

**ADDENDUM # 1**

**SOUTH BROWARD DRAINAGE DISTRICT  
ANNUAL FINANCIAL AUDITING SERVICES  
DATE OF ADDENDUM: JULY 11, 2012**

**TO ALL PROSPECTIVE PROPOSERS:**

**PLEASE NOTE THE FOLLOWING CHANGES:**

None.

**PLEASE NOTE THE FOLLOWING CLARIFICATIONS:**

- 1) The following questions have been submitted by prospective proposers. The District's responses have been added below each question.

**QUESTIONS FROM PROSPECTIVE BIDDERS**

- Q.** Where can we obtain a copy of the 9/30/11 annual financial report?
- A.** *The RFP Package has been updated to include the SBDD Audited Financial Statements for the Fiscal Year Ending 9/30/2011 as an Appendix to the RFP Package. The updated RFP Package and SBDD Audited Financial Statements for the Fiscal Year Ending 9/30/2011 can be viewed on the Districts web page at <http://sbdd.org/procurementandcontracts.htm>.*
- Q.** What were the audit fees for each of the last five fiscal years?
- A.** *The audit fees for the last five fiscal years are as follows:*
- o 2011 - \$26,000*
  - o 2010 - \$28,950*
  - o 2009 - \$28,750*
  - o 2008 - \$24,500*
  - o 2007 - \$37,000 (includes a single audit)*
- Q.** Based on reading through the RFP, it doesn't look like there was a Federal or State single audit in the prior year. As such, I wanted you to clarify whether our proposed fee will only be for the audit of the basic financial statements, and that if a Federal or State single audit becomes applicable, that the single audit fee will be negotiated at the time it is deemed applicable.
- A.** *There was no Federal or State single audit in the prior year. The proposed fee should not include a Federal or State single audit. If a Federal or State single audit becomes applicable, a separate fee for that additional service will be negotiated at that time.*

**Q.** Can we be sent the most recent, completed audited financial statements, management letter & responses, and single audit report, if any?

**A.** *The RFP Package has been updated to include the SBDD Audited Financial Statements for the Fiscal Year Ending 9/30/2011 and Management Letter as an Appendix to the RFP Package. The updated RFP Package and SBDD Audited Financial Statements for the Fiscal Year Ending 9/30/2011 can be viewed on the Districts web page at <http://sbdd.org/procurementandcontracts.htm>.*

*. There were no responses required for this Financial Statement, and no single audit report.*

**Q.** Do you expect any significant variances between the financial statement items in the most recent completed audit and 12/31/11 fiscal year?

**A.** *No. Please note that the fiscal year for SBDD runs from October 1<sup>st</sup> to September 30<sup>th</sup>.*

**Q.** Have or do you expect any of the entity's operations to change significantly in the year(s) covered by the RFP?

**A.** *No.*

**Q.** Has the entity expended any ARRA funds for the period to be audited?

**A.** *No.*

**Q.** Are your current auditors allowed to propose on the current RFP? Why are you looking at a change of auditors?

**A.** *Yes. SBDD is following Best Practices for governmental agencies in requesting proposals for annual financial auditing services.*

**Q.** What characteristics do you value most of your current or recent auditors and what do you value the least?

**A.** *This question will be evaluated by the SBDD Audit Committee at the time the proposals are reviewed and evaluated by the committee. There is no information available at this time regarding this question.*

**Q.** What were the total audit fees for the last 3 audit years: 2009, 2010, 2011? Which, if any, of these audit years included Federal and/or State Single Audits? Can you provide a breakdown on the financial vs single audit(s)?

**A.** *The audit fees for the last five fiscal years are listed below. A single audit was performed in 2007 as noted:*

- o 2011 - \$26,000*
- o 2010 - \$28,950*
- o 2009 - \$28,750*
- o 2008 - \$24,500*
- o 2007 - \$37,000 (financial audit = \$27,250; single audit = \$9,750)*

**Q.** When is the entity typically ready to begin the audit?

**A.** *Approximately 2 weeks following the end of the fiscal year, which ends on September 30<sup>th</sup>.*

**Q.** How many hours did the most recent auditors spend doing the last completed audit?

- A.** *The District paid a lump sum fee for auditing services and did not receive a breakdown of hours; therefore, this information is not available.*
- Q.** How many days/weeks is the auditor typically on-site in completing: a) interim work, and b) final year-end work.
- A.** *The time spent by the auditor on-site performing interim work and the final year-end work varies from month to month and from year to year. The District does not have a breakdown of actual time spent during any given month or year for auditing services.*
- Q.** How many audit adjustments were made in the most recent completed audit and what, in general, was the nature of the entries?
- A.** *The were 20 audit adjustments made on the last audit; the majority of the entries were reclassification entries for financial statement presentation purposes, and the balance were yearend accrual adjustments.*

**PLEASE NOTE THE FOLLOWING ADDITIONS/DELETIONS TO THE SCOPE OF WORK:**

- 1)** Each proposer shall acknowledge receipt of this Addendum by signing the attached Addendum Acknowledgement Form and including the signed Form in their proposal package.

**ADDENDUM ACKNOWLEDGMENT FORM  
SOUTH BROWARD DRAINAGE DISTRICT  
REQUEST FOR PROPOSALS FOR ANNUAL FINANCIAL AUDITING SERVICES**

The Proposer acknowledges receipt of Addendum N<sup>o</sup> \_\_\_\_\_ dated \_\_\_\_\_.

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\_\_\_\_\_  
Signature of Proposer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name and Title

\_\_\_\_\_  
Print Name of Company

**SOUTH BROWARD DRAINAGE DISTRICT (SBDD)  
REQUEST FOR PROPOSALS FOR ANNUAL FINANCIAL AUDITING SERVICES**

SBDD is accepting proposals for Annual Financial Auditing Services. Sealed proposals must be received by **3:00 P.M. Thursday, August 2, 2012**, in the SBDD Headquarters, 6591 SW 160<sup>th</sup> Avenue, SW Ranches, FL 33331. Proposals will be opened in the SBDD Board Room at 3:15 P.M.

All sealed proposals that are timely received will be publicly opened. Proposals received after the cut-off date and time will not be considered.

The SBDD Audit Committee will review the proposals and rank and recommend in order of preference no fewer than three firms deemed to be the most highly qualified to perform the required services on Tuesday, August 7, 2012 at 9:00 A.M. and may then interview those firms on Tuesday, August 14, 2012 at 9:00 A.M. If fewer than three firms respond to the Request for Proposals, the committee shall recommend such firms as it deems to be the most highly qualified. On Thursday, August 30<sup>th</sup> at 9:00 A.M. the SBDD Board of Commissioners will interview the ranked firms and shall select one of the recommended firms. All meetings will be held at SBDD Headquarters and will be open to the public.

**SCOPE OF SERVICES:** SBDD is soliciting the services of an independent certified public accounting firm to provide annual independent financial auditing services to the SBDD for a period of up to five (5) years beginning with an audit of the financial statements of the SBDD for its fiscal year ending September 30, 2012.

The Request for Proposals packet is available for pick-up at SBDD Headquarters. Questions should be submitted in writing to SBDD Headquarters, Attn: Kevin Hart or via e-mail at [kevin@sbdd.org](mailto:kevin@sbdd.org).

SBDD reserves the right to reject any or all proposals, to waive informalities, and to readvertise.

A person or affiliate who has been placed on the convicted vendor list following a conviction for a public entity crime may not submit a Bid on a Contract to provide any goods or services to a public entity, may not submit a Bid on a Contract with a public entity for the construction or repair of a public building or public work, may not be awarded or perform Work as a Contractor, Supplier, Subcontractor, or Consultant under a Contract with any public entity, and may not transact business with any public entity in excess of the threshold amount provided in Section 287.017, Florida Statutes, for Category Two for a period of 36 months from the date of being placed on the convicted vendor list.

BY     Kevin Hart, P.E., Director  
          South Broward Drainage District

**SOUTH BROWARD DRAINAGE DISTRICT**  
**BOARD OF COMMISSIONERS**  
**REQUEST FOR PROPOSALS – ANNUAL FINANCIAL AUDITING SERVICES**

South Broward Drainage District (“SBDD”) is requesting qualification proposals from certified public accounting firms duly licensed under Chapter 473, Florida Statutes, and qualified to conduct audits in accordance with government auditing standards as adopted by the Florida Board of Accountancy to audit its financial statements for its fiscal years ending September 30, 2012, 2013, 2014, 2015, and 2016. These audits are to be performed in accordance with generally accepted auditing standards including the following:

- A. Section 218.39, Florida Statutes
- B. Rules of the Florida Department of Financial Services
- C. Rules of the Florida Auditor General (Chapter 10.550, Local Government Entity Audits)
- D. AICPA Audit and Accounting Guide - Audits of State and Local Governmental Units
- E. Federal and Florida Single Audit Acts (if applicable)
- F. *Government Auditing Standards* issued by the Comptroller General of the United States
- G. Circular No. A-133, Executive Office of the President, Office of Management and Budget, Washington D.C. (if applicable)

I. General Information

- 1) Written questions regarding the Request for Proposals (RFP) are to be addressed to:

Kevin Hart, Director  
South Broward Drainage District  
6591 SW 160 Avenue  
Southwest Ranches, FL 33331  
Telephone: (954) 680-3337  
Fax: (954) 680-3339  
Email: Kevin@sbdd.org

Each firm should carefully examine the RFP, including the RFP Packet, and may make a written request to SBDD’s Director for interpretations or corrections of any ambiguity, inconsistency or error. Only written responses issued by the Director should be relied upon, and reasonable efforts will be made to distribute all written responses issued by the Director to everyone who obtains a RFP Packet from SBDD.

- 2) All responses to this RFP must be delivered to the above address no later than 3:00 p.m. E.S.T. on August 2, 2012. Ten signed copies of the proposal shall be submitted in one sealed package, clearly marked on the outside "Proposal for SBDD Annual Financial Auditing Services." Qualifications must be typed or printed in ink. A single disc pdf file of the entire transmittal should also be included with the Qualifications Package, with the exception of the compensation proposal. Any responses received after the deadline will be returned to the proposer unopened. All costs incurred by the responding firms in preparing proposals in response to this request will not be reimbursed by SBDD.
- 3) SBDD reserves the right to reject any and all proposals submitted and to request additional information from the proposers. At the discretion of the SBDD Audit Committee, firms submitting proposals may be requested to make oral presentations to the SBDD Audit Committee as part of the evaluation process.
- 4) SBDD reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this RFP, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between SBDD and the firm selected.
- 5) Firms submitting proposals may subcontract portions of the engagement. If this is to be done, the name of the proposed subcontracting firms must be clearly identified in the proposal. Following the award of the audit contract, no additional subcontracting will be allowed without the express prior written consent of the SBDD Board of Commissioners.
- 6) The SBDD Audit Committee will recommend and rank in order of preference no fewer than three firms deemed to be the most highly qualified to perform the required services to the Board. If fewer than three firms respond to the RFP, the Audit Committee shall recommend such firms as it deems to be the most highly qualified. The Audit Committee may elect to interview up to five firms in order to rank and recommend in order of preference no fewer than three firms deemed to be the most highly qualified to perform the required services. The Board may interview the ranked firms and shall select one of the firms recommended by the SBDD Audit Committee and negotiate a contract with the firm in accordance with Section 218.391, Florida Statutes. It is anticipated that the Board will enter into a one year contract starting with the fiscal year beginning October 1, 2012 and ending September 30, 2013 and the contract will include an option to extend the contract for four (4) additional one (1) year periods through September 30, 2017.
- 7) If the Board is unable to negotiate a satisfactory contract with any of the recommended firms, the SBDD Audit Committee will recommend additional firms, and negotiations will continue in accordance with Section 218.391, Florida Statutes, until an agreement is reached.
- 8) Anticipated RFP Calendar:

July 5, 2012

RFP to be advertised.

July 12, 2012	RFP to be advertised.
August 2, 2012	Responses to RFP due by 3:00 p.m E.S.T.
August 7, 2012	SBDD Audit Committee meeting to recommend and rank firms. Meeting will be held in SBDD's Board Room at 9:00 a.m. August 14, 2012
	SBDD Audit Committee to meet at 9:00 a.m. to listen to oral presentations and interview firms, if applicable. Develop final list of ranked firms. Thereafter, the SBDD Audit Committee recommendations will be submitted for the Board's consideration at the August 30, 2012 Board meeting.
August 30, 2012	Board of Commissioners will interview ranked firms and shall select one of the firms.
September 27, 2012	Board to approve contract for annual financial auditing services.

9) Audits for the last ten fiscal years were completed by Margolies, Fink and Wichrowski, P.A.

10) SBDD does not have an internal audit department.

11) All requirements and conditions set forth in this RFP shall be incorporated into the contract between SBDD and the selected firm unless otherwise specified in the contract.

II. Description of South Broward Drainage District and Records to be Audited

- 1) SBDD is located in the southwestern corner of Broward County and encompasses approximately 73 square miles. SBDD is an independent special district originally created by the Florida Legislature in 1927 as the Hollywood Reclamation District (Chapter 12049, Laws of Florida). The original Hollywood Reclamation District was abolished in 1967 and the new Hollywood Reclamation District was created in 1967 by Chapter 67-904, Laws of Florida. In 1986, the name of the District was changed to South Broward Drainage District by Chapter 86-362. Laws of Florida. In 1998, the SBDD's charter and all amendments thereto were repealed and along with minor revisions were included in a codification of the SBDD's Charter approved by Florida Legislature by Chapter 98-524, Laws of Florida. SBDD has powers primarily in the areas of stormwater management and flood control. Its powers include the right to borrow money and issue bonds or other evidence of indebtedness, assess and impose upon the lands in SBDD annual drainage, water management, administrative, operation and maintenance taxes, and SBDD has the ability to install and foreclose special assessment liens.
  
- 2) For reporting purposes, the Annual Financial Report (Audited Financial Statements) will include the General Fund and Capital Project Fund. SBDD has no component units.



- 3) Accounting records for the Board include the general fund, 1 capital projects fund and 1 fiduciary fund. The FY 2011-2012 total budget is approximately \$3 million dollars.
- 4) As of the date of this proposal, SBDD has no bond issues, no loans, and no line of credit outstanding.
- 5) SBDD's main source of revenue consists of non-ad valorem tax assessments. These assessments are collected by the Broward County Revenue Collector together with all other governmental entity's non-ad valorem assessments and ad valorem taxes. Parcels within SBDD are taxed based upon their applicable Property Designation. SBDD's adopted budget for FY 2011-2012 included revenue generated from seven (7) unique non-ad valorem tax rates.
- 6) Fiscal year ending September 30, 2011 was the first year of its reporting under GASB Statement No. 54.
- 5) All accounting records are maintained on the modified accrual basis. The accounting records of SBDD are prepared in conformity with generally accepted accounting principles as applied to government units.
- 6) Budgets are integrated with the accounting records.
- 7) SBDD is progressive in its attitude toward new accounting standards. Early implementation is practiced when recommended.
- 8) SBDD is currently utilizing QuickBooks (2009 edition) for maintaining its accounting records. SBDD uses an outside payroll vendor to prepare its monthly, quarterly and annual payroll filings.

### III. Services Required

- 1) An audit and an opinion on the basic financial statements of SBDD. The auditor is not required to audit the Management's Discussion and Analysis.
- 2) The audit is to be done in accordance with the Rules of the Auditor General, Chapter 10.550; the Federal and Florida Single Audit Acts (if applicable); OMB Circular A-133 (if applicable); *Government Auditing Standards* issued by the Comptroller General of the United States; and the AICPA Auditing Standards.
- 3) Following completion of the audit for each fiscal year's financial statements, the auditor shall issue:
  - a. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.

- b. A report on compliance and on internal control over financial reporting, which will include any significant deficiencies or material weaknesses found during the audit (if applicable).
  - c. A report on bond compliance (if applicable).
  - d. Reports on compliance with specific requirements applicable to Federal awards and State financial assistance programs (if applicable).
  - e. The auditor shall communicate in a letter to management any significant deficiencies or material weaknesses found during the audit.
- 4) An Independent Auditors' Management Letter required by Chapter 10.550, Rules of the State of Florida Office of the Auditor General.
  - 5) The auditor will prepare one electronic copy (required in pdf) and twenty bound copies of the Annual Financial Report for SBDD.
  - 6) The auditor will provide assistance in providing guidance and implementing changes in governmental accounting standards.
  - 7) Irregularities and illegal acts. Auditors shall be required to make an immediate, written report of all irregularities and/or illegal acts to the District Director, the Board of Commissioners and to SBDD's General Counsel.
  - 8) The auditor shall submit a draft copy of the Annual Financial Report by no later than January 17, 2013 and shall be present at the District's January 31, 2013 Board meeting to present the draft report to the Board of Commissioners and to answer any questions.
  - 9) The auditor shall submit the final copy of Annual Financial Report by no later than March 14, 2013 and shall be present at the District's March 28, 2013 Board meeting to present the draft report to the Board of Commissioners and to answer any questions.

#### IV. Additional Professional Services

SBDD may request additional professional services during the term of the contract. The proposer shall, upon receipt of a written request from the District Director, perform such additional services. The proposer must be able to provide, at a minimum, the following services:

- 1) Extended audit services or special audits.
- 2) Miscellaneous accounting services.

- 3) If SBDD does issue debt, for which the official statement in connection with the debt contains basic financial statements and the report of independent auditors, the firm shall be required to issue a "consent and citation of expertise" as auditor and any necessary "comfort letters".

Such services will be billed according to the rates agreed upon as a result of the RFP. The total amount for additional services shall be separately negotiated at the time of the engagement for a not-to-exceed amount calculated in accordance with the rates of the awarded contract.

V. Qualifications of the Auditor

The RFP proposal must include the following information:

- 1) Experience of the firm with special districts within the last five years.
- 2) Information describing personnel with training and experience appropriate to the nature of the project. The RFP shall include:
  - a) The names and positions of each professional to be assigned to this audit, including familiarity with projects of a similar nature.
  - b) The estimated amount of involvement expressed as a percentage of time, of each of the staff members.
  - c) Willingness and ability to complete the project within the time and budget constraints, considering the firm's current and projected workload.
  - d) Resumes of those assigned to this audit reflecting academic training and employment in the applicable fields.
  - e) Evidence of possession of required licenses or business permits.
  - f) Evidence of any previous experience in projects of a similar nature-provide contact names and phone numbers along with project names and appropriate agency contacts.
- 3) Reference listing, including contact names and phone numbers. A minimum of three references shall be provided.
- 4) A list of all lawsuits in which the firm has been named as a defendant in the past five (5) calendar years.
- 5) The firm must have been established in Florida and performed continuous CPA services for a minimum of five (5) years.
- 6) The firm shall be a member of the American Institute of Certified Public Accountants and the Florida Institute of Certified Public Accountants.
- 7) The firm shall indicate its approach to peer review and provide a report of the two

most recent peer reviews. Indicate whether the peer reviews included a review of local government client activities.

- 8) The firm shall indicate any disciplinary actions that have been instituted or proposed during the last five (5) calendar years against the firm or any of the firm's professionals assigned to the audit.
- 9) The firm shall describe the results of any State or Federal reviews during the past three calendar years of the firm's governmental client audit work.
- 10) Technological Expertise. Must demonstrate up-to-date administrative, spreadsheet (Excel) and database (Access) expertise as well as training and staff expertise with each type of software. Technological expertise may be tested or require verification satisfactory to SBDD.

VI. Information to be Included in the Proposal

- 1) Title page showing the RFP subject, the name of the firm, address, telephone number, the name of the contact person, and the date.
- 2) A table of contents providing a clear identification of the material by section and by page number.
- 3) A statement setting forth the proposer's understanding of the work to be done and a positive commitment to perform the work within the specified time period.
- 4) A statement as to whether the firm is local, regional, or national.
- 5) The location of the office from which the work is to be done and the number of personnel in that office who would be working on the audit.
- 6) An identification of the partners, managers and supervisors who will work on the audit, including staff from other than the local office if necessary for this audit. Resumes for each managerial and supervisory person to be assigned to the audit should be submitted and include the following information:
  - a. Formal education
  - b. Supplemental education relative to governmental accounting and auditing
  - c. Experience in public accounting in general
  - d. Experience in private business or government
  - e. Experience in auditing governmental units
  - f. Membership in various national and state governmental accounting boards, committees, or associations (past and present)
  - i. Professional recognition, such as Certified Public Accountant

licenses, awards, etc.

- 7) A description of the proposer's experience in preparing governmental financial statements.
- 8) A listing of Florida counties, municipalities, and special districts for which the proposer is currently providing or within the last five years has provided audit services.
- 9) The proposal shall set forth a work plan, including an explanation of the audit methodology to be followed in order to perform the services required in Section III of this RFP.

Proposers will be required to provide the following information on their audit approach:

- a. Proposed segmentation of the engagement scope.
  - b. Level of staff and number of hours to be assigned to each proposed segment of the engagement.
  - c. Sample size and the extent to which statistical sampling is to be used in the engagement.
  - d. Type and extent of analytical procedures to be used in the engagement.
  - f. Approach to be taken to gain and document an understanding of the internal control structure.
  - g. Approach to be taken in determining laws and regulations that will be subject to audit work.
  - h. Approach to be taken in drawing audit samples for purposes of tests of compliance (single audit procedures, if applicable).
- 10) Firm promotional material may be included as supplemental information.
- \*11) A fee for providing auditing services during the first year of the Contract and estimates for each subsequent year up to a total of 5 years. Said fees shall include:

- Total All-Inclusive Maximum Price
- Lump Sum Price for professional auditing services
- Rates by Partner, Specialist, Supervisory and Staff Levels with Estimated Hours for Each Category
- Out-of-pocket Expenses and Reimbursement Rates (to be included in the Total All-inclusive Maximum Price)
- Rates for Additional Professional Services
- Manner of Payment

\*Said fees shall be provided in a separate, sealed envelope titled "Fee for SBDD Annual

Financial Auditing Services”. The sealed envelope will only be opened for those proposals that meet the Mandatory Elements noted in Section VIII.(A) and the minimum Technical Quality standard as established by the SBDD Audit Committee. Any sealed envelope that is not opened will be returned to the respective Proposer.

- 12) Insurance - Each response should contain a statement regarding the amount of the firm’s general liability insurance and errors and omissions (i.e. professional) insurance.
- 13) Business Ethics - Disclose (i) any circumstance where conduct of your firm or that of its Principal’s are being investigated by any legal or administrative agency; (ii) any adverse decision or settlement with any legal or administrative body; and (iii) identify any substantive failure in the proper performance of any award or delivery on time of contracts of a similar nature as described above.
- 14) Firm Ethics - Disclose firm policies and procedures to prevent ethical violations. Discuss specific staff responsibilities and management commitment.
- 15) Other Disclosure - Applicants must answer the following question: “Has the firm ever been asked to resign, voluntarily resigned or withdrew from a project, contract or agreement within the past five (5) years? If so, where and why?”
- 16) Anti-Kickback Affidavit - The attached affidavit must be completed, signed and included in each applicant’s submittal.
- 17) Non-Collusion Affidavit - The attached affidavit must be completed, signed and included in each applicant’s submittal.

VII. Annual Financial Report

1) Calendar

September 27, 2012	SBDD Board approval of contract & engagement letter; audit procedures begin
September 30, 2012	Fiscal year end for SBDD
Oct – Dec, 2012	Review of SBDD financial records; completion of final trial balance for audit; and preparation of draft financial statements by auditor
January 17, 2013	Submit Draft Annual Financial Report to SBDD
January 31, 2013	Present Draft Annual Financial Report to SBDD Board
March 14, 2013	Submit Final Annual Financial Report to SBDD
March 28, 2013	Present Final Annual Financial Report to SBDD Board

2) Contents

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Introductory Section

Board of Commissioners

Financial Section

- a) Independent Auditors' Report
- b) Management's Discussion and Analysis
- c) Basic Financial Statements
  - 1) Government-Wide Financial Statements
  - 2) Fund Financial Statements

Required Supplementary Information other than M,D&A (unaudited)

Budgetary Comparison Statement – General Fund

Other Reports Section

Independent Auditor's 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*

Management Letter Section

Independent Auditors' Management letter Required by Chapter 10.550, rules of the State of Florida Office of the Auditor General

3) Support

- a) SBDD's Staff will perform the year-end closing of the books.
- b) SBDD's Staff will prepare the Management's Discussion and Analysis.
- c) SBDD's Staff will prepare the Annual Local Government Financial Report (Form DBF AA-401 and DBF AA-403) as required by the Florida Department of Banking and Finance.
- d) SBDD's Staff will prepare work schedules, notes and related materials as requested by the selected firm.
- e) SBDD's Staff will provide paid invoices, canceled checks and other supportive documentation as requested by the firm.

VIII. Evaluation Procedures

- 1. All responses will be reviewed by the Selection Committee.
- 2. The responses will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored on technical qualifications. The following represent the principal criteria which will be considered during the evaluation process.

(A) Mandatory Elements – Qualifications and Experience

- (i) Whether the audit firm is independent and licensed under Chapter 473, Florida Statutes, to practice in Florida.
- (ii) Whether the firm has any conflicts of interest with regard to any other work performed by the firm for SBDD.
- (iii) Whether the firm adheres to the instructions in this RFP on preparing and submitting the proposal.
- (iv) Whether the firm submits a copy of its last external quality control review report and has a record of quality audit work.
- (v) Whether the RFP is submitted in proper form.

(B) Technical Quality:

- (i) General Government/Special District audit experience
- (ii) Firm Qualifications
- (iii) Qualifications of individuals assigned to audit
- (iv) Size and organization structure of firm
- (v) Demonstrated understanding of SBDD's requirements

(C) Compensation:

Compensation will be considered as an evaluation factor, but will not be the sole or predominant factor used to evaluate proposals. Compensation will only be considered for those proposals that meet the Mandatory Elements noted above and the minimum Technical Quality standard as established by the SBDD Audit Committee.

IX. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a period of three (3) years after completion of any herein identified services unless the firm is notified in writing by SBDD of the need to extend the retention period. SBDD's management and their representatives shall be entitled at any time during the contract period to inspect and reproduce such documents as deemed necessary.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance. As requests for copies of working papers are fulfilled, the auditors will be required to notify the District Director of the request, as appropriate.



**ANTI-KICKBACK AFFIDAVIT**

STATE OF FLORIDA )  
 ) SS  
COUNTY OF \_\_\_\_\_ )

I, the undersigned, hereby duly sworn, depose and say that no money or contributions have or will be paid to any officer(s) or employee(s) of the South Broward Drainage District as a commission, kickback, reward of gift, directly or indirectly by me or any member of my firm or by an officer of the firm, as a result of or in connection with my Firm's submittal of its affixed submittal.

By: \_\_\_\_\_  
Name – Signature

Print \_\_\_\_\_  
Name

\_\_\_\_\_  
Title

Sworn and subscribed before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
NOTARY PUBLIC, State of Florida at Large

“OFFICIAL NOTARY STAMP”

**THIS PAGE TO BE SUBMITTED ALONG WITH RESPONSE IN ORDER FOR PACKAGE TO BE CONSIDERED COMPLETE AND ACCEPTABLE.**



**SOUTH BROWARD DRAINAGE DISTRICT**  
**ANNUAL FINANCIAL STATEMENTS**  
**September 30, 2011**

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## **INTRODUCTORY SECTION**

**SOUTH BROWARD DRAINAGE DISTRICT**

**Board of Commissioners**

**September 30, 2011**

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, 2011, 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, 2011, 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 January 14, 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 read in conjunction with this report in considering 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 31 through 33 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

January 14, 2012  
Pompano Beach, Florida

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

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

The management of South Broward Drainage 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, 2011. 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 \$20,842,515. Pursuant to the new GASB Statement No. 54 presentation requirements, \$1,273,315 of this amount may be used to meet the government's ongoing operations and \$5,384,630 has been committed for specific purposes.
- The District's total net assets decreased by \$271,643 or 1.3% in 2011, primarily as a result of the final payment on the S-9/10 certificate of indebtedness.
- The total assets of the District amounted to \$21,664,245 as of September 30, 2011. Of this amount, \$14,138,498 represented the net capital assets. The total liabilities amounted to \$821,730.
- The District's total general revenues (on an accrual basis) were \$3,354,601 for the year ended September 30, 2011
- The total expenses for all of the District's activities were \$3,626,244 for the year end September 30, 2011.
- The District transferred \$398,448 from the General Fund to the S-9/10 fund for the final loan payment and the S-8 fund transferred \$20,247 to the General Fund to close the S-8 fund.

### **DISTRICT HIGHLIGHTS**

- Completed the following capital improvement projects during the 2011 fiscal year:
  - Converted two drainage pumps from oil cooled to water cooled pumps.
  - Swapped out two pump motors from the S-4/S-5 pump station to the S-2 pump station to take advantage of lower run times on the S-4/S-5 motors.
  - Rebuilt three original pump motors from the S-2 pump station to increase the longevity of the motors.
  - Installed emergency generator receptacles at six (6) pump station locations; the SBDD maintenance building; and SBDD office building.
  - Complete the upgrade to the control panels at the S-2 and S-4/S-5 pump stations.
  - Installed hurricane resistant garage doors at eleven (11) locations, thereby completing the upgrade at all SBDD building locations.
  - Purchased a new grapple truck to assist in field operations and maintenance activities. Delivery of the grapple truck is pending.

- Participated in a cost sharing project with the Town of Southwest Ranches on the installation of three (3) intermediate control structures in the S-9/S-10 drainage basin.
- Excavated and improved a portion of the Taft Street Canal in the City of Pembroke Pines.
- Participated in a cost sharing project with the Town of Southwest Ranches to replace a 48” culvert at SW 172<sup>nd</sup> Avenue and SW 66<sup>th</sup> Street.
- Contracted for the installation of pipe liners at two (2) locations.
- Purchased one new replacement vehicle.
- Installed fuel spill containment barriers at the S-3, S-4/S-5, S-7 & S-8 pump stations.
- Installed FabricForm stabilization material around headwalls at three (3) lake inter-connect locations.
- Installed fencing and guardrails at miscellaneous locations.
- Installed safety cages around the roof ladders at all pump station locations.
- Miscellaneous tree trimming.
- Miscellaneous culvert inspections, culvert cleaning, and swale improvements.
- Completed an update to the District Charter.
- Updated Section 9 of the District Criteria Manual.
- Began the effort to update the District’s Facilities Report.
- 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, and 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, 2011, 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, three major funds are reported individually in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances.

The District uses a fiduciary fund to account for repayments due on a certificate of indebtedness. This fund is purely custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

### **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 16 of this report.

### **Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, specifically, information regarding repayment of special assessment debt. 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 \$20,842,515 at the close of the most recent year. The largest portion of the District's net assets (68%) 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 (26%) 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 (\$1,273,315) may be used to meet ongoing operations.

The District adopted the fiscal year 2010-2011 Budget on September 30, 2010. On August 25, 2011 the Board approved certain line-item reclassifications to the original budget. Total general fund expenditures budgeted for the fiscal year ended September 30, 2011 were \$3,574,025. Total actual general fund expenditures were \$2,889,918, and the District achieved a favorable budget variance for the year ended September 30, 2011 of \$860,095.

**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>2011</u>	<u>2010</u>
Current and other assets	\$ 7,525,747	\$ 7,926,758
Capital assets	<u>14,138,498</u>	<u>14,016,018</u>
Total assets	<u>\$ 21,664,245</u>	<u>\$ 21,942,776</u>
Current and other liabilities	<u>\$ 821,730</u>	<u>\$ 828,618</u>
Total liabilities	<u>\$ 821,730</u>	<u>\$ 828,618</u>
Net Assets:		
Invested in capital assets	\$ 14,138,498	\$ 14,016,018
Restricted	46,072	5,819,361
Unrestricted	<u>6,657,945</u>	<u>1,278,779</u>
Total net assets	<u>\$ 20,842,515</u>	<u>\$ 21,114,158</u>

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

	<u>2011</u>	<u>2010</u>
General revenues:		
Maintenance taxes	\$ 3,063,942	\$ 3,063,190
Permits and other income	218,977	99,068
Investment earnings	<u>71,682</u>	<u>91,672</u>
Total revenues	<u>3,354,601</u>	<u>3,253,930</u>
Capital grants and other adjustments	<u>-</u>	<u>49,853</u>
Expenses:		
Operation and maintenance	3,258,287	3,410,026
Depreciation	<u>367,957</u>	<u>346,573</u>
Total expenses	<u>3,626,244</u>	<u>3,756,599</u>
Increase (decrease) in net assets	(271,643)	(452,816)
Net assets – beginning	<u>21,114,158</u>	<u>21,566,974</u>
Net assets – ending	<u>\$ 20,842,515</u>	<u>\$ 21,114,158</u>



**BASIC FINANCIAL STATEMENTS –  
GOVERNMENT-WIDE**

**SOUTH BROWARD DRAINAGE DISTRICT**  
**Statement of Net Assets**  
**September 30, 2011**

**ASSETS**

Cash and investments – unrestricted	\$ 837,608
Cash and investments – temporarily restricted	6,482,162
Receivables, including interest	56,200
Inventory	126,950
Other assets	22,827
Capital assets:	
Land	349,616
Other capital assets, net of depreciation	<u>13,788,882</u>
 Total assets	 <u>21,664,245</u>

**LIABILITIES**

Accounts payable and accrued expenses	178,439
Refundable deposits	498,135
Due to fiduciary fund, net	<u>145,156</u>
 Total liabilities	 <u>821,730</u>
 Total net assets	 <u>\$ 20,842,515</u>

**NET ASSETS**

Invested in capital assets	\$ 14,138,498
Restricted for Capital project fund	46,072
Unrestricted	<u>6,657,945</u>
 Total net assets	 <u>\$ 20,842,515</u>

See accompanying notes to the financial statements.

**SOUTH BROWARD DRAINAGE DISTRICT**  
**Statement of Activities**  
**For the fiscal year ended September 30, 2011**

Expenses:	
Personal services	\$ 1,135,376
Materials and services	2,017,622
Depreciation expense	367,957
Collection discounts	<u>105,289</u>
Total expenses	<u>3,626,244</u>
General revenues:	
Maintenance taxes	3,063,942
Permits and other income	218,977
Investment earnings	<u>71,682</u>
Total general revenues	<u>3,354,601</u>
Changes in net assets	(271,643)
Net assets, beginning of year	<u>21,114,158</u>
Net assets, end of year	<u>\$ 20,842,515</u>

See accompanying notes to the financial statements.

**BASIC FINANCIAL STATEMENTS –**

**FUND**

**SOUTH BROWARD DRAINAGE DISTRICT**  
**Balance Sheet – Governmental Funds**  
**September 30, 2011**

<b>ASSETS</b>	<b>General</b>	<b>Capital Projects S – 9/10</b>	<b>Total Governmental Funds</b>
Cash	\$ 4,730,168	\$ -	\$ 4,730,168
Investments	2,540,280	49,322	2,589,602
Receivables:			
Delinquent taxes and assessments, including interest	10,786	-	10,786
Other	45,414	-	45,414
Due from other funds	2,000	-	2,000
Inventory	126,950	-	126,950
Other assets	<u>22,827</u>	<u>-</u>	<u>22,827</u>
 Total assets	 <u>\$ 7,478,425</u>	 <u>\$ 49,322</u>	 <u>\$ 7,527,747</u>
 <b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:			
Accounts payable and accrued expenses	\$ 177,189	\$ 1,250	\$ 178,439
Refundable deposits and deferred income	498,135	-	498,135
Due to other funds	<u>145,156</u>	<u>2,000</u>	<u>147,156</u>
 Total liabilities	 <u>820,480</u>	 <u>3,250</u>	 <u>823,730</u>
 Fund balances:			
Restricted	-	46,072	46,072
Committed	5,384,630	-	5,384,630
Assigned	127,325	-	127,325
Unassigned	<u>1,145,990</u>	<u>-</u>	<u>1,145,990</u>
 Total fund equity	 <u>6,657,945</u>	 <u>46,072</u>	 <u>6,704,017</u>
 Total liabilities and fund equity	 <u>\$ 7,478,425</u>	 <u>\$ 49,322</u>	 <u>\$ 7,527,747</u>

See accompanying notes to the financial statements.

**SOUTH BROWARD DRAINAGE DISTRICT**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**September 30, 2011**

Total governmental fund balances \$ 6,704,017

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	\$ 20,488,360	
Less accumulated depreciation	<u>(6,349,862)</u>	<u>14,138,498</u>

Total net assets \$ 20,842,515

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, 2011**

	<u>General</u>	<u>Capital Projects S - 8</u>	<u>Capital Projects S - 9/10</u>	<u>Total Governmental Funds</u>
Revenues:				
Maintenance taxes	\$ 3,063,942	\$ -	\$ -	\$ 3,063,942
Permits and other income	218,977	-	-	218,977
Interest	<u>71,665</u>	<u>-</u>	<u>17</u>	<u>71,682</u>
Total revenues	<u>3,354,584</u>	<u>-</u>	<u>17</u>	<u>3,354,601</u>
Expenditures:				
Capital outlay	490,437	-	-	490,437
Engineering fees	1,290	-	19,428	20,718
Operating	2,406,827	-	-	2,406,827
Administrative	313,533	13,355	398,565	725,453
Discounts	<u>105,289</u>	<u>-</u>	<u>-</u>	<u>105,289</u>
Total expenditures	<u>3,317,376</u>	<u>13,355</u>	<u>417,993</u>	<u>3,748,724</u>
Excess (deficiency) of revenues over expenditures	<u>37,208</u>	<u>(13,355)</u>	<u>(417,976)</u>	<u>(394,123)</u>
Other financing sources:				
Transfers in	20,247	-	398,448	418,695
Transfers out	<u>(398,448)</u>	<u>(20,247)</u>	<u>-</u>	<u>(418,695)</u>
Fund balances at beginning of year	<u>6,998,938</u>	<u>33,602</u>	<u>65,600</u>	<u>7,098,140</u>
Fund balances at end of year	<u>\$ 6,657,945</u>	<u>\$ -</u>	<u>\$ 46,072</u>	<u>\$ 6,704,017</u>

See accompanying notes to the financial statements.

**SOUTH BROWARD DRAINAGE DISTRICT**  
**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the year ended September 30, 2011**

Net change in fund balances – total governmental funds \$ (394,123)

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	\$ 490,437	
Less current year depreciation	<u>(367,957)</u>	<u>122,480</u>
Changes in net assets		<u>\$ (271,643)</u>

See accompanying notes to the financial statements.



**FIDUCIARY FUND – AGENCY FUNDS**

**SOUTH BROWARD DRAINAGE DISTRICT**  
**Statement of Fiduciary Net Assets –**  
**Agency Funds**  
**For the fiscal year ended September 30, 2011**

<b>ASSETS</b>	<b>Agency Fund S – 9/10</b>	<b>Total Agency Funds</b>
Assessment Receivables	\$ 2,850	\$ 2,850
Due from General Fund	<u>145,156</u>	<u>145,156</u>
Total assets	<u>\$ 148,006</u>	<u>\$ 148,006</u>
<b>LIABILITIES</b>		
Assets in excess of liabilities	<u>\$ 148,006</u>	<u>\$ 148,006</u>
Total liabilities	<u>\$ 148,006</u>	<u>\$ 148,006</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 due.

#### (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.

#### (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, 2011, there were \$120,182 of outstanding encumbrances; accordingly, for the year ended September 30, 2011, 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 2012 budget, the District appropriated unassigned fund balance in the amount of \$127,325 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. At September 30, 2011, the liability for accrued compensated absences, to be paid within one year, was \$116,859.

**(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 at 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, 2011.

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 new 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, 2011, the District had placed approximately 1.2% in the Florida Local Government Surplus Funds Trust Fund (also known as the "Local Government Investment Pool" or "LGIP"), 6.6% in Certificate of Deposits, 53% in interest bearing money market accounts, 13.5% in State of Israel Bonds and 14% in other US notes.

**(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 2011 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, 2011 is the balance of approximately \$3,239,000 in the general fund emergency account.

#### **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, 2011**

<u>Issuer</u>	<u>Percentage of Total</u>
Local Government Surplus Trust Fund – Pool A	.37%
Local Government Surplus Trust Fund – Pool B	.78%
State of Israel Bonds	13.53%
Wedbush Bank CD	3.25%
TriState Capital Bank CD	3.35%
Federal Home Loan Bank	14.11%
Suntrust Bank	64.61%

Cash and investments as of September 30, 2011 are comprised of the following:

Cash deposits:

Money market accounts	\$ 3,892,560
Demand deposits	836,608
Petty cash	<u>1,000</u>

Total cash deposits \$ 4,730,168

Investments:

Local Government Surplus Trust Fund – Pool A	\$ 26,772
Local Government Surplus Trust Fund – Pool B	57,065
Certificates of deposit	483,000
State of Israel Bonds	990,000
Federal Home Loan Bank	<u>1,032,765</u>

Total investments \$ 2,589,602

Total cash and investments \$ 7,319,770

**(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, 2011 consisted of the following:

Prepaid expenses	\$ <u>22,827</u>
	\$ <u>22,827</u>

#### (6) CAPITAL ASSETS

The following summarizes changes in the capital assets:

	Balance <u>9/30/10</u>	Additions	Deletions	Balance <u>9/30/11</u>
Capital Assets Not Being Depreciated:				
Land	\$ 349,616	\$ -	\$ -	\$ 349,616
Canal Improvements and Lakes	<u>9,508,706</u>	<u>248,936</u>	<u>-</u>	<u>9,757,642</u>
Total Capital Assets Not Being Depreciated	<u>9,858,322</u>	<u>248,936</u>	<u>-</u>	<u>10,107,258</u>
Capital Assets Being Depreciated:				
Water Control Structures	8,555,581	202,580	-	8,758,161
Buildings - District Headquarters	802,551	-	-	802,551
Vehicles	414,924	5,749	-	420,673
Equipment	<u>366,546</u>	<u>33,172</u>	<u>-</u>	<u>399,718</u>
Total Capital Assets Being Depreciated	<u>10,139,602</u>	<u>241,501</u>	<u>-</u>	<u>10,381,103</u>
Less Accumulated Depreciation				
Water Control Structures	4,735,853	231,214	-	4,967,067
Buildings	423,425	20,064	-	443,489
Vehicles	401,559	65,626	-	467,185
Equipment	<u>421,069</u>	<u>51,053</u>	<u>-</u>	<u>472,122</u>
Total Accumulated Depreciation	<u>5,981,906</u>	<u>367,957</u>	<u>-</u>	<u>6,349,863</u>
Capital Assets, Net	<u>\$ 14,016,018</u>	<u>\$ 122,480</u>	<u>\$ -</u>	<u>\$ 14,138,498</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

**(Continued)**



# SOUTH BROWARD DRAINAGE DISTRICT

## Notes to Financial Statements (Continued)

### (7) RETIREMENT PLAN (Continued)

administered by 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 7.91% for covered regular payroll, and 9.27% for senior management payroll (District Director). The combined pension contributions approximated \$95,587 for the year ended September 30, 2011, which amounts to 9.43% of current-year covered payrolls. The District's total and current-year covered payroll was approximately \$1,013,869.

### (8) SPECIAL ASSESSMENT SUPPLEMENTARY INFORMATION

The District was in no way liable for repayment of special assessment debt but acted only as agent for the property owners in remitting the assessments collected by the County, forwarding the collections to the trustees for the certificate of indebtedness holders and initiating foreclosure proceedings, as required. The Unit District No. 9/10 certificate of indebtedness was paid off on July 19, 2011.

### (9) PERMITS AND OTHER INCOME

Other income for the year ended September 30, 2011 consisted of the following:

Rental income	\$ 33,483
Permit fees	58,436
As-built income	42,708
Erosion control reimbursement	44,892
Recertification program	23,439
Miscellaneous	<u>16,019</u>
	<u>\$ 218,977</u>

(Continued)

## **SOUTH BROWARD DRAINAGE DISTRICT**

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

#### **(10) LEASE AGREEMENT**

On June 28, 2004 the District entered into a lease agreement with the Town of Southwest Ranches. The District is leasing to the Town space on the District's property to maintain seven modular facilities for use as a temporary Town Hall.

The District has recently agreed with the Town on a five year extension until June 27, 2014, effective June 28, 2010. Total rent to be paid during the term of this extension amounts to \$166,667, to be paid in quarterly installments of \$8,333.35. The District agreed to reduce the original security deposit from \$50,000 to \$25,000, with the balance of \$25,000 being utilized to pay the first three quarterly payments to the District.

#### **(11) COMMITMENT**

The District entered into a contract with the new District Director effective May 17, 2011. 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.

#### **(12) 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.

#### **(13) SUBSEQUENT EVENTS**

Subsequent events have been evaluated through January 19, 2012, 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, 2011**

	<u>Final Budget **</u>	<u>Actual - Budgetary Basis</u>	<u>Variance – Favorable (Unfavorable)</u>
Revenues:			
Maintenance taxes	\$ 3,042,866	\$ 3,063,942	\$ 21,076
Permit fees and other income	55,400	192,647	137,247
Interest	<u>54,000</u>	<u>71,665</u>	<u>17,665</u>
	<u>3,152,266</u>	<u>3,328,254</u>	<u>175,988</u>
Expenditures:			
Administrative salaries	287,000	287,557	(557)
Board of supervisors fees	37,800	37,800	-
Field operations salaries	448,500	450,131	(1,631)
Inspectors	216,022	216,717	(695)
Payroll taxes	85,295	83,708	1,587
Pension costs	97,400	95,587	1,813
Other salaries and costs	54,728	59,463	(4,735)
Accounting fees	32,000	29,975	2,025
Consulting – general	46,300	10,797	35,503
Engineering fee – special projects	10,000	1,290	8,710
Legal fees	60,200	55,582	4,618
Legal fees – special projects	80,000	92,368	(12,368)
Other professional fees	1,000	-	1,000
Commercial property package	36,000	33,290	2,710
General liability	41,200	39,515	1,685
Group health and life insurance	333,400	307,386	26,014
Workers compensation	20,000	19,594	406
Advertising	6,000	6,636	(636)
Computer supplies and upgrades	19,000	18,691	309
Dues and subscriptions	5,500	4,542	958
Flight service	2,500	-	2,500
Electric costs	14,960	12,587	2,373
Gas(LP) auxiliary power	8,000	474	7,526
Janitorial services	2,200	1,452	748
Licenses and fees	800	675	125

**(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, 2011**

	<u>Final Budget **</u>	<u>Actual - Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
Maintenance contracts	\$ 12,700	\$ 5,370	\$ 7,330
Miscellaneous/uniforms	2,500	2,595	(95)
Office supplies and postage	4,300	3,181	1,119
Payroll service	2,600	2,605	(5)
Printing and stationary	1,500	1,013	487
Public records, storage and filing	2,400	284	2,116
Telephone and miscellaneous communications	16,000	11,603	4,397
Water and sewer costs	2,850	2,272	578
Buildings and grounds maintenance	33,000	26,261	6,739
Equipment rental	20,000	18,162	1,838
Equipment and vehicles maintenance	20,650	19,869	781
Fuel, oil and lubricants -			
Pump stations	86,900	8,138	78,762
Vehicles and equipment	38,800	40,769	(1,969)
Hazardous materials	7,000	1,469	5,531
Janitorial supplies	1,000	576	424
Hurricane preparedness supplies	1,500	714	786
Landscaping and mowing	26,000	12,495	13,505
Photography and VCR equipment	325	319	6
Pump station and flood gates maintenance	52,800	45,486	7,314
Safety and SCUBA equipment	3,000	2,213	787
Sanitation and exterminating services	500	326	174
Small tools and shop supplies	8,700	8,755	(55)
Telemetry and pump stations	12,072	5,215	6,857
Water recorders and elevation gauges	8,100	8,412	(312)
Canal and swale renovations	30,000	10,220	19,780
Culvert cleaning	65,000	49,841	15,159
Culvert and flapper gate repairs	25,000	8,112	16,888
Endwall repairs and replacements	5,000	3,035	1,965
Erosion control	60,000	59,644	356
Gates, fences and ramp upgrades	15,000	10,238	4,762
Outfall structures	7,000	2,128	4,872
Trash rack, piling and tank upgrades	3,000	1,105	1,895
Tree removal	55,000	54,151	849

**(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, 2011**

	<u>Final Budget **</u>	<u>Actual - Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
Herbicides	\$ 359,000	\$ 354,525	\$ 4,475
Triploid carp	30,000	29,508	492
Water testing	8,000	5,616	2,384
Seminars, meetings and conferences	18,400	5,596	12,804
Bank charges	-	334	(334)
Special projects	397,760	-	397,760
Equipment and vehicles purchases	35,000	34,155	845
Pump station and drainage improvements	-	3,245	(3,245)
Contingency	10,000	157	9,843
Billing and collection costs	60,810	59,100	1,710
Discounts and commissions	<u>79,053</u>	<u>105,289</u>	<u>(26,236)</u>
 Total expenditures	 <u>3,574,025</u>	 <u>2,889,918</u>	 <u>684,107</u>
Excess (deficiency) of revenues over expenditures	 <u>\$ (421,759)*</u>	 <u>438,336</u>	 <u>\$ 860,095</u>
 Fund balance at beginning of year		 6,998,938	
Adjustment **		(401,128)	
Other financing sources:			
Transfers in		20,247	
Transfers out		<u>(398,448)</u>	
 Fund balance at end of year		 <u>\$ 6,657,945</u>	

\* Appropriation of Fund Balance

\*\* In order to reconcile the excess of revenues over expenditures for budgetary purposes to GAAP, the adjusted difference between the 2011 and 2010 reserve for encumbrances and reserve fund adjustments, which amount to a total of \$(401,128), would be included as the reconciling item. (See Note 2)

\*\*\* The District amended certain line items of the original budget on August 25, 2011. The changes were immaterial and only the final budget has been presented for purposes of this statement.

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, 2011**



**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, 2011, which collectively comprise the District’s basic financial statements and have issued our report thereon dated January 14, 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**

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 opinion 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 January 14, 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

January 14, 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, 2011**

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

January 14, 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, 2011, and have issued our report thereon dated January 14, 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 January 14, 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 established pursuant to the provisions of Chapter 98-524, a Special Act of the Florida Legislature in 1927. 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, 2010, 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, 2010. 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, 2011, and through the date of our audit report, January 14, 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, 2011.

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, 2011**



There is no response required for the current year.