

**SOUTH BROWARD DRAINAGE DISTRICT**  
**ANNUAL FINANCIAL STATEMENTS**  
**September 30, 2012**

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## **INTRODUCTORY SECTION**

**SOUTH BROWARD DRAINAGE DISTRICT**

**Board of Commissioners**

**September 30, 2012**

Scott Hodges	Chairperson
James Ryan	Vice - Chairperson
Robert E. Goggin	Secretary
Vicki Minnaugh	Treasurer
Tom Good	Commissioner
Mercedes B. Santana-Woodall	Commissioner
Alanna Mersinger	Commissioner

**Counsel to the District**

Douglas R. Bell  
Bell & Bell  
Ft. Lauderdale, Florida

**District Director**

Kevin M. Hart, P.E.

## **FINANCIAL SECTION**

## **INDEPENDENT AUDITORS' REPORT**

To the Honorable Board of Commissioners,  
South Broward Drainage District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Broward Drainage District ("the District") as of and for the year ended September 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of South Broward Drainage District as of September 30, 2012, and the respective changes in financial position, where applicable, 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 27, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts 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 integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 30 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Broward Drainage District's financial statements as a whole. The introductory section and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Margolies, Fink & Wichrowski*  
Certified Public Accountants

December 27, 2012  
Pompano Beach, Florida



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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

The management of South Broward Drainage District ("District") would like to provide readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2012. Readers are encouraged to consider the information presented in this discussion and analysis in conjunction with the District's basic financial statements, which are contained herein and commence on page 9.

Prior to discussing the financial position of the District, the following information is offered to the readers. The South Broward Drainage District exists pursuant to the provisions of Ch. 98-524, a special act of the Florida legislature. The District was originally created in 1927; and today, the single purpose District manages approximately 46,400 acres (72.5 square miles) in southwest Broward County, Florida and serves a population of approximately 240,000 residents. The District, a special taxing district, has powers primarily in the areas of stormwater management and flood control. Their powers include rights to borrow money and issue bonds or other evidences of indebtedness, assess and impose upon all the lands in the District annual drainage, administrative, operation and maintenance taxes, and the District has the ability to install and foreclose special assessment liens.

### **FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at the end of the fiscal year by \$21,259,835. Pursuant to the GASB Statement No. 54 presentation requirements, \$1,909,331 of this amount may be used to meet the government's ongoing operations and \$5,021,213 has been committed for specific purposes.
- The District's total net assets increased by \$417,320 or 2.0% in 2012, partially as a result of the funds received on the Basin 3 drainage improvements.
- The total assets of the District amounted to \$21,941,001 as of September 30, 2012. Of this amount, \$14,279,928 represented the net capital assets. The total liabilities amounted to \$681,166.
- The District's total general revenues (on an accrual basis) were \$3,618,286 for the year ended September 30, 2012.
- The total expenses for all of the District's activities were \$3,200,966 for the year end September 30, 2012.

### **DISTRICT HIGHLIGHTS**

- Completed the following capital improvement projects during the 2012 fiscal year:
  - Converted two drainage pumps from oil cooled to water cooled pumps; one at the S-1 pump station and the second at the S-7 pump station.
  - Rebuilt two water lubrication pumps; one at the S-8 pump station and the second at the S-2 pump station.
  - Upgraded the system control panels at the S-3 and S-8 pump stations, thereby completing control panel upgrades at all of the District's pump stations.
  - Took delivery of a new, customized grapple truck and incorporated it into the District's day-to-day operations.
  - Participated in a cost sharing project with the Town of Southwest Ranches to install a positive drainage system on SW 210<sup>th</sup> Terrace.
  - Purchased a new, replacement mechanic's truck.
  - Purchased a new fiberglass boat, boat trailer, and two outboard boat motors.
  - Removed the B-3 secondary pump station and installed new, twin 48" culverts to improve the flowage capacity in the area.
  - Installed new lighting at the District headquarters property.

- Converted the overhead electric service at the District headquarters property to underground.
  - Installed security cameras in the maintenance garage area.
  - Upgraded and improved the indoor lighting in the maintenance garage area/bays.
  - Installed FabricForm stabilization material around headwalls at three (3) lake inter-connect locations.
  - Installed fencing and guardrails at miscellaneous locations.
  - Miscellaneous tree trimming.
  - Miscellaneous culvert inspections, culvert cleaning, and swale improvements.
- Received the Annual Safety Award from the Florida Association of Special Districts (FASD).
  - Entered into an Agreement with Duke Realty Corp. for Basin 3 drainage improvements.
  - Updated the District’s Employee Policy Handbook.
  - Established new District Election Zone Boundaries based on the 2010 Census population.
  - Participated in miscellaneous outreach efforts.

## **USING THE ANNUAL REPORT**

This discussion and analysis are intended to serve as an introduction to South Broward Drainage District’s basic financial statements. The District’s annual report consists of four sections: 1) Introductory Section, 2) Financial Section, 3) Other Reports Section, and 4) Management Letter Section. The basic financial statements themselves consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-wide financial statements**

The government-wide statements report information as a whole using accounting methods similar to those used by private sector business. One very important question asked about the District’s finances is “Is the District as a whole better off or worse off as a result of the year’s activities?” The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question.

The statement of net assets presents information on all of the District’s assets and liabilities, with the difference between the two reported as net assets. Over time, an increase or decrease in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, other factors should be considered, such as the physical condition of the District’s capital assets (buildings, stormwater pump stations, canals, etc.) to assess the overall well being of the District.

The statement of activities presents information showing how the government’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for particular items that will only result in cash flows in future fiscal periods. The government-wide financial statements can be found on pages 9 and 10.

### **Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate legal compliance with finance-related legal requirements. The District's funds can be divided into two categories: governmental funds and fiduciary funds. The two kinds of funds use different accounting approaches.

The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a short-term view of the District's operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District outlines the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the basic governmental fund statements in a reconciliation schedule supporting the Fund Financial Statements.

At September 30, 2012, the District maintained two individual governmental funds: one General and one Capital project fund. Some funds are required by State law. However, the District establishes other funds to help it control and manage money for particular purposes or to show that it is meeting its legal and fiduciary responsibilities. The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Accordingly, two major funds are reported individually in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances.

### **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. The notes to the financial statements can be found beginning on page 15 of this report.

### **Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The District also references the employment contract with the District Director who serves at the pleasure of the Board of Commissioners.

### **THE DISTRICT AS A WHOLE**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of South Broward Drainage District, assets exceeded liabilities by \$21,259,835 at the close of the most recent year. The largest portion of the District's net assets (67%) reflects its investments in capital assets (land, buildings, canals, machinery and equipment). The District uses capital assets to provide services to citizens; accordingly, these assets are not available for future spending.

An additional portion of the District's net assets (24%) represents resources that have been committed as to how they may be used. These resources can be used only for their intended designation. The remaining unrestricted net assets (\$1,909,331) may be used to meet ongoing operations.

The District adopted the fiscal year 2011-2012 Budget on September 22, 2011. On August 30, 2012 the Board approved certain line-item reclassifications to the original budget. Total general fund expenditures budgeted for the fiscal year ended September 30, 2012 were \$3,281,559. Total actual general fund expenditures were \$2,983,679, and the District achieved a favorable budget variance for the year ended September 30, 2012 of \$763,340, as reflected on page 32 of the financial statements.

**Contacting the District's financial management**

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Director, Kevin Hart, at 6591 Southwest 160 Avenue, Southwest Ranches, Florida 33331.

## COMPARATIVE FINANCIAL INFORMATION

### District's Net Assets As of September 30,

	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 7,661,073	\$ 7,525,747
Capital assets	<u>14,279,928</u>	<u>14,138,498</u>
Total assets	<u>\$ 21,941,001</u>	<u>\$ 21,664,245</u>
Current and other liabilities	\$ <u>681,166</u>	\$ <u>821,730</u>
Total liabilities	<u>\$ 681,166</u>	<u>\$ 821,730</u>
Net Assets:		
Invested in capital assets	\$ 14,279,928	\$ 14,138,498
Restricted	49,363	46,072
Unrestricted	<u>6,930,544</u>	<u>6,657,945</u>
Total net assets	<u>\$ 21,259,835</u>	<u>\$ 20,842,515</u>

### District's Changes in Net Assets Fiscal Years Ended September 30,

	<u>2012</u>	<u>2011</u>
General revenues:		
Maintenance taxes	\$ 3,054,760	\$ 3,063,942
Permits and other income	525,554	218,977
Investment earnings	<u>37,972</u>	<u>71,682</u>
Total revenues	<u>3,618,286</u>	<u>3,354,601</u>
Expenses:		
Operation and maintenance	2,798,748	3,258,287
Depreciation	<u>402,218</u>	<u>367,957</u>
Total expenses	<u>3,200,966</u>	<u>3,626,244</u>
Increase (decrease) in net assets	417,320	(271,643)
Net assets – beginning	<u>20,842,515</u>	<u>21,114,158</u>
Net assets – ending	<u>\$ 21,259,835</u>	<u>\$ 20,842,515</u>

**BASIC FINANCIAL STATEMENTS –  
GOVERNMENT-WIDE**

**SOUTH BROWARD DRAINAGE DISTRICT**  
**Statement of Net Assets**  
**September 30, 2012**

**ASSETS**

Cash and investments – unrestricted	\$ 1,432,336
Cash and investments – temporarily restricted	6,070,947
Receivables, including interest	4,810
Inventory	135,657
Other assets	17,323
Capital assets:	
Land	349,616
Other capital assets, net of depreciation	<u>13,930,312</u>
 Total assets	 <u>21,941,001</u>

**LIABILITIES**

Accounts payable and accrued expenses	203,067
Refundable deposits	<u>478,099</u>
 Total liabilities	 <u>681,166</u>
 Total net assets	 <u>\$ 21,259,835</u>

**NET ASSETS**

Invested in capital assets	\$ 14,279,928
Restricted for Capital project fund	49,363
Unrestricted	<u>6,930,544</u>
 Total net assets	 <u>\$ 21,259,835</u>

See accompanying notes to the financial statements.



**SOUTH BROWARD DRAINAGE DISTRICT**  
**Statement of Activities**  
**For the fiscal year ended September 30, 2012**

Expenses:	
Personal services	\$ 1,141,441
Materials and services	1,547,541
Depreciation expense	402,218
Collection discounts	<u>109,766</u>
Total expenses	<u>3,200,966</u>
General revenues:	
Maintenance taxes	3,054,760
Permits and other income	525,554
Investment earnings	<u>37,972</u>
Total general revenues	<u>3,618,286</u>
Changes in net assets	417,320
Net assets, beginning of year	<u>20,842,515</u>
Net assets, end of year	<u><u>\$ 21,259,835</u></u>

See accompanying notes to the financial statements.

**BASIC FINANCIAL STATEMENTS –  
FUND**

**SOUTH BROWARD DRAINAGE DISTRICT**  
**Balance Sheet – Governmental Funds**  
**September 30, 2012**

<b>ASSETS</b>	<b><u>General</u></b>	<b><u>Capital Projects S – 9/10</u></b>	<b><u>Total Governmental Funds</u></b>
Cash	\$ 5,596,347	\$ -	\$ 5,596,347
Investments	1,857,573	49,363	1,906,936
Receivables:			
Delinquent taxes and assessments, including interest	703	-	703
Other	4,107	-	4,107
Inventory	135,657	-	135,657
Other assets	<u>17,323</u>	<u>-</u>	<u>17,323</u>
Total assets	<u>\$ 7,611,710</u>	<u>\$ 49,363</u>	<u>\$ 7,661,073</u>
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:			
Accounts payable and accrued expenses	\$ 203,067	\$ -	\$ 203,067
Refundable deposits and deferred income	<u>478,099</u>	<u>-</u>	<u>478,099</u>
Total liabilities	<u>681,166</u>	<u>-</u>	<u>681,166</u>
Fund balances:			
Restricted	-	49,363	49,363
Committed	5,021,213	-	5,021,213
Assigned	390,207	-	390,207
Unassigned	<u>1,519,124</u>	<u>-</u>	<u>1,519,124</u>
Total fund equity	<u>6,930,544</u>	<u>49,363</u>	<u>6,979,907</u>
Total liabilities and fund equity	<u>\$ 7,611,710</u>	<u>\$ 49,363</u>	<u>\$ 7,661,073</u>

See accompanying notes to the financial statements.

**SOUTH BROWARD DRAINAGE DISTRICT**  
**Reconciliation of Balance Sheet - Governmental Funds**  
**to the Statement of Net Assets**  
**September 30, 2012**

Total governmental fund balances \$ 6,979,907

Amounts reported 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 funds:

Capital assets	\$ 21,032,009	
Less accumulated depreciation	<u>(6,752,081)</u>	<u>14,279,928</u>

Total net assets \$ 21,259,835

See accompanying notes to the financial statements.

**SOUTH BROWARD DRAINAGE DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Governmental Funds**  
**For the fiscal year ended September 30, 2012**

	<u>General</u>	<u>Capital Projects S - 9/10</u>	<u>Total Governmental Funds</u>
Revenues:			
Maintenance taxes	\$ 3,054,760	\$ -	\$ 3,054,760
Permits and other income	522,304	3,250	525,554
Interest	<u>37,931</u>	<u>41</u>	<u>37,972</u>
Total revenues	<u>3,614,995</u>	<u>3,291</u>	<u>3,618,286</u>
Expenditures:			
Capital outlay	543,648	-	543,648
Engineering fees	22,222	-	22,222
Operating	2,380,730	-	2,380,730
Administrative	286,030	-	286,030
Discounts	<u>109,766</u>	<u>-</u>	<u>109,766</u>
Total expenditures	<u>3,342,396</u>	<u>-</u>	<u>3,342,396</u>
Excess of revenues over expenditures	<u>272,599</u>	<u>3,291</u>	<u>275,890</u>
Fund balances at beginning of year	<u>6,657,945</u>	<u>46,072</u>	<u>6,704,017</u>
Fund balances at end of year	<u>\$ 6,930,544</u>	<u>\$ 49,363</u>	<u>\$ 6,979,907</u>

See accompanying notes to the financial statements.

**SOUTH BROWARD DRAINAGE DISTRICT**  
**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Governmental Funds to the Statement of Activities**  
**For the year ended September 30, 2012**

Net change in fund balances – total governmental funds \$ 275,890

Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense:

Expenditures for capital assets	\$ 543,648	
Less current year depreciation	<u>(402,218)</u>	<u>141,430</u>
Changes in net assets		<u>\$ 417,320</u>

See accompanying notes to the financial statements.

**NOTES TO FINANCIAL STATEMENTS**

# **SOUTH BROWARD DRAINAGE DISTRICT**

## **Notes to Financial Statements**

### **(1) DESCRIPTION OF THE SOUTH BROWARD DRAINAGE DISTRICT**

The South Broward Drainage District ("District") exists pursuant to the provisions of Chapter 98-524, a Special Act of the Florida Legislature. The District was originally formed in 1927 and includes approximately 46,400 acres in southwest Broward County, Florida. The governing body of the District is the Board of Commissioners ("Board"), comprised of seven elected members.

The District is a special taxing district with powers primarily in the areas of stormwater management and flood control. Such powers include rights to borrow money and issue bonds or other evidences of indebtedness, assess and impose upon all the lands in the District annual drainage, administrative, operation and maintenance taxes, and impose and foreclose special assessment liens.

### **(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to government units. The Government Accounting Standards Board ("GASB") is the standard-setting body for establishing government accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

#### **(a) Reporting Entity**

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, to define the reporting entity. The District's financial statements include operations for which the District exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The District has not identified any component units and is not a participant in any joint venture; accordingly, operations of no other entities have been included in the financial statements.

The District implemented the requirements of GASB 54 ("Fund Balance Reporting and Governmental Fund Type Definitions") during the year ending September 30, 2011.

#### **(b) Government-wide and Fund Financial Statements**

The basic financial statements include both government-wide and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major individual funds.

**(Continued)**



# **SOUTH BROWARD DRAINAGE DISTRICT**

## **Notes to Financial Statements (Continued)**

### **(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The government-wide financial statements include a statement of net assets and a statement of activities. These statements report information on all activities of the District. Interfund activity has been eliminated from these statements. The statement of activities demonstrates the extent to which the expenses of the District are offset by the revenues collected by the District. Revenues collected include the investment income earned during the year. The District's policy is to apply restricted resources before unrestricted resources when an expense is incurred for the purposes for which both restricted and unrestricted assets are available.

Separate financial statements are provided by governmental funds. Major governmental funds are reported as separate columns in the fund financial statements. The governmental funds' statements reflect amounts due from/to other funds. These amounts represent transfers that were made during the year between funds that will be repaid in the future period.

#### **(c) Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned; and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Maintenance taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers maintenance taxes to be available if they are collected within sixty days of the end of the current fiscal period. A one-year availability period is used for all other revenues.

Revenues susceptible to accrual are maintenance taxes and interest on investments. Maintenance taxes are recorded as revenues in the fiscal year they are levied, provided they are collected in the current period or within sixty days thereafter. Interest on invested funds is recognized when earned.

**(Continued)**

# SOUTH BROWARD DRAINAGE DISTRICT

## Notes to Financial Statements (Continued)

### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences, claims and judgments, are recorded only when payment is earned.

#### (d) Major Funds

##### Governmental Fund Types

Government funds are used to account for the District's expendable financial resources and related liabilities. The following are the District's governmental fund types:

**General Fund** - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

**Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities with resources contributed by the property owners receiving such benefits.

##### Fiduciary Fund Types

**Agency Funds** - Agency funds are used to account for special assessment assets and liabilities to reflect the fact that the District's duties are limited to acting as an agent for the assessed property owners and the certificate of indebtedness holders. This fund was closed as of September 30, 2012.

#### (e) Budgetary Procedures and Accounting

An annual budget is adopted for the General Fund on a basis consistent with GAAP, except the budgets include encumbrances as the equivalent of expenditures, and do not include revenues and expenditures related to certain special projects. As of September 30, 2012, there were \$114,908 of outstanding encumbrances; accordingly, for the year ended September 30, 2012, the "actual budgetary basis" is presented on a basis which is not consistent with GAAP.

Prior to the end of the fiscal year, the District Director is required to submit to the Board of Commissioners the proposed budget for the fiscal year commencing October 1. The District holds workshops as required and public hearings on the proposed budget. Prior to the end of each fiscal year, the budget is formally adopted for the ensuing year.

(Continued)

## **SOUTH BROWARD DRAINAGE DISTRICT**

### **Notes to Financial Statements (Continued)**

#### **(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The legal level of control, the level at which expenditures may not exceed the budget, is at the total expenditure level. Appropriations lapse at year-end. Should additional expenditures be necessary during the year, the District has the authority to modify the budget by a vote of its Board.

In connection with the forthcoming fiscal year 2013 budget, the District appropriated unassigned fund balance in the amount of \$390,207 for General Fund operations.

##### **(f) Encumbrances**

For governments that use encumbrance accounting, significant encumbrances should be disclosed in the notes to the financial statements by major funds and nonmajor funds in the aggregate in conjunction with required disclosures about other significant commitments. Encumbered amounts for specific purposes for which resources already have been restricted, committed, or assigned should not result in separate display of the encumbered amounts within those classifications. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed, or assigned should not be classified as unassigned but, rather, should be included within committed, or assigned fund balance. The District includes encumbrances in the committed fund balance.

##### **(g) Inventory**

Inventory consists of chemicals and fuel and is valued at cost (first-in, first-out). The cost of inventory is accounted for under the consumption method. Under the consumption method of inventory accounting, inventories are recorded as expenditures when used and, therefore, reported inventories are not equally offset by a non-spendable fund balance account.

##### **(h) Compensated Absences**

The full-time employees of the District can carryover to the following fiscal year up to one year of their sick leave and vacation benefits. Vacation time is earned based upon length of service, up to a maximum amount of four weeks per year, once the employee has been with the District for fourteen years, with the exception of employees that are covered by employment agreements. At September 30, 2012, the liability for accrued compensated absences, to be paid within one year, was \$103,870.

**(Continued)**

# **SOUTH BROWARD DRAINAGE DISTRICT**

## **Notes to Financial Statements (Continued)**

### **(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(i) Cash and investments**

Cash includes cash-on-hand and demand deposits. Interest earned from investments is recorded in each of the respective funds based on the actual amount earned.

In accordance with provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, the District reports investments at their fair market value, with unrealized gains and losses credited to or charged against investment income.

Non-participating investments, such as non-negotiable certificates of deposit with redemption values that do not consider market rates, are reported as amortized costs. The District has investments in the Local Government Surplus Funds Trust Fund, which has been divided by the State Board of Administration into two investment pools: Pool A and Pool B. Under the guidelines of GASB Statement No. 31, Pool A is a "2a-7 like" pool. Accordingly, investments in Pool A are reported at amortized cost. Pool B is accounted for as a fluctuating net asset value (NAV) pool. Investments in Pool B have been valued at their fair value factor as of the balance sheet date.

During the year, the District did not directly invest any resources in derivatives. Investments made through state-administered trust funds may include derivatives. These investments are made on a pooled basis and the individual risk to the District is unknown.

#### **(j) Capital Assets and Depreciation**

Capital assets, which include land, buildings, equipment, vehicles and infrastructure assets (water control structures, canals and lakes), are reported in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received.

Maintenance, repairs and minor renovations are not capitalized. Expenditures that materially increase values or extend useful lives are capitalized. There are no idle or impaired capital assets as of September 30, 2012.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

**(Continued)**

# SOUTH BROWARD DRAINAGE DISTRICT

## Notes to Financial Statements (Continued)

### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Asset</u>	<u>Years</u>
Buildings	40
Equipment	5
Vehicles	5
Water Control Structures (Including stormwater pump stations)	15-50

Canals and lakes are considered to be land improvements and; therefore, are not depreciated. Depreciation expense is reflected in the financial statements in accordance with GASB Statement No. 34 requirements for capital assets greater than \$5,000. Per Florida State Statute as well as internal control purposes, assets with a historical cost greater than \$750 are tagged and recorded in the fixed asset system.

#### (k) Fund Balance

The Governmental Accounting Standards Board (GASB) released GASB Statement No. 54 - "Fund Balance Reporting and Governmental Fund Type Definitions" ("GASB 54") on March 11, 2009, which is effective for fiscal years beginning after June 15, 2010. This Statement is intended to improve the usefulness of the amount reported in fund balance by providing more structured classification. This Statement applies to fund balance reported in the General Fund, Special Revenue Fund, Debt Service Fund, Capital Projects Fund and Permanent Fund. This Statement does not apply to Enterprise Funds, Internal Service Funds, and extremely restricted reserves.

Previously, fund balance was classified as "reserved" or "unreserved." Unreserved fund balance was further allocated into designated and undesignated. GASB 54 now changes how fund balance will be reported. The hierarchy of the GASB 54 classifications is as follows:

- **Non-spendable Fund balance** includes amounts not in spendable form, such as inventory, or amounts required to be maintained intact legally or contractually. The District uses the consumption method of reporting inventory; therefore, it is not reported as a non-spendable fund balance.
- **Restricted Fund Balance** includes amounts constrained for a specific purpose by external parties. The District's Capital Project fund qualifies as a restricted fund.
- **Committed Fund Balance** includes amounts constrained for a specific purpose by a government using its highest level of decision making authority. The District's capital improvements, emergency, and separation funds, along with the outstanding encumbrances, are included in the committed fund balance.

(Continued)

# SOUTH BROWARD DRAINAGE DISTRICT

## Notes to Financial Statements (Continued)

### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Assigned Fund Balance** includes general fund amounts constrained for a specific purpose by the District's board.
- **Unassigned Fund Balance** is the residual classification for the general fund.

The District's board approves all transactions that occur with respect to the restricted and committed fund balances. These were formally adopted by the Board on May 26, 2011, when the Board formally adopted the reporting requirements outlined by GASB 54.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

There was no restatement required to the opening fund balances as a result of the GASB 54 implementation.

#### (1) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

### (3) CASH AND INVESTMENTS

#### Statement of Policy

The purpose of the District's investment policy is to set forth the investment objectives and parameters for the management of public funds of the District. The policy is designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices.

(Continued)

## **SOUTH BROWARD DRAINAGE DISTRICT**

### **Notes to Financial Statements (Continued)**

#### **(3) CASH AND INVESTMENTS (Continued)**

The District's policy is written in accordance with Section 218.415, Florida Statutes, which applies to funds under the control of local governments and special districts. The policy and any subsequent revisions are adopted by the District's Governing Board and apply to funds in excess of those required to meet current expenditures. The most recent revisions to the investment policy were approved by the Board of Commissioners in March 2009.

The District's investment policy authorizes investments in the following:

1. The Florida Local Government Surplus Funds Trust Fund
2. United States government securities unconditionally guaranteed by the full faith and credit of the United States government
3. United States government agencies backed by the full faith and credit of the United States government
4. United States government sponsored agencies
5. Interest bearing time deposit or savings accounts of Florida Banks and Savings and Loan Associations approved under Chapter 280, Florida Statutes as qualified public depositories
6. Commercial paper rated "Prime 1" by Moody's, "A1" by Standard and Poor's or "F-1" by Fitch
7. Corporate notes rated at a minimum "Aa" by Moody's, "AA" by Standard and Poor's or "AA" by Fitch
8. Repurchase agreements that are fully collateralized are permissible investments provided that the following conditions are met:
  - a. The District has executed a Master Repurchase Agreement similar to the PSA's "Master Repurchase Agreement" with either a primary dealer as defined by the Federal Reserve or a bank or savings and loan domiciled in this State and certified as a qualified depository as defined in Florida Statutes Section 280.02.
  - b. The agreement has a defined termination date and is secured by obligations described in this investment policy.
  - c. Requires that the securities being purchased by the District to be pledged to the District, held in the District's name and deposited at the time the investment is made with the District or with a third party selected and approved by the District.
9. Other security or other interests in any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940 provided the portfolio meets the District's policy.

As of September 30, 2012, the District had placed approximately 1.1% in the Florida Local Government Surplus Funds Trust Fund (also known as the "Local Government Investment Pool" or "LGIP"), 17.6% in Certificate of Deposits, 55.5% in interest bearing money market accounts and 6.7% in State of Israel Bonds.

**(Continued)**

## **SOUTH BROWARD DRAINAGE DISTRICT**

### **Notes to Financial Statements (Continued)**

#### **(3) CASH AND INVESTMENTS (Continued)**

The Local Government Investment Pool is an investment pool available for investing temporarily idle cash by Florida governments and is managed by the State Board of Administration (the SBA). On November 29, 2007, the SBA implemented a temporary freeze on the assets in the LGIP due to an unprecedented amount of withdrawals from the LGIP coupled with the absence of market liquidity for certain securities within the Pool. On December 4, 2007, based on recommendations from an outside financial advisor, the SBA restructured the LGIP into two (2) separate pools. Pool A ("Florida PRIME") consisted of all money market appropriate assets, which was approximately 86% of LGIP assets. Pool B consisted of assets that defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately 14% of LGIP assets. At that time, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

The SBA systematically allows access to funds in Pool A. Participants in Pool B receive periodic distributions to the extent that Pool B receives proceeds from: 1) maturities of securities, coupon interest collections or collateral interest and principal pay downs, or 2) the sale of securities, collateral liquidation or other restructure or workout activities. At such time, the Investment Manager transfers cash or securities to Pool A for the benefit of Pool B shareholders. Such transfers are consistent with the pro rata allocation of Pool B shareholders of record as of the initial segregation of assets in the LGIP. Effective March 2008, the SBA contracted with Federated Investors, Inc. to provide investment advisory services to the investment pool. The SBA has since put into place processes that allow for improved reporting full transparency, conservative investment practices, improved portfolio guidelines and stricter internal controls. According to the SBA, Pool A meets the criteria to be considered as "2a-7 like", as defined by GASB Statement No. 31. Accordingly, it has been reported at the same value as the pool shares allocated to the District. Pool A maintains an AAAM rating by Standard and Poor's Ratings Services.

Pool B is accounted for as a fluctuating net asset value (NAV) pool. The pool is currently not rated by any nationally recognized statistical rating agency. Fund B's primary objective is to maximize the present value of distributions from Fund B. Fund B principally consists of Segregated Securities, which are securities originally purchased for Florida PRIME that (1) defaulted in the payment of principal and interest; (2) were extended; (3) were restructured or otherwise subject to workout; (4) experienced elevated market illiquidity; or (5) did not meet the criteria of the nationally recognized statistical rating organization ("NRSRO") that provides Florida PRIME's AAAM rating. In pursuing Fund B's investment objective, the Investment Manager may, in its sole discretion, sell, exchange, or otherwise dispose of, or agree to the extension, workout or restructuring of, Segregated Securities; provided that the Investment Manager determines, in its sole discretion, that such sale, exchange, disposition, extension, workout or restructuring is in the best interest of participants.

**(Continued)**



## **SOUTH BROWARD DRAINAGE DISTRICT**

### **Notes to Financial Statements (Continued)**

#### **(3) CASH AND INVESTMENTS (Continued)**

The Investment Manager may invest proceeds received from any sale, exchange or other disposition of Segregated Securities in securities that are eligible under this Policy for Florida PRIME. The Investment Manager, as part of a restructuring, workout, or exchange, also may accept securities that are not eligible under the Policy for Florida PRIME, in its sole discretion. Past performance is no guarantee of future performance. An investment in the Fund B is not a bank deposit and is not insured or guaranteed by the FDIC or any other government entity. Investors may lose money investing in Fund B, and returns may not keep pace with inflation.

Participants in Fund B will receive periodic distributions to the extent that Fund B receives proceeds deemed material by the SBA from (1) the natural maturities of securities, coupon interest collections, or collateral interest and principal paydowns; or (2) the sale of securities, collateral liquidation, or other restructure and workout activities undertaken. To effect the distribution, the Investment Manager will transfer cash or securities to Florida PRIME for the benefit of Fund B shareholders. Such transfers will be consistent with the pro rata allocation of Fund B shareholders of record as of the initial partition of Segregated Securities within Florida PRIME.

The Local Government Investment Pool is governed by the rules of Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the Administration of the Pool. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the SBA.

#### **Interest Rate and Credit Risk**

The District's investment portfolio shall be actively managed in an effort to attain the highest available market rate of return while still operating within this Investment Policy. Securities may be traded for other similar securities to improve interest income, maturity or credit risk. A loss may be incurred for accounting purposes provided any of the following occurs with respect to the replacement security:(1) The interest income has been increased; (2) The time to maturity has been reduced; or (3) The credit quality has been improved.

Permitted investments of bond proceeds are usually set forth in the bond documents. Investment strategies or vehicles commonly utilized for the investment of bond proceeds may differ from those of other District funds.

The District will to the extent practicable make every attempt to match its investments in a manner as to provide sufficient liquidity to pay obligations of the District as they become due with anticipated cash-flow requirements. In order to meet projected cash requirements, the District will invest all surplus District checking account balances into the State of Florida Investment Pool (SBA), and/or

**(Continued)**

## **SOUTH BROWARD DRAINAGE DISTRICT**

### **Notes to Financial Statements (Continued)**

#### **(3) CASH AND INVESTMENTS (Continued)**

other longer-term investments. Unless matched to a specific cash flow requirement, the District will generally not directly invest in securities maturing more than five (5) years from the date of purchase. Pool A is rated AAAM by Standard & Poor's, and investment into the fund by local governments is consistent with SEC rule 2a-7. Pool B is currently not rated by any nationally recognized statistical rating agency.

All of the District's investments in agency securities for fiscal year 2012 were rated at least AA+ by Standard and Poor's and Fitch ratings, and at least A1 by Moody's Investor Services.

#### **Custodial Credit Risk - Deposits**

All of the District's cash deposits are held in accounts at depository institutions which are recognized as State of Florida Qualified Public Depositories in accordance with state statutes and the District's investment policy.

The most significant cash deposit of the District at September 30, 2012 is the balance of approximately \$3,241,000 in the general fund emergency accounts.

#### **Custodial Credit Risk - Investments**

The District's investment policy requires that all securities be held with a third-party custodian in a separate account which is designated as an asset of the District. The custodian acts as the safekeeper of the District's investment securities. No withdrawal of securities, in whole or in part, is made from safekeeping without written authorization of designated District staff.

#### **Concentration of Credit Risk**

The District's policy authorizes investment allocation limits on security types, issuers, and maturity limitations. However, the District Director has the option to modify investment percentages from time-to-time based on market conditions, risk and diversification investment strategies after review and discussion with the District Treasurer and members of the investment committee.

The District believes it is not exposed to any foreign currency risk as a result of their investment in the State of Israel Bonds.

**(Continued)**

**SOUTH BROWARD DRAINAGE DISTRICT**

**Notes to Financial Statements (Continued)**

**(3) CASH AND INVESTMENTS (Continued)**

**Percentage Allocation by Issuer as of September 30, 2012**

<u>Issuer</u>	<u>Percentage of Total</u>
Local Government Surplus Trust Fund – Pool A	.49%
Local Government Surplus Trust Fund – Pool B	.63%
State of Israel Bonds	6.67%
SunTrust Bank	74.58%
Regent Bank CD	3.17%
Bank United CD	1.33%
TD Bank CD	3.30%
Stonegate Bank CD	3.30%
Bank of America CD	3.30%
Landmark Bank CD	3.24%

Cash and investments as of September 30, 2012 are comprised of the following:

Cash deposits:

Money market accounts	\$ 4,164,011
Demand deposits	1,431,536
Petty cash	<u>800</u>
Total cash deposits	<u>\$ 5,596,347</u>

Investments:

Local Government Surplus Trust Fund – Pool A	\$ 36,974
Local Government Surplus Trust Fund – Pool B	46,962
Certificates of deposit	1,323,000
State of Israel Bonds	<u>500,000</u>
Total investments	<u>\$ 1,906,936</u>

Total cash and investments \$ 7,503,283

**(4) MAINTENANCE TAXES AND SPECIAL ASSESSMENTS**

Maintenance taxes and special assessments attach as an enforceable lien on the owners' properties as of January 1. The taxes are levied on November 1 and are payable, without penalty, from November 1 to the following March 31. Broward County bills and collects these taxes and assessments and remits these proceeds to the District.

**(Continued)**

**SOUTH BROWARD DRAINAGE DISTRICT**

**Notes to Financial Statements (Continued)**

**(5) OTHER ASSETS**

Other assets as of September 30, 2012 consisted of the following:

Prepaid expenses	\$ <u>17,323</u>
	\$ <u>17,323</u>

**(6) CAPITAL ASSETS**

The following summarizes changes in the capital assets:

	<u>Balance 9/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/12</u>
Capital Assets Not Being Depreciated:				
Land	\$ 349,616	\$ -	\$ -	\$ 349,616
Canal Improvements and Lakes	<u>9,757,642</u>	<u>236,218</u>	<u>-</u>	<u>9,993,860</u>
Total Capital Assets Not Being Depreciated	<u>10,107,258</u>	<u>236,218</u>	<u>-</u>	<u>10,343,476</u>
Capital Assets Being Depreciated:				
Water Control Structures	8,758,161	71,332	-	8,829,493
Buildings - District Headquarters	802,551	-	-	802,551
Vehicles	420,673	228,373	-	649,046
Equipment	<u>399,718</u>	<u>7,725</u>	<u>-</u>	<u>407,443</u>
Total Capital Assets Being Depreciated	<u>10,381,103</u>	<u>307,430</u>	<u>-</u>	<u>10,688,533</u>
Less Accumulated Depreciation				
Water Control Structures	4,967,067	238,357	-	5,205,424
Buildings	443,489	20,064	-	463,553
Vehicles	467,185	65,626	-	532,811
Equipment	<u>472,122</u>	<u>78,171</u>	<u>-</u>	<u>550,293</u>
Total Accumulated Depreciation	<u>6,349,863</u>	<u>402,218</u>	<u>-</u>	<u>6,752,081</u>
Capital Assets, Net	<u>\$ 14,138,498</u>	<u>\$ 141,430</u>	<u>\$ -</u>	<u>\$ 14,279,928</u>

**(7) RETIREMENT PLAN**

**Plan Description -**

The District participates in the Florida Retirement System ("FRS"), a cost-sharing multiple-employer Public Employee Retirement System (PERS), which covers all District employees. The FRS offers a defined benefit plan and an investment plan, and each employee has an option to elect the plan in which they wish to participate. The FRS is non-contributory by the employee and is totally administered by

**(Continued)**

# SOUTH BROWARD DRAINAGE DISTRICT

## Notes to Financial Statements (Continued)

### (7) RETIREMENT PLAN (Continued)

the State of Florida, Department of Management Services - Division of Retirement and they provide an annual report which is available to the public every year. Each year FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Division of Retirement, PO Box 9000, Tallahassee, Florida 32315-9000.

#### Funding Policy -

The system is non-contributory for employees; and the District's actuarially determined required contribution rate, as established by State statute, was 5.18% for covered regular payroll, and 6.30% for senior management payroll (District Director). All employees of the District contribute 3% of their salary to the program. The combined pension contributions approximated \$85,501 for the year ended September 30, 2012, which amounts to 8.34% of current-year covered payrolls. The District's total and current-year covered payroll was approximately \$1,025,657.

### (8) PERMITS AND OTHER INCOME

Other income for the year ended September 30, 2012 consisted of the following:

Rental income	\$ 18,016
Permit fees	48,032
Basin S-3 cost contribution	269,931
Recertification program	44,419
Forgiveness of interfund debt – general fund	141,906
Forgiveness of interfund debt – S 9/10	<u>3,250</u>
	<u>\$ 525,554</u>

On February 23, 2012 the District entered into a construction agreement with a developer to design and construct the necessary Basin S-3 drainage improvements. The District had previously collected \$89,000 towards the S-3 improvements and the developer has agreed to fund the additional costs of \$269,931. As the permits for this project have been issued by the South Florida Water Management District during December 2012, according to the agreement the developer shall no longer have any recourse for or entitlement to reimbursement of the \$269,931 contribution to the District.

(Continued)

## **SOUTH BROWARD DRAINAGE DISTRICT**

### **Notes to Financial Statements (Continued)**

#### **(9) LEASE AGREEMENT**

On June 28, 2004 the District entered into a lease agreement with the Town of Southwest Ranches to lease space on the District's property to maintain seven modular facilities for use as a temporary Town Hall. Effective June 28, 2010 the District agreed with the Town on a five year extension until June 27, 2014. Southwest Ranches notified the District of their intent to move, and pursuant to the lease agreement with the District, on March 30, 2012 their security deposit was returned, as Southwest Ranches had completed returning the space back to its original condition, and the lease agreement had been formally terminated by the Board.

#### **(10) COMMITMENT**

The District entered into a contract with the new District Director effective May 17, 2010. The Board shall employ the director as the Chief Administrator/Director of the District for a term of four (4) years commencing June 1, 2010 and terminating on May 31, 2014. This Contract shall automatically renew for term of four (4) years unless otherwise terminated in accordance with the provisions contained herein. The contract provides for an annual base salary with annual increases linked to the cost of living index, however not less than 3%. The contract also provides for benefits, including but not limited to life insurance, vacation time and sick leave.

The District also entered into contracts with the Assistant District Director and the Project Manager effective April 22, 2010. These contracts are for a term of four years commencing on the effective date of April 22, 2010 and terminating on September 30, 2014. These Contracts shall automatically renew for term of four (4) years unless otherwise terminated in accordance with the provisions contained herein. The contracts provide for an annual base salary with annual increases linked to the cost of living index, however not less than 3%. The contracts also provides for benefits, including but not limited to life insurance, vacation time and sick leave.

#### **(11) RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Settlements have not exceeded insurance coverage for any of the past three fiscal years.

#### **(12) SUBSEQUENT EVENTS**

Subsequent events have been evaluated through January 15, 2013, which is the date the financial statements were available to be issued to the District.

**REQUIRED SUPPLEMENTARY  
INFORMATION OTHER THAN M,D & A  
(unaudited)**

**SOUTH BROWARD DRAINAGE DISTRICT**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance – Budget and Actual – General Fund**  
**(Budgetary Basis)**  
**For the fiscal year ended September 30, 2012**

	<u>Final Budget **</u>	<u>Actual - Budgetary Basis</u>	<u>Variance – Favorable (Unfavorable)</u>
Revenues:			
Maintenance taxes	\$ 3,053,734	\$ 3,054,760	\$ 1,026
Basin S-3 Drainage improvements	-	269,931	269,931
Permit fees and other income	53,000	257,072	204,072
Interest	<u>47,500</u>	<u>37,931</u>	<u>(9,569)</u>
	<u>3,154,234</u>	<u>3,619,694</u>	<u>465,460</u>
Expenditures:			
Administrative salaries	298,422	300,353	(1,931)
Board of Commissioners' salaries	37,800	37,800	-
Field operations' salaries	464,607	448,081	16,526
Inspectors' salaries	222,503	231,964	(9,461)
Payroll taxes	85,340	77,984	7,356
Pension costs	53,789	51,564	2,225
Other salaries and costs	75,000	45,261	29,739
Accounting fees	26,000	24,750	1,250
Engineering/consulting/special projects	45,000	37,095	7,905
Legal fees	70,200	78,564	(8,364)
Legal fees – special projects	60,000	59,316	684
Other professional fees	1,000	-	1,000
Commercial property package	36,500	33,749	2,751
General liability	42,000	40,744	1,256
Group health and life insurance	384,260	303,810	80,450
Workers compensation	21,275	18,832	2,443
Advertising	8,000	7,849	151
Computer supplies and upgrades	8,400	8,310	90
Dues and subscriptions	5,400	4,642	758
Flight service	2,500	-	2,500
Electric costs	16,456	13,048	3,408
Gas(LP) auxiliary power	5,000	136	4,864
Janitorial services	2,200	1,788	412
Licenses and fees	900	893	7

**(Continued)**

See accompanying notes to the financial statements.



**SOUTH BROWARD DRAINAGE DISTRICT**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - General Fund**  
**(Budgetary Basis) - Continued**  
**For the fiscal year ended September 30, 2012**

	<u>Final Budget **</u>	<u>Actual - Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
Maintenance contracts	\$ 9,200	\$ 5,111	\$ 4,089
Miscellaneous/uniforms	4,500	3,646	854
Office supplies and postage	4,300	3,963	337
Payroll service	2,400	2,807	(407)
Printing and stationary	2,328	1,032	1,296
Public records, storage and filing	6,050	6,118	(68)
Telephone and miscellaneous communications	15,000	13,066	1,934
Water and sewer costs	3,000	1,947	1,053
Buildings and grounds maintenance	53,723	30,979	22,744
Equipment rental	10,000	1,238	8,762
Equipment and vehicles maintenance	23,100	21,431	1,669
Fuel, oil and lubricants -			
Pump stations	82,000	83,871	(1,871)
Vehicles and equipment	45,000	36,923	8,077
Hazardous materials	7,500	-	7,500
Janitorial supplies	1,000	618	382
Hurricane preparedness supplies	1,500	1,322	178
Landscaping and mowing	19,750	17,709	2,041
Photography and VCR equipment	350	216	134
Pump station and flood gates maintenance	48,800	45,101	3,699
Safety and SCUBA equipment	2,500	2,469	31
Sanitation and exterminating services	500	182	318
Small tools and shop supplies	9,000	8,746	254
Water recorder/elevation gauge/telemetry	20,000	20,342	(342)
Canal and swale renovations	30,000	17,804	12,196
Culvert cleaning	70,000	59,273	10,727
Culvert and flapper gate repairs	25,000	-	25,000
Endwall repairs and replacements	1,000	550	450
Erosion control	62,000	61,800	200
Gates, fences and ramp upgrades	5,000	1,369	3,631
Outfall structures	2,000	-	2,000
Trash rack, piling and tank upgrades	20,000	15,484	4,516
Tree removal	56,700	40,561	16,139

**(Continued)**

See accompanying notes to the financial statements.

**SOUTH BROWARD DRAINAGE DISTRICT**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balance - Budget and Actual - General Fund**  
**(Budgetary Basis) - Continued**  
**For the fiscal year ended September 30, 2012**

	<u>Final Budget **</u>	<u>Actual - Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
Herbicides	\$ 384,000	\$ 325,910	\$ 58,090
Triploid carp	40,000	38,500	1,500
Water testing	8,000	8,097	(97)
Seminars, meetings and conferences	13,350	7,844	5,506
Bank charges	-	370	(370)
Equipment and vehicles purchases	42,500	32,311	10,189
Pump station and drainage improvements	-	66,907	(66,907)
Contingency	10,000	2,500	7,500
Billing and collection costs	61,075	59,263	1,812
Discounts and commissions	<u>106,881</u>	<u>109,766</u>	<u>(2,885)</u>
 Total expenditures	 <u>3,281,559</u>	 <u>2,983,679</u>	 <u>297,880</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (127,325)*</u>	<u>636,015</u>	<u>\$ 763,340</u>
 Fund balance at beginning of year		 6,657,945	
Adjustment ***		<u>(363,416)</u>	
 Fund balance at end of year		 <u>\$ 6,930,544</u>	

\* Appropriation of Fund Balance

\*\* The District amended certain line items of the original budget on August 30, 2012. The changes were immaterial and only the final budget has been presented for purposes of this statement.

\*\*\* In order to reconcile the excess of revenues over expenditures for budgetary purposes to GAAP, the adjusted difference between the 2012 and 2011 reserve for encumbrances and reserve fund adjustments, which amount to a total of (\$363,416), would be included as the reconciling item. (See Note 2)

See accompanying notes to the financial statements.

## **OTHER REPORTS SECTION**

**SOUTH BROWARD DRAINAGE DISTRICT**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*  
For the fiscal year ended September 30, 2012**

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

To the Honorable Board of Commissioners,  
South Broward Drainage District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Broward Drainage District (“the District”), as of and for the year ended September 30, 2012, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Honorable Board of Commissioners,  
South Broward Drainage District  
Page two

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the District in a separate letter dated December 27, 2012.

This report is intended solely for the information and use of the District's management, the Board of Commissioners, others within the entity, the Auditor General of the State of Florida, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Margolies Fink & Wichrowski*  
Certified Public Accountants

December 27, 2012  
Pompano Beach, Florida

**SOUTH BROWARD DRAINAGE DISTRICT**

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY  
CHAPTER 10.550, RULES OF THE STATE OF FLORIDA OFFICE  
OF THE AUDITOR GENERAL  
For the fiscal year ended September 30, 2012**

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY  
CHAPTER 10.550, RULES OF THE STATE OF FLORIDA OFFICE  
OF THE AUDITOR GENERAL**

December 27, 2012

To the Honorable Board of Commissioners,  
South Broward Drainage District:

We have audited the financial statements of the South Broward Drainage District, whose headquarters is located in Southwest Ranches, Florida, as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated December 27, 2012.

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, and Chapter 10.550, Rules of the State of Florida Office of the Auditor General, dated December 27, 2012. Disclosures in those reports, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:



- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the South Broward Drainage District complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of contracts or grant agreements, fraud, illegal acts, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The South Broward Drainage District was originally established pursuant to the provisions of Chapter 12049, a Special Act of the Florida Legislature in 1927. Since the initial charter was created several revisions have been made by the Florida Legislature, the latest having been completed in 2011. There are no component units of the South Broward Drainage District to be disclosed as required by accounting principles generally accepted in the United States of America.

- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the South Broward Drainage District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the South Broward Drainage District for the fiscal year ended September 30, 2011, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c, and 10.556(7), Rules of the Auditor. General, we applied financial condition assessment procedures. It is management's responsibility to monitor the South Broward Drainage District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same as of September 30, 2012, and through the date of our audit report, December 27, 2012.
- Section 10.554(1)(i)9, Rules of the Auditor General, requires a statement to be included as to whether or not the local government provides monthly financial statements to its governing board and has made these financial statements available for public access on the District's website. The District is complying with this requirement.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Board of Commissioners of South Broward Drainage District, management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Margolies, Fink & Wichrowski*  
Certified Public Accountants  
Pompano Beach, Florida

PART I - CURRENT YEAR COMMENTS AND RECOMMENDATIONS

No comments were noted for the fiscal year ended September 30, 2012.

PART II - STATUS OF PRIOR YEAR COMMENTS AND RECOMMENDATIONS

Not applicable as there were no comments or recommendations in the prior fiscal year.

**SOUTH BROWARD DRAINAGE DISTRICT**

**STATEMENT OF EXPLANATION OR REBUTTAL TO  
MANAGEMENT LETTER COMMENTS AND RECOMMENDATIONS  
For the fiscal year ended September 30, 2012**

There is no response required for the current year.