

City of Hallandale Beach, Florida

For the Year Ended September 30, 2010  
Management's Discussion and Analysis (unaudited)

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This section of the report presents our discussion and analysis of the City's performance during the fiscal year that ended September 30, 2010. Please read it in conjunction with the City's financial statements, which follow this section.

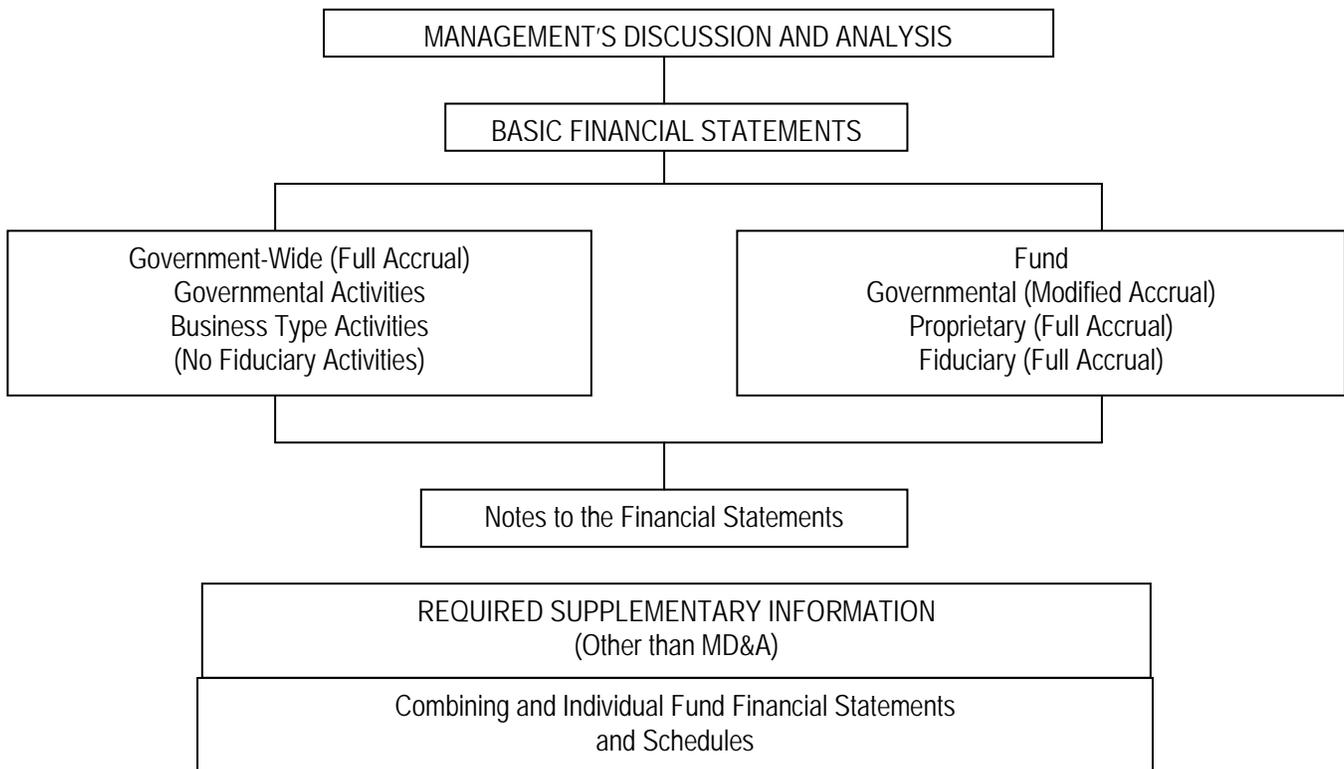
Financial Highlights

- The assets of the City of Hallandale Beach exceeded its liabilities at the close of the most recent fiscal year by \$158.2 million (net assets). Of this amount, \$59.4 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$12.6 million over the course of this year's operations. Net assets of our business type activities increased by \$4.2 million, and the net assets of our governmental activities increased by \$8.4 million.
- The City's governmental funds reported combined ending fund balances of \$61.8 million, an increase of \$5.5 million
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$21.2 million, or 49.1% of total general fund expenditures.

Overview of the Financial Statements

The financial section of this Annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and a supplementary information section that presents combining and individual fund financial statements and schedules.

*Financial Section*



City of Hallandale Beach, Florida

For the Year Ended September 30, 2010  
 Management's Discussion and Analysis (unaudited)

Major Features of the Basic Financial Statements

	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary activities)	Activities of the City that are not proprietary or fiduciary	Activities of the City that are operated similar to private business	Instances in which the City is the trustee or agent for someone else's resources
Required financial Statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenue, expenditures, and changes in fund balances	* Statement of net assets * Statement of revenue expenses, and changes in net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets and long term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term.
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid.	* Revenue for which cash is received during or soon after the end of the year * Expenditures when goods or services have been received and payment is due during the year or soon after	All revenue and expenses during the year, regardless of when cash is received or paid	All revenue and expenses during the year, regardless of when cash is received or paid

Basic Financial Statements

**Government-wide financial statements.** The focus of the *government-wide financial statements* is on the overall financial position and activities of the City of Hallandale Beach. Reporting is similar to that of a private-sector business. The government-wide financial statements report information about the City as a whole and about its activities in a way that helps answer questions about the financial health of the City and whether the activities of the year contributed positively or negatively to that health.

## City of Hallandale Beach, Florida

### For the Year Ended September 30, 2010 Management's Discussion and Analysis (unaudited)

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The City's government-wide financial statements include the statement of net assets and statement of activities. As described below, these statements do not include the City's fiduciary activities because resources of these funds cannot be used to finance the City's activities. However, the financial statements of fiduciary activities are included in the City's fund financial statements, because the City is financially accountable for those resources, even though they belong to other parties.

- The *Statement of Net Assets* presents information on the assets held and liabilities owed by the City, both long and short-term. Assets are reported when acquired by the City and liabilities are reported when they are incurred, regardless of the timing of the related cash flows to acquire these assets or liquidate such liabilities. For example, the City reports buildings and infrastructure as assets, even though they are not available to pay the obligations incurred by the City. On the other hand, the City reports liabilities, such as litigation claims, even though these liabilities might not be paid until several years into the future.

The difference between the City's total assets and total liabilities is *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Although the purpose of the City is not to accumulate net assets, in general, as this amount increases it indicates that the financial position of the City is improving over time.

- The *Statement of Activities* presents the revenues and expenses of the City. The items presented on the statement of activities are measured in a manner similar to the approach used in the private-sector in that revenues are recognized when earned and expenses are reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety (law enforcement and fire-rescue), physical environment, transportation, culture and recreation, human services and economic environment. The business-type activities include cemetery, sanitation, sewer utility, stormwater drainage and water utility.

**Fund financial statements.** Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the City rather than the City as a whole. Except for the General Fund, separate funds are established to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Financial statements consist of a balance sheet and a statement of revenue, expenditures, and change in fund balances. These statements are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables but do not include capital assets such as land and buildings. The difference between a fund's total assets and total liabilities is the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. The operating statement for governmental funds reports only those revenues that were collected during the current period or very shortly after the end of the year. Expenditures are generally recorded when incurred.

City of Hallandale Beach, Florida

For the Year Ended September 30, 2010  
Management's Discussion and Analysis (unaudited)

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For the most part, the balances and activities accounted for in governmental funds are also reported in the governmental activities columns of the government-wide financial statements. However, because different accounting bases are used to prepare governmental fund financial statements and government-wide financial statements, there are often significant differences between the totals presented. For this reason, there is an analysis after the governmental funds balance sheet that reconciles the total fund balances for all governmental funds to the amount of net assets presented in the governmental activities column on the statement of net assets. Also, there is an analysis after the statement of revenue, expenditures, and changes in fund balances that reconciles the total change in fund balances for all governmental funds to the change in net assets as reported in the governmental activities column in the statement of activities.

**Proprietary funds.** Financial statements consist of a statement of net assets, statement of revenue, expenses, and changes in fund net assets and statement of cash flows. These statements are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements. For financial reporting purposes, proprietary funds are grouped into Enterprise Funds and Internal Service Funds.

The City uses Enterprise Funds to account for business-type activities that charge fees to customers for the use of specific goods or services. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal Service funds are used to account for services provided and billed on an internal basis. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City presents a separate column for each of the major enterprise funds: Water, Sewer, Sanitation, and Stormwater funds. Since the Cemetery fund is the only remaining enterprise fund it is presented in a single column labeled Nonmajor-Cemetery. Internal Service Funds are aggregated and presented in a single column. A statement of cash flows is presented at the fund financial statement level for proprietary funds, but no equivalent statement is presented in the government-wide financial statements for either governmental activities or business-type activities.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. Fiduciary financial statements consist of a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

**Required supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning various issues such as a comparison between the City's adopted and final budget and actual financial results for its General Fund and major special revenue fund. The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the general fund and major special revenue funds to demonstrate compliance with this budget. Required supplementary information is also presented for the City's pension plans and other post employment benefits, including a schedule of funding progress and schedule of employer contributions.

**Combining and individual fund statements and schedules.** Combining statements referred to earlier in connection with non-major governmental, internal service and fiduciary funds are presented immediately following the required supplementary information.

City of Hallandale Beach, Florida

For the Year Ended September 30, 2010  
Management's Discussion and Analysis (unaudited)

Government-Wide Financial Analysis

The table below presents a summary of net assets as of September 30, 2010 and 2009, derived from the government-wide Statement of Net Assets:

	Net Assets (in thousands)					
	Governmental Activities		Business - Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 75,456	\$ 68,079	\$ 32,455	\$ 28,332	\$ 107,911	\$ 96,411
Capital assets	62,272	62,628	39,231	38,327	101,503	100,955
<b>Total assets</b>	<b>137,728</b>	<b>130,707</b>	<b>71,686</b>	<b>66,659</b>	<b>209,414</b>	<b>197,366</b>
Long-term liabilities	31,766	29,872	11,487	12,011	43,253	41,883
Other liabilities	2,310	1,914	5,694	4,351	8,004	6,265
<b>Total liabilities</b>	<b>34,076</b>	<b>31,786</b>	<b>17,181</b>	<b>16,362</b>	<b>51,257</b>	<b>48,148</b>
Net assets:						
Invested in capital assets, net of related debt	45,621	39,425	28,347	26,859	73,968	66,284
Restricted	24,788	22,576	-	-	24,788	22,576
Unrestricted	33,243	36,920	26,158	23,438	59,401	60,358
<b>Total net assets</b>	<b>\$ 103,652</b>	<b>\$ 98,921</b>	<b>\$ 54,505</b>	<b>\$ 50,297</b>	<b>\$ 158,157</b>	<b>\$ 149,218</b>

As noted earlier, net assets may serve, over time, as a useful indication of a government's financial position. At the close of the most recent fiscal year, the City's assets exceeded its liabilities by \$158.2 million.

The City's total net assets are divided among unrestricted, at 37.5%, representing resources that are available for spending, and investment in capital assets net of related debt at 46.8%, with the remaining 15.7% restricted for specific purposes. Investment in capital assets net of related debt reflects the City's investment in capital assets reduced by the amount of outstanding related debt used to acquire these assets. The City uses these capital assets to provide services to the citizens of the City; consequently these net assets are not available for future spending. Although the capital assets are shown net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources.

At the end of the current fiscal year, the City of Hallandale Beach is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's net assets increased by \$12.6 million during the current fiscal year. Governmental activities provided \$8.4 million or 66.7% of the increase, with general and program revenues of \$65.4 million compared to program expenses and transfers of \$57.0 million. Restricted and unrestricted cash decreased \$10.2 million, but these decreases were offset by an increase in investments in the amount of \$9.6 million. Accounts receivable and due from other governments increased \$6.9 million, while accounts payable and accrued liabilities increased \$.7 million. Assets held for resale increased \$.9 million due to the purchase of housing units.

Business-type activities contributed \$4.2 million, mainly due to water fund operations. All funds except the sewer fund contributed to the increase in net assets. The water, stormwater and sanitation funds' increases in net assets were 73.1%, 25.1% and 25.0%, respectively, while sewer fund operations resulted in a decrease of 23.7% of the total

City of Hallandale Beach, Florida

For the Year Ended September 30, 2010  
Management's Discussion and Analysis (unaudited)

amount of the increase. Investments increased \$3.8 million. Non-depreciable capital assets increased by \$.7 million due to progress on construction of projects, mainly in the stormwater drainage fund. Accounts payable and accrued liabilities increased by \$1.3 million due to an increase in estimates for wastewater treatment costs payable.

The table below presents a summary of changes in net assets for the years ended September 30, 2010 and 2009, as derived from the government-wide Statement of Activities:

	Changes in Net Assets (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 10,304	\$ 9,826	\$ 28,722	\$ 29,093	\$ 39,026	\$ 38,919
Operating grants and contributions	5,384	1,267	-	-	5,384	1,267
Capital grants and contributions	1,061	1,615	9	644	1,070	2,259
General Revenues:						
Property taxes	24,340	23,369	-	-	24,340	23,369
Other taxes	11,196	11,153	336	237	11,532	11,390
Other revenues	13,116	14,204	683	555	13,799	14,759
<b>Total revenues</b>	<b>65,401</b>	<b>61,434</b>	<b>29,750</b>	<b>30,529</b>	<b>95,151</b>	<b>91,963</b>
<b>Expenses:</b>						
General government	9,632	11,990	-	-	9,632	11,990
Public safety	32,167	31,654	-	-	32,167	31,654
Physical environment	2,037	2,839	-	-	2,037	2,839
Transportation	1,295	1,571	-	-	1,295	1,571
Economic environment	6,479	3,227	-	-	6,479	3,227
Culture and recreation	2,438	2,445	-	-	2,438	2,445
Human services	931	1,139	-	-	931	1,139
Interest	1,056	1,220	-	-	1,056	1,220
Cemetery	-	-	333	134	333	134
Sanitation	-	-	4,942	5,213	4,942	5,213
Sewer	-	-	11,215	8,683	11,215	8,683
Stormwater	-	-	1,932	1,425	1,932	1,425
Water	-	-	8,049	8,640	8,049	8,640
<b>Total expenses</b>	<b>56,035</b>	<b>56,085</b>	<b>26,471</b>	<b>24,095</b>	<b>82,506</b>	<b>80,180</b>
<b>Changes in net assets before transfers</b>	<b>9,366</b>	<b>5,349</b>	<b>3,279</b>	<b>6,434</b>	<b>12,645</b>	<b>11,783</b>
Transfers	(929)	37	929	(37)	-	-
<b>Change in net assets</b>	<b>8,437</b>	<b>5,386</b>	<b>4,208</b>	<b>6,397</b>	<b>12,645</b>	<b>11,783</b>
Net assets, beginning, as restated	95,215	93,535	50,297	43,900	145,512	137,435
<b>Net assets, ending</b>	<b>\$ 103,652</b>	<b>\$ 98,921</b>	<b>\$ 54,505</b>	<b>\$ 50,297</b>	<b>\$ 158,157</b>	<b>\$ 149,218</b>

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### For the Year Ended September 30, 2010 Management's Discussion and Analysis (unaudited)

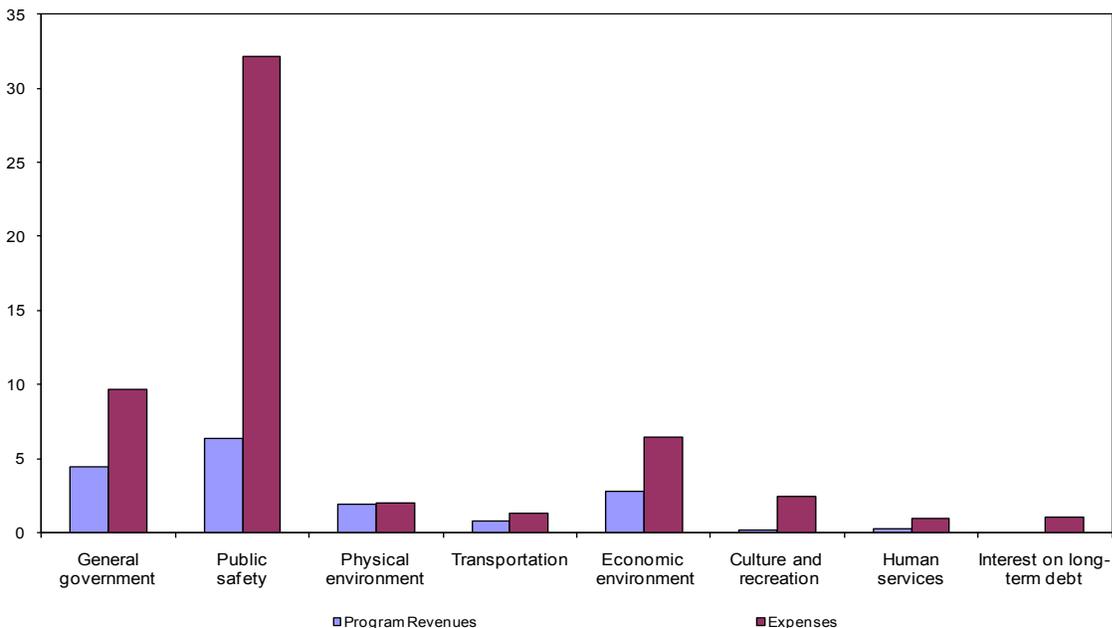
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#### Governmental activities

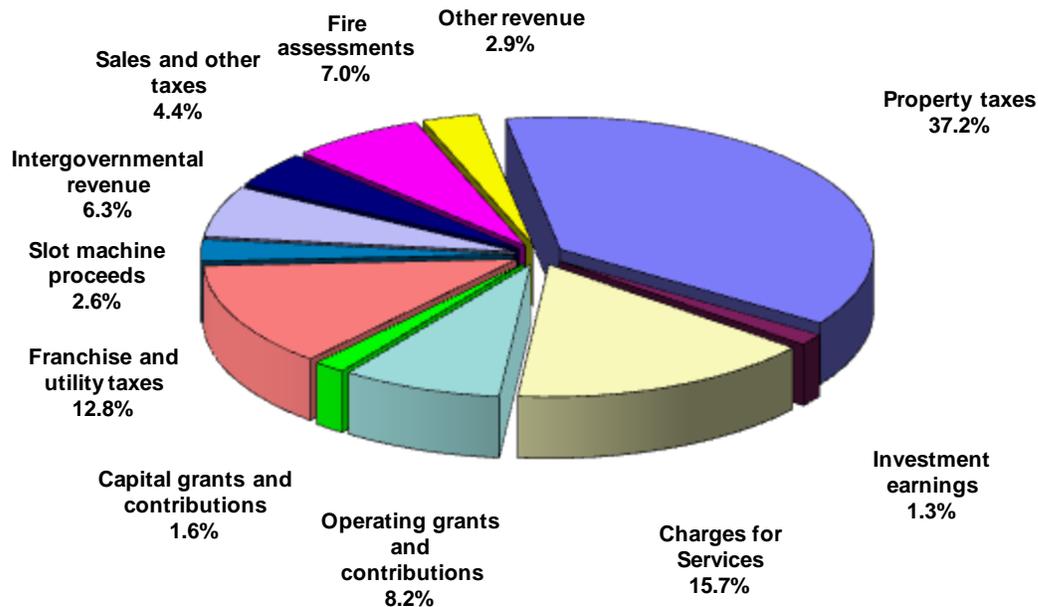
Governmental activities increased the City of Hallandale Beach's net assets by \$6.4 million, thereby accounting for 60.3% of the total growth in net assets. This is \$1.0 million more than the amount added to net assets in the prior year. Key elements to this increase in net assets are as follows:

- At 37.2% of governmental activities revenues, the largest component was property taxes in the amount of \$24.3 million, an increase of \$1.0 million or 4.2% over the prior fiscal year. This increase was due mainly to the property appraiser's audit of properties improperly claiming homestead exemptions, and the collection of retroactive reassessments on those properties;
- Intergovernmental revenue, comprised of both program and general revenues, totaled \$10.5 million, a \$1.8 million increase related mainly to operating grants pertaining to economic and physical environments;
- Public safety charges for services increased \$1.5 million or 39.0 % from the prior year, due primarily to installation of red light cameras that generated \$1.2 million in fines, as well as a \$.3 million increase in building permits approved for the completion of a major retail and dining complex ;
- Economic environment grant revenue increased \$2.8 million, mainly from the award of a grant for neighborhood stabilization;
- Fire assessment revenue increased \$.8 million as a result of increased rates;
- Investment earnings decreased by \$.9 million due to the continuation of low interest rates, as well as lower amounts recorded for realized and unrealized gains.
- Public safety activities, at 54.3% of governmental expenses, were \$32.2 million or 1.6% more than the previous year;
- General governmental program expenses were \$9.6 million, a decrease of \$2.4 million, primarily resulting from a change in the method of reporting internal service fund expenses and the accounting for changes in net pension obligations, offset by higher depreciation expense;
- Economic environment expenses totaled \$6.5 million, which is \$3.3 million or 100.1% higher than the prior year as a result of the City's participation in an affordable housing project.

#### Expenses and Program Revenues - Governmental Activities (Dollars in Millions)



### Revenues by Source - Governmental Activities

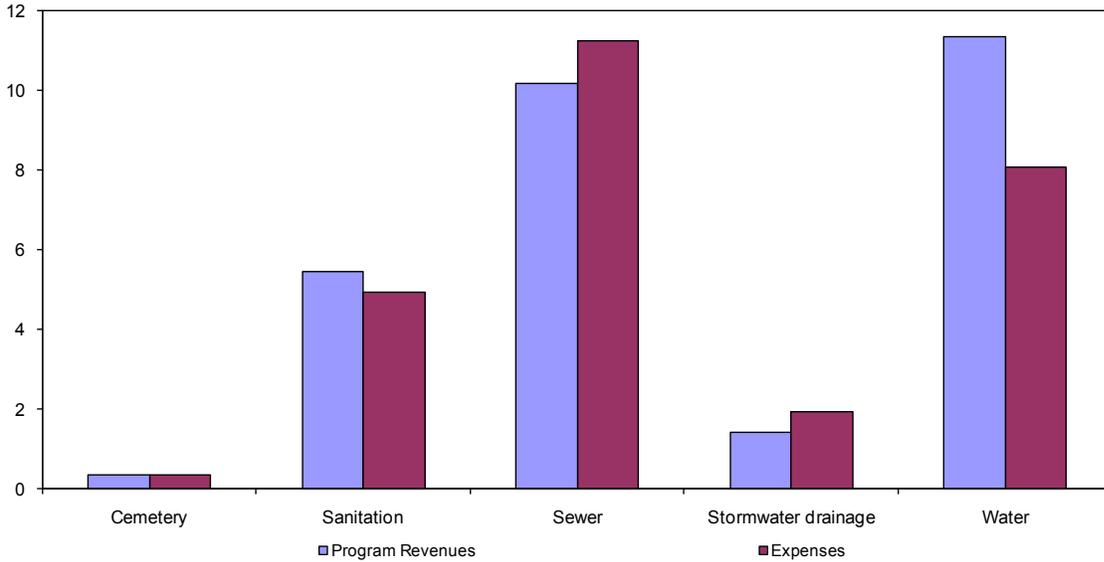


#### Business-type activities

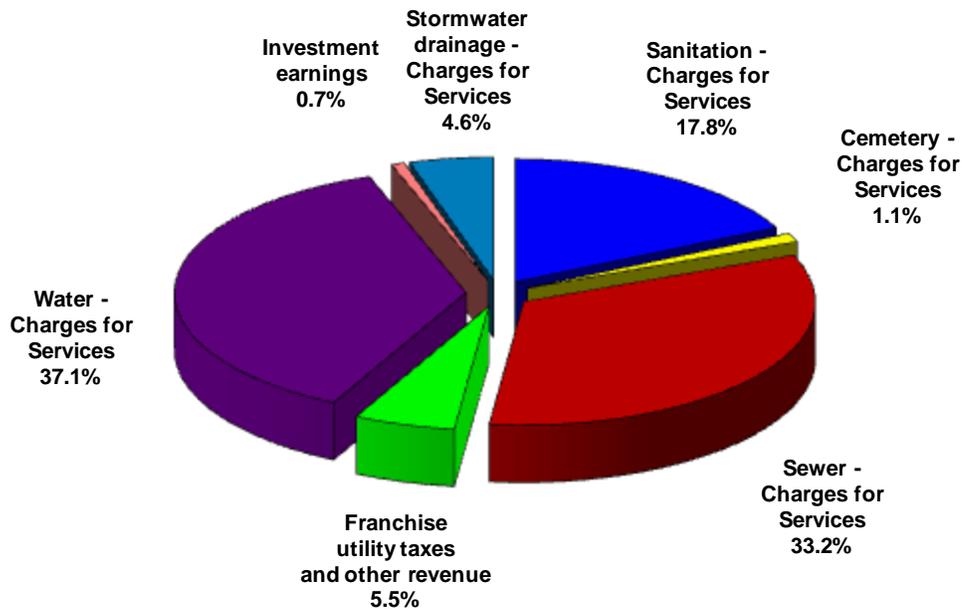
Business-type activities increased the City's net assets by \$4.2 million, accounting for 39.7% of the increase in net assets. Key elements of this increase are as follows:

- Water Fund program revenues, including capital contributions, exceeded expenses by \$3.3 million, a \$ .1 million or 2.5% decrease from the prior year's excess revenue, mainly due to a \$.6 million reduction in capital contributions as compared to the prior year.
- Sewer Fund program expenses exceeded revenue by \$1.0 million, mainly due to a \$2.0 million or 42.0% increase in wastewater treatment costs over the prior year. 14.6% of the increase was applicable to FY09 operations due to the fact that the year-end accrual was underestimated. Wastewater treatment costs, including the change in estimate, accounted for over 62% of the operating expenses for the fund,
- Sanitation Fund program revenues exceeded expenses by \$0.5 million, a 16.6% increase over the prior year, due mainly to a \$.4 million reduction in container purchases compared to the prior year when a new program began operations and a \$.1 million reduction in legal expenses, offset by a \$.1 million increase in depreciation expense from a significant investment in heavy trucks and a \$.1 million decrease in operational revenue;
- Stormwater Drainage Fund expenses exceeded program revenues by \$.5 million. Factors behind these results include an increase in staffing levels, non-recurring costs related to a beach renourishment project, and higher depreciation costs upon acquisition of infrastructure assets.

Expenses and Program Revenues - Business Type Activities  
 (Dollars in Millions)



Revenues by Source - Business-Type Activities



## City of Hallandale Beach, Florida

### For the Year Ended September 30, 2010 Management's Discussion and Analysis (unaudited)

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#### Financial Analysis of the City of Hallandale Beach's Funds

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

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

The City's governmental funds reported combined ending fund balances of \$61.8 million, an increase of \$5.5 million over the prior year. A portion of the fund balance is reserved or designated to indicate that it is not available for new spending because it represents resources that have already been committed for subsequent year's expenditures (\$13.7 million), are not available (\$3.1 million), have been committed for the purchase of capital and equipment (\$2.3 million) and to pay debt service (\$.9 million).

The general fund is the chief operating fund of the City. At end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$21.2 million, an 18.9% increase, while the total fund balance increased 19.9% to \$27.0 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total general fund expenditures. Unreserved, undesignated fund balance represents 43.8% of total general fund expenditures and transfers out, while total fund balance represents 55.7% of that same amount.

The fund balance of the City's general fund increased by approximately \$4.5 million during the current fiscal year. This was a \$2.7 million increase over the prior year's addition to fund balance. Key factors of this increase are as follows:

- An overall \$4.5 million or 9.5% increase in total revenues before interfund transfers;
- A \$1.5 million increase in ad valorem taxes and penalties, two-thirds of which is a result of the reassessment of properties that had improperly claimed homestead exemptions in prior years.
- A \$1.3 million increase in fines and forfeitures, due to the implementation of fines for red light camera violations;
- A \$.8 million or 22.1% increase in fire assessments, due to a 28.9% increase in per residential unit fee that was offset by decreases or minor increases in commercial and other categories;
- A 16.1% or \$.4 million decrease in physical environment expenditures, due totally to decline in personal services costs

These decreased costs and higher revenues were offset by higher costs and lower revenues in the following categories:

- A \$1.9 million decrease in interfund transfers in, due to a one-time transfer from an internal service fund in 2009,
- A \$.4 million or 49.3% decrease in investment earnings, due to low interest rates and unrealized losses on investment balances;
- A \$.3 million or 6.3% decrease in franchise taxes, primarily electric;
- A \$.1 million or 13.2% increase in capital outlay expenditures resulting from the purchase of a fire pumper and five police cruisers

## City of Hallandale Beach, Florida

### For the Year Ended September 30, 2010 Management's Discussion and Analysis (unaudited)

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The Community Redevelopment Agency ("CRA") fund, accounts for the activities of the CRA. The fund balance of the CRA fund increased by \$.4 million during the fiscal year. The \$18.1 million fund balance is allocated among reserved (\$1.8 million), unreserved but designated for future capital and subsequent year's budget (\$8.0 million), and unreserved, undesignated (\$8.4 million). Comparisons to prior year activity include:

- An 11.1% or \$.6 million decrease in Tax Increment Financing revenue from outside agencies;
- A 3.5% or \$.2 million increase in Tax Increment Financing revenue from the General Fund (reported as transfer in);
- Investment earnings declined by \$.1 million or 24.9%;
- Economic environment spending increased by \$3.1 million due to a \$2.7 million expenditure for an affordable housing project;
- Capital outlay expenditures decreased by \$1.1 million due to non-recurring land acquisition and progress on a redevelopment project in the prior year,

The fund balance of the Grant Administration Fund decreased by \$3,500. Major expenditures for this fund include:

- \$1.1 million in operating and \$.6 million in capital grant projects funded by federal grants and developer agreements,
- \$.4 million in projects funded by local grants,
- \$48,000 in drainage and transportation projects funded by state grants,
- An additional \$.7 million and \$.3 million in capital grants from federal and local agencies were expended, but these were transferred to proprietary funds, primarily the stormwater drainage fund.

The fund balance of the Capital Projects Fund decreased by \$73,700. Major expenditures for this fund include \$2.0 million in principal and interest payments on the 2007A bonds.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail.

Enterprise fund unrestricted net assets were \$26.2 million, a \$2.8 million increase from the prior year. This is due mainly to favorable changes to the net assets of the water fund, stormwater fund and the sanitation fund. An additional \$1.5 million was added to the net assets invested in capital assets net of related debt.

The enterprise funds showed a \$4.2 million increase in total net assets from the prior year. This consisted of a \$3.2 million excess of operating revenues over operating expenses, a \$.1 million excess of non-operating revenues over non-operating expenses, and a \$.9 million excess of transfers in and capital contributions over transfers out.

In comparison to the prior year, operating income was almost the same, franchise taxes increased \$.1 million, investment earnings decreased \$.2 million due mainly to the recording of unrealized losses, and capital contributions decreased \$.3 million. Operating expenses increased by \$2.4 million, mainly due to a \$2.0 million increase in wastewater treatment costs and \$.4 million in costs to repair a sewer line break.

#### General Fund Budgetary Highlights

Differences between the original budget and the final amended consist only of encumbrances and unexpended project budget amounts rolled forward from the prior to the current fiscal year. There were no subsequent amendments or additional appropriations. Final appropriations increased by \$4.6 million.

City of Hallandale Beach, Florida

For the Year Ended September 30, 2010  
 Management's Discussion and Analysis (unaudited)

The original and the final budget anticipated \$2.0 and \$6.6 million, respectively, to be expended from available fund balance. During the year, however, expenditure savings compared to the final budget were \$6.2 million and revenues exceeded budgetary estimates by \$4.7 million.

Charges for services exceeded budgetary estimates by \$1.6 million, mainly due to fire/rescue transport fees (\$.7 million), plan review fees (\$.5 million), administrative charges to other funds (\$.2 million) and nightclub registrations (\$.1 million). Property taxes were \$.9 million more than budgeted due mainly to the previously mentioned review that discovered many properties with improper homestead exemptions. License and permit revenue exceeded the budget by \$.7 million as development of a major retail and dining complex approached completion. Fines and forfeitures income was \$.8 million more than budgeted because of implementation of the new red light camera program.

Funds that had been reappropriated from prior years for contingencies were not needed due to positive revenue variances and expenditure savings, thus generating the \$3.4 million positive variance. Operating expenditures resulted in \$1.7 million in budget savings, mainly due to deferred spending for consultants, other outside services and economic development incentives. Personal services expenditures reflected a \$.6 million positive variance due to the directed postponement in filling vacant positions in order to offset expected revenue shortfalls.

Capital Assets and Debt Administration

Capital assets. As of September 30, 2010 and 2009, the City had \$101.5 and \$101.0 million, respectively, invested in a variety of capital assets, as reflected in the following schedule:

	Capital Assets (in thousands, net of depreciation)					
	Governmental Activities		Business - Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 41,316	\$ 41,049	\$ 1,159	\$ 1,159	\$ 42,475	\$ 42,208
Construction in progress	1,063	180	1,302	647	2,365	827
Buildings	6,619	7,226	14,819	15,796	21,438	23,022
Improvements other than buildings	2,815	2,861	2,664	2,611	5,479	5,472
Vehicles and equipment	2,729	2,869	3,337	3,539	6,066	6,408
Infrastructure	7,730	8,443	15,950	14,575	23,680	23,018
<b>Total</b>	<b>\$ 62,272</b>	<b>\$ 62,628</b>	<b>\$ 39,231</b>	<b>\$ 38,327</b>	<b>\$ 101,503</b>	<b>\$ 100,955</b>

Major capital asset events during the year included:

- \$.2 million was spent on a Horton fire rescue transport vehicle
- \$1 million on Ansin Boulevard storage parking lot, WHBB architectural crosswalk and other CIP projects
- \$.2 million was spent on land purchases
- \$.6 million was added to construction in progress for project 104705 Schaffer Canal
- \$2.1 million was spent on infrastructure additions
- \$.5 million was spent on new sanitation and stormwater vehicles

Additional information can be found in Note 6 – Capital Assets.

## City of Hallandale Beach, Florida

### For the Year Ended September 30, 2010 Management's Discussion and Analysis (unaudited)

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**Long-term debt.** As of year-end, the City had \$32.9 million in bonded debt outstanding compared to the \$34.3 million last year. This decrease was the result of principal payments made during the year. Of this amount of debt outstanding as of the end of fiscal year 2010, approximately 67.8% was backed by the full faith and credit of the government and the balance was secured by various revenue sources.

The debt position of the City is summarized below and is more fully explained in Note 9 Long-Term Debt:

	Bonded Debt (in thousands)					
	Governmental Activities		Business - Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue bonds	\$ 22,310	\$ 23,140	\$ 10,580	\$ 11,125	\$ 32,890	\$ 34,265

Under Florida statutes, no debt limit margin is placed on local governments. The City maintains an "AA-" rating from Standard & Poor's on its revenue bonds.

#### Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City is 12.1%, which is 13.1% higher than the 10.7% of a year ago,
- After several years of surging real estate prices in south Florida in the early 2000's, sales have greatly slowed and prices have fallen during the past four years. South Florida is experiencing one of the highest foreclosure rates in the nation, which is also contributing to the real estate price decline. Property values are expected to remain flat for the near future.
- Gasoline and diesel prices have also been volatile, and estimates are that they will continue to remain high.

General economic conditions both globally and in our state have required the City to closely monitor revenue and expenditure trends during the current year. Because of this analysis, and because of a 15.4% decline in assessed values of existing properties, the City increased the millage rate from 4.9818 to 5.9000 for fiscal year 2010. For 2011, however, the millage rate was maintained at the same 5.9000 despite an additional 14.5% decline in taxable value.

#### Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about this report or need additional information, contact the Finance Director, 400 South Federal Highway, Hallandale Beach, Florida 33009.