement for the audit period ended September 30, 2005.

### *Town Response*

The Town's Comprehensive Annual Financial Report for the fiscal year ended September 30, 2005, was late being issued primarily because of the work performed to investigate and quantify the alleged misappropriation of funds by the Town's former Town Administrator. In addition to extra work performed for the annual external audit, the Budget and Finance Department was also working with both a forensic audit firm and an internal control audit firm. These specialized firms were engaged by the Town to ascertain whether or not there had been other wrongdoing and to review, and make recommendations to improve, the Town's controls and procedures to prevent similar problems from occurring in the future. Hurricane Wilma and its related aftermath also contributed to a delay in the necessary information being ready as did the recent retirement of the Town's Budget and Finance Director towards the end of the audit process. 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*

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. Currently the Town is 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 engaged an internal control audit firm to review and make recommendations on the Town's internal controls and procedures. The Town is committed to adopting and implementing any recommendations they may make concerning investments.

### Auditor Comment

During the audit it was discovered that the public works director violated the Town's purchasing policy by awarding contracts to a company in which a family member was an officer. The purpose of the policy is to prevent overpaying for goods and services.

*Town Response*

The Town's Public Works/Capital Projects Director retired from the Town subsequent to the fiscal year end. Although the awards in question did go through the normal procurement selection process, the concern remains since an apparent conflict of interest existed. As was mentioned previously, the Town engaged an internal control audit firm to review and make recommendations on the Town's internal controls and procedures and is committed to adopting and implementing any recommendations they may make.

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.

*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, 2005, expenditures exceeded appropriations in Non-Departmental by \$229,842 and in Public Works by \$445,123 as presented in the Statement of Revenues and Expenditures – Budget and Actual – General Fund. For the year ended September 30, 2005, transfers out exceeded appropriations by \$8,325,126 as presented in the Statement of Revenues and Expenditures – Budget and Actual – General Fund.

*Town Response*

The Town addressed these particular variances in the "Significant Budget Variations" portion of the *Management's Discussion and Analysis* section of the financial statements. To review briefly, the Non-Departmental item was primarily related to expenditures being written off in connection to the Town's prior Town Administrator; the Public Works item was primarily related to an overage in the trash removal account resulting from Hurricane Katrina; and the transfers out item reflected transfers to the Town's Capital Projects Fund for the flow through of bond proceeds to fund capital projects in process. It had been the Town's intention to amend the budget following the end of the fiscal year to incorporate these, as well as a number of favorable budget variances, into the final budget. Unfortunately between Hurricane Wilma and the time devoted to the investigations and audits surrounding the departure of the Town's prior Town Administrator, an amendment was not prepared timely after the fiscal year end and so was not presented for adoption to the Town Council. 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 is being taken. The Town recently completed a Public Works Compound Expansion project by using existing Vehicle Maintenance Fund reserves rather than issuing debt. Also, in fiscal years 2004 and 2005 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 \$1.9 million as of September 30, 2005, which is 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, 2005, the Self Insurance Fund had unrestricted net assets at approximately \$7.9 million which is just over one year's worth of operating expenses. The other two internal service funds, Information Systems and Building Maintenance, each have less than \$1 million in unrestricted net assets and so do not have an undue accumulation.

#### Auditor Comment

In accordance with the Federal Single Audit Act and the State Single Audit, 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 for the Federal Single Audit Act and the State Single Audit within nine months after the end of the audit period; that date was June 30, 2006. The Town has not met this requirement for the audit period ended September 30, 2005 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.

#### *Town Response*

The Town's report was delayed for the reasons described in the Town's response to the first auditor comment and the same response applies to this comment