

**SOUTH BROWARD DRAINAGE DISTRICT**

**ANNUAL FINANCIAL STATEMENTS**

**September 30, 2016**

## TABLE OF CONTENTS

|  | <u>Pages</u> |
|--|--------------|
| <b>INTRODUCTORY SECTION</b>  |              |
| Board of Commissioners   | 1            |
| <b>FINANCIAL SECTION</b>   |              |
| Independent Auditor's Report   | 2            |
| Management's Discussion and Analysis (unaudited)   | 5            |
| Basic Financial Statements:  |              |
| Government-Wide Financial Statements   |              |
| Statement of Net Position  | 10           |
| Statement of Activities  | 11           |
| Fund Financial Statements  |              |
| Governmental Fund  |              |
| Balance Sheet  | 12           |
| Reconciliation of Balance Sheet - Governmental Fund<br>to the Statement of Net Position  | 13           |
| Statement of Revenues, Expenditures and<br>Changes in Fund Balances  | 14           |
| Reconciliation of the Statement of Revenues,<br>Expenditures and Changes in Fund Balances -<br>Governmental Funds to the Statement of Activities   | 15           |
| Notes to Financial Statements  | 16           |
| Required Supplementary Information other than M D & A (unaudited):   |              |
| Statement of Revenues, Expenditures and Changes in Fund<br>Balance – Budget and Actual - General Fund  | 31           |
| <b>OTHER REPORTS SECTION</b>   |              |
| Independent Auditor's Report on Internal Control over Financial<br>Reporting and on Compliance and Other Matters Based on an<br>Audit of Financial Statements Performed in Accordance<br>With <i>Government Auditing Standards</i> | 34           |

## TABLE OF CONTENTS (Continued)

|  |    |
|--|----|
| Independent Auditor's Management Letter Required by Chapter 10.550,<br>Rules of the State of Florida Office of the Auditor General   | 36 |
| Response to the Management letter  | 40 |
| Independent Auditor's Report on Compliance with Local Government<br>Investment Policies Pursuant to Chapter 10.556(10), Rules of the<br>State of Florida Office of the Auditor General | 41 |

## **INTRODUCTORY SECTION**

**SOUTH BROWARD DRAINAGE DISTRICT**

**Board of Commissioners**

**September 30, 2016**

|                             |                  |
|-----------------------------|------------------|
| Scott Hodges                | Chairperson      |
| James Ryan                  | Vice Chairperson |
| Robert E. Goggin, IV        | 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 AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***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 the South Broward Drainage District, as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5–9 and 31–33 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Broward Drainage District's basic financial statements. The introductory section and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have 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 them.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2017, on our consideration of the South Broward Drainage District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and



grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Broward Drainage District's internal control over financial reporting and compliance.

*Margolies, Fink & Wichrowski*

Certified Public Accountants

January 9, 2017

Pompano Beach, Florida

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

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

The management of South Broward Drainage District ("District") would like to provide readers of the District's financial statements this narrative overview and analysis of the financial activities for the year ended September 30, 2016. 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 10.

The South Broward Drainage District exists pursuant to the provisions of Ch. 98-524 laws of Florida as amended, 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 255,000 residents. The District, a special taxing district, has powers primarily in the areas of stormwater management and flood control. Their powers include rights to borrow money and issue bonds or other evidences of indebtedness, assess and impose upon all the lands in the District annual drainage, administrative, operation and maintenance taxes, and the District has the ability to install and foreclose special assessment liens.

### **FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at the end of the fiscal year by \$21,404,566. Pursuant to the GASB Statement No. 54 presentation requirements, \$1,105,590 of this amount may be used to meet the District's ongoing operations and \$5,147,682 has been committed for specific purposes.
- The District's total net position increased by \$54,480, or .26% in 2016.
- The total assets of the District amounted to \$22,200,214 as of September 30, 2016. Of this amount, \$15,151,294 represented the net investment in capital assets. The total liabilities amounted to \$795,648.
- The District's total general revenues (on an accrual basis) were \$3,305,605 for the year ended September 30, 2016.
- The total expenses for all of the District's activities were \$3,251,125 for the year ended September 30, 2016.
- As of September 30, 2016, the District has a total of \$6,253,272 of unrestricted net position, of which \$5,147,682 has been committed for specific purposes; \$188,561 has been appropriated during the preparation of the fiscal year 2017 budget, leaving a remaining balance of \$917,029 as unassigned funds.

### **DISTRICT HIGHLIGHTS**

- Completed the following improvements under the District's 5-Year Capital Improvements Plan (CIP) during the 2015/2016 fiscal year:
  - Upgraded the control panels for the S-4 and S-5 pump stations.
  - Converted one drainage pump from oil cooled to water cooled pump at the S-4/S-5 pump station. This was the last pump to be converted from oil cooled to water cooled.
  - Rebuilt one gear drive at the S-2 pump station.
  - Rebuilt two Caterpillar motors; one at the S-1 pump station and the second at the S-7 pump station.
  - Installed a new metal roof at SBDD headquarters.

- Continued with the planning efforts for the expansion of the garage area in the SBDD maintenance yard.

Completed the following improvements as part of the District's annual maintenance, repairs, replacement and upgrades work during the 2015/2016 fiscal year:

- Re-graded and stabilized the canal slopes adjacent to the S-2 pump station.
- Re-graded and stabilized the canal slopes adjacent to the S-7 pump station.
- Re-graded and stabilized the canal slopes adjacent to the S-3 pump station.
- Installed guardrail along the existing canal on the downstream side of the S-3 pump station.
- Oversaw the completion of the SW 205<sup>th</sup> Avenue rear yard drainage project.
- Installed five (5) storage bins at SBDD headquarters (back field).
- Performed an assessment and preliminary design for the rehabilitation of the B-1 pump station.
- Participated in a joint project with the Town of SW Ranches on the SW 55<sup>th</sup> Street drainage improvements – SBDD prepared the design plans and obtained permits.
- Installed GPS on all SBDD vehicles and boats for improved safety & supervision of staff.
- Replaced and upgraded the exhaust system at the S-8 pump station.
- Installed new LED lighting at the S-7 pump station.
- Installed new battery chargers at the S-1 pump station.
- Installed a new trash rack at the S-3 pump station.
- Installed additional outdoor cameras at the S-1 and S-3 pump stations.
- Installed new cameras (indoor and outdoor) at the S-4/S-5 pump station.
- Purchased a new field truck.
- Purchased a new towable spray rig.
- Completed lateral canal excavations in Basin 8 (Rolling Oaks).
- Modified the Riverdale outfall connection (new baffle).
- Purchased carbon fiber drive shafts for the S-1 pump station.
- Purchased three (3) new clutches for the S-1 pump station and one (1) spare clutch for the S-2 pump station.
- Purchased spare sensors and gauges for all pump stations.
- Installed tow bars on all boat motors (safety).
- Purchased a new bumper winch for SBDD Truck #33.
- Purchased new transfer pumps for the maintenance of SBDD pump stations.
- Repaired fencing in the SBDD field area.
- Installed culvert slip liners at two locations in Rolling Oaks (Basin 8).
- Upgraded the Data Flow antenna at SBDD headquarters.
- Purchased a new computer tablet for SBDD's mechanic.
- Completed boat ramp improvements at miscellaneous locations throughout the District.
- Performed miscellaneous tree removal and trimming.
- Performed miscellaneous culvert inspections, culvert cleaning, and swale improvements.

Participated in miscellaneous outreach efforts.

## **USING THE ANNUAL REPORT**

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

### **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 Position 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 position presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the four reported as net position. Over time, an increase or decrease in net position 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 position changed during the most recent fiscal year. All changes in net position 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 10 and 11.

### **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. Presently the District has only one governmental fund.

The District's basic services are reported in a governmental fund, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. The fund is 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 Position and the Statement of Activities) and the basic governmental fund statements in a reconciliation schedule supporting the Fund Financial Statements.

During the fiscal year ending September 30, 2016, the District maintained one individual governmental fund, the General Fund. The District may establish other funds to help it control and manage money for particular purposes or to show that it is meeting its legal and fiduciary responsibilities.

### **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. 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 position may serve over time as a useful indicator of a government's financial position. In the case of South Broward Drainage District, assets exceeded liabilities by \$21,404,566 at the close of the most recent year. The largest portion of the District's net position (71%) reflects its net investment 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 position (24%) represents resources that have been committed as to how they may be used. These resources can be used only for their intended designation. The remaining unrestricted net position (\$1,105,590) may be used to meet ongoing operations.

The District adopted the fiscal year 2015-2016 Budget on September 14, 2015. On August 25, 2016 the Board approved certain line item reclassifications to the original budget. Total general fund expenditures budgeted for the year ended September 30, 2016 were \$3,345,099. Total actual general fund expenditures were \$2,933,560, and the District achieved a favorable budget variance for the year ended September 30, 2016 of \$525,929, as reflected on page 33 of the financial statements.

### **Contacting the District's financial management**

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

## COMPARATIVE FINANCIAL INFORMATION

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

|                                  | <u>2016</u>          | <u>2015</u>          |
|----------------------------------|----------------------|----------------------|
| Current and other assets         | \$ 7,048,920         | \$ 7,028,469         |
| Capital assets                   | <u>15,151,294</u>    | <u>15,079,298</u>    |
| Total assets                     | <u>\$ 22,200,214</u> | <u>\$ 22,107,767</u> |
| Current and other liabilities    | <u>\$ 795,648</u>    | <u>\$ 757,681</u>    |
| Total liabilities                | <u>\$ 795,648</u>    | <u>\$ 757,681</u>    |
| Net Position:                    |                      |                      |
| Net investment in capital assets | \$ 15,151,294        | \$ 15,079,298        |
| Restricted                       | -                    | -                    |
| Unrestricted                     | <u>6,253,272</u>     | <u>6,270,788</u>     |
| Total net position               | <u>\$ 21,404,566</u> | <u>\$ 21,350,086</u> |

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

|                                     | <u>2016</u>          | <u>2015</u>          |
|-------------------------------------|----------------------|----------------------|
| General revenues:                   |                      |                      |
| Maintenance taxes                   | \$ 3,093,391         | \$ 3,089,420         |
| Permits and other income            | 202,109              | 201,171              |
| Investment earnings                 | <u>10,105</u>        | <u>20,309</u>        |
| Total revenues                      | <u>3,305,605</u>     | <u>3,310,900</u>     |
| Expenses:                           |                      |                      |
| Operation and maintenance           | 2,866,907            | 2,926,589            |
| Depreciation                        | <u>384,218</u>       | <u>388,897</u>       |
| Total expenses                      | <u>3,251,125</u>     | <u>3,315,486</u>     |
| Increase (decrease) in net position | 54,480               | (4,586)              |
| Net position – beginning            | <u>21,350,086</u>    | <u>21,354,672</u>    |
| Net position – ending               | <u>\$ 21,404,566</u> | <u>\$ 21,350,086</u> |

**BASIC FINANCIAL STATEMENTS –  
GOVERNMENT-WIDE**



**SOUTH BROWARD DRAINAGE DISTRICT**

**Statement of Net Position**

**September 30, 2016**

**ASSETS**

|   |                   |
|---|-------------------|
| Cash and investments – unrestricted           | \$ 900,895        |
| Cash and investments – temporarily restricted | 5,975,937         |
| Receivables, including interest               | 5,050             |
| Inventory                                     | 113,313           |
| Other assets                                  | 53,725            |
| Capital assets:                               |                   |
| Land  | 349,616           |
| Other capital assets, net of depreciation     | <u>14,801,678</u> |
| Total capital assets                          | <u>15,151,294</u> |
| Total assets                                  | <u>22,200,214</u> |

**LIABILITIES**

|                                       |                |
|---------------------------------------|----------------|
| Accounts payable and accrued expenses | 155,035        |
| Compensated absences payable          | 123,739        |
| Refundable deposits                   | <u>516,874</u> |
| Total liabilities                     | <u>795,648</u> |

**NET POSITION**

|                                  |                      |
|----------------------------------|----------------------|
| Net investment in capital assets | 15,151,294           |
| Unrestricted                     | <u>6,253,272</u>     |
| Total net position               | <u>\$ 21,404,566</u> |

See accompanying notes to the financial statements.

**SOUTH BROWARD DRAINAGE DISTRICT**  
**Statement of Activities**  
**For the year ended September 30, 2016**

|                                 |                      |
|---------------------------------|----------------------|
| Expenses:                       |                      |
| Personnel services              | \$ 1,249,961         |
| Materials and services          | 1,506,686            |
| Depreciation expense            | 384,218              |
| Collection discounts            | <u>110,260</u>       |
| Total expenses                  | <u>3,251,125</u>     |
|                                 |                      |
| General revenues:               |                      |
| Maintenance taxes               | 3,093,391            |
| Permits and other income        | 202,109              |
| Investment earnings             | <u>10,105</u>        |
| Total general revenues          | <u>3,305,605</u>     |
| Changes in net position         | 54,480               |
| Net position, beginning of year | <u>21,350,086</u>    |
| Net position, end of year       | <u>\$ 21,404,566</u> |

See accompanying notes to the financial statements.

**BASIC FINANCIAL STATEMENTS –  
FUND**

**SOUTH BROWARD DRAINAGE DISTRICT**  
**Balance Sheet – Governmental Fund**  
**September 30, 2016**

| <b>ASSETS</b>  | <b><u>General<br/>Fund</u></b> |
|--|--------------------------------|
| Cash   | \$ 5,146,855                   |
| Investments  | 1,729,977                      |
| Receivables:   |                                |
| Delinquent taxes and assessments, including interest | 1,955                          |
| Other  | 3,095                          |
| Inventory  | 113,313                        |
| Other assets   | <u>53,725</u>                  |
| Total assets   | <u>\$ 7,048,920</u>            |
| <b>LIABILITIES AND FUND EQUITY</b>                   |                                |
| Liabilities:   |                                |
| Accounts payable and accrued expenses                | \$ 155,035                     |
| Compensated absences payable                         | 123,739                        |
| Refundable deposits and deferred income              | <u>516,874</u>                 |
| Total liabilities                                    | <u>795,648</u>                 |
| Fund balances:                                       |                                |
| Committed  | 5,147,682                      |
| Assigned   | 188,561                        |
| Unassigned   | <u>917,029</u>                 |
| Total fund equity                                    | <u>6,253,272</u>               |
| Total liabilities and fund equity                    | <u>\$ 7,048,920</u>            |

See accompanying notes to the financial statements.

**SOUTH BROWARD DRAINAGE DISTRICT**  
**Reconciliation of Balance Sheet - Governmental Fund**  
**to the Statement of Net Position**  
**September 30, 2016**

Total governmental fund balances \$ 6,253,272

Amounts reported in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in funds.

|                               |                    |                   |
|-------------------------------|--------------------|-------------------|
| Capital assets                | \$ 23,248,210      |                   |
| Less accumulated depreciation | <u>(8,096,916)</u> | <u>15,151,294</u> |

Total net position \$ 21,404,566

See accompanying notes to the financial statements.

**SOUTH BROWARD DRAINAGE DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Governmental Fund**  
**For the year ended September 30, 2016**

|   | <u><b>General<br/>Fund</b></u> |
|---|--------------------------------|
| Revenues:   |                                |
| Maintenance taxes                                 | \$ 3,093,391                   |
| Permits and other income                          | 202,109                        |
| Interest  | <u>10,105</u>                  |
| Total revenues                                    | <u>3,305,605</u>               |
| Expenditures:                                     |                                |
| Capital outlay                                    | 456,214                        |
| Operating   | 2,530,644                      |
| Administrative                                    | 226,003                        |
| Discounts   | <u>110,260</u>                 |
| Total expenditures                                | <u>3,323,121</u>               |
| Excess (deficiency) of revenues over expenditures | (17,516)                       |
| Fund balance at beginning of year                 | <u>6,270,788</u>               |
| Fund balance at end of year                       | <u>\$ 6,253,272</u>            |

See accompanying notes to the financial statements.

**SOUTH BROWARD DRAINAGE DISTRICT**  
**Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Governmental Fund to the Statement of Activities**  
**For the year ended September 30, 2016**

Net change in fund balances – total governmental fund \$ (17,516)

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 | \$ 456,214       |                  |
| Less current year depreciation  | <u>(384,218)</u> | <u>71,996</u>    |
| Changes in net position         |                  | <u>\$ 54,480</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 laws of Florida as amended, 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*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, 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.

The District implemented the requirements of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, during the year ended September 30, 2013. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

**(Continued)**

# SOUTH BROWARD DRAINAGE DISTRICT

## Notes to Financial Statements (Continued)

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

This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The District did not have any deferred outflows or deferred inflows of resources as of September 30, 2016 that were required to be disclosed in the Statement of Net Position.

#### (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.

The government-wide financial statements include a Statement of Net Position 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.

(Continued)

# **SOUTH BROWARD DRAINAGE DISTRICT**

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

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

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.

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

#### **(d) Major Funds**

##### Governmental Fund Types

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

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.

#### **(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, 2016, there were \$21,339 of outstanding encumbrances; accordingly, for the year ended September 30, 2016, the "actual budgetary basis" is presented on a basis which is not consistent with GAAP.

**(Continued)**

## **SOUTH BROWARD DRAINAGE DISTRICT**

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

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

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 public hearings, as required, on the proposed budget. Prior to the end of each fiscal year, the budget is formally adopted for the ensuing year.

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 2017 budget, the District appropriated a portion of the unassigned fund balance in the amount of \$188,561 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.

**(Continued)**

## **SOUTH BROWARD DRAINAGE DISTRICT**

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

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

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

The full-time employees of the District can carryover to the following fiscal year up to one year of their sick leave and vacation benefits. Vacation time is earned based upon length of service, up to a maximum amount of four weeks per year, once the employee has been with the District for fourteen years, with the exception of employees that are covered by employment agreements. At September 30, 2016, the liability for accrued compensated absences, to be paid within one year, was \$123,739, an increase of \$1,997.

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

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

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

Non-participating investments, such as non-negotiable Certificates of Deposit with redemption values that do not consider market rates, are reported as amortized costs. The District had investments in the Local Government Surplus Funds Trust Fund, which 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. During the 2015 fiscal year these investments were discontinued.

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.

**(Continued)**

**SOUTH BROWARD DRAINAGE DISTRICT**

**Notes to Financial Statements (Continued)**

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

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, 2016.

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

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

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

**(k) Fund Balance**

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

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

- **Non-spendable Fund balance** includes amounts not in spendable form, such as inventory, or amounts required to be maintained intact legally or contractually. The District uses the consumption method of reporting inventory; therefore, it is not reported as a non-spendable fund balance.

**(Continued)**

## SOUTH BROWARD DRAINAGE DISTRICT

### Notes to Financial Statements (Continued)

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

- **Restricted Fund Balance** includes amounts constrained for a specific purpose by external parties. The District's Capital Project fund for the S-9/10 basin improvements qualified as a restricted fund and was closed during the 2015 fiscal year.
- **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 (\$5,147,682). The Emergency Fund was established to provide for those situations when the District might have unbudgeted expenditures as a result of a severe emergency, such as a major hurricane.
- **Assigned Fund Balance** includes general fund amounts constrained for a specific purpose by the District's board (\$188,561). This amount represents the appropriation of fund balance in the 2016-2017 fiscal year budget.
- **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. The recently approved *Financial Policies and Guidelines* of the District establishes minimum amounts for certain fund balances.

#### (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.

(Continued)

# SOUTH BROWARD DRAINAGE DISTRICT

## Notes to Financial Statements (Continued)

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

#### (m) Impact of Recently Issued Accounting Pronouncements

##### **Recently Issued Accounting Pronouncements,**

In June 2012, GASB issued Statement No. 68 *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that meet certain characteristics. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this Statement are effective for financial statement periods beginning after June 15, 2014. The District implemented this statement in its fiscal year beginning October 1, 2014, and there are no effects on the financial statements.

In January 2013, GASB issued Statement No. 69 *Government Combinations and Disposals of Government Operations*. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The provisions of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. The District implemented this statement in its fiscal year beginning October 1, 2014, and there are no effects on the financial statements.

In April 2013, GASB issued Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a nonexchange financial guarantee, the provisions of this Statement are required to be applied retroactively.

Disclosures related to cumulative amounts paid or received in relation to a nonexchange financial guarantee may be applied prospectively. The District does not have any transactions that are required to be reported under this GASB.

**(Continued)**



## SOUTH BROWARD DRAINAGE DISTRICT

### Notes to Financial Statements (Continued)

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

In November 2013, GASB issued Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation. This statement does not have any effect on the District's financial statements.

In June 2015, GASB issued Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a resource of authoritative GAAP. The District implemented this Statement during the fiscal year ended September 30, 2016. The implementation had no effect on the District financial statements.

The District has not yet determined the impact of GASB pronouncements No. 74 through No. 82 which have been issued but are not yet effective and have not been implemented.

(Continued)

# **SOUTH BROWARD DRAINAGE DISTRICT**

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

### **(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.

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.

**(Continued)**

## **SOUTH BROWARD DRAINAGE DISTRICT**

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

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

As of September 30, 2016, the District had placed approximately 25.16% in Certificate of Deposits and 74.84% in interest bearing Money Market Accounts.

#### **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.

All of the District's investments in agency securities for fiscal year 2016 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, 2016 is the balance of approximately \$3,246,700 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.

**(Continued)**

**SOUTH BROWARD DRAINAGE DISTRICT**

**Notes to Financial Statements (Continued)**

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

**Percentage Allocation by Issuer as of September 30, 2016**

| <u>Issuer</u>             | <u>Percentage of Total</u> |
|---------------------------|----------------------------|
| SunTrust Bank             | 74.84%                     |
| Regent Bank CD            | 3.56%                      |
| Bank United CD            | 3.60%                      |
| TD Bank CD                | 3.60%                      |
| Stonegate Bank CD         | 3.60%                      |
| Centennial Bank CD        | 3.60%                      |
| Florida Community Bank CD | 3.60%                      |
| Landmark Bank CD          | 3.60%                      |

Cash and investments as of September 30, 2016 are comprised of the following:

|                            |                     |
|----------------------------|---------------------|
| Cash deposits:             |                     |
| Money market accounts      | \$ 4,245,960        |
| Demand deposits            | 900,095             |
| Petty cash                 | <u>800</u>          |
| Total cash deposits        | <u>\$ 5,146,855</u> |
| Investments:               |                     |
| Certificates of deposit    | <u>1,729,977</u>    |
| Total investments          | <u>\$ 1,729,977</u> |
| Total cash and investments | <u>\$ 6,876,832</u> |

**(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, 2016 consisted of the following:

|                   |                  |
|-------------------|------------------|
| Prepaid insurance | \$ <u>53,725</u> |
|                   | \$ <u>53,725</u> |

#### (6) CAPITAL ASSETS

The following summarizes changes in the capital assets:

|  | Balance<br><u>9/30/15</u> | Additions        | Deletions     | Balance<br><u>9/30/16</u> |
|--|---------------------------|------------------|---------------|---------------------------|
| Capital Assets Not Being Depreciated:      |                           |                  |               |                           |
| Land                                       | \$ 349,616                | \$ -             | \$ -          | \$ 349,616                |
| Canal Improvements and Lakes               | <u>10,056,835</u>         | <u>32,211</u>    | <u>-</u>      | <u>10,089,046</u>         |
| Total Capital Assets Not Being Depreciated | <u>10,406,451</u>         | <u>32,211</u>    | <u>-</u>      | <u>10,438,662</u>         |
| Capital Assets Being Depreciated:          |                           |                  |               |                           |
| Water Control Structures/Culverts          | 10,480,947                | 287,373          | -             | 10,768,320                |
| Buildings - District Headquarters          | 802,551                   | 65,095           | -             | 867,646                   |
| Vehicles                                   | 694,997                   | 57,284           | 34,680        | 717,601                   |
| Equipment                                  | <u>441,730</u>            | <u>14,251</u>    | <u>-</u>      | <u>455,981</u>            |
| Total Capital Assets Being Depreciated     | <u>12,420,225</u>         | <u>424,003</u>   | <u>34,680</u> | <u>12,809,548</u>         |
| Less Accumulated Depreciation              |                           |                  |               |                           |
| Water Control Structures                   | 6,126,184                 | 297,499          | -             | 6,423,683                 |
| Buildings                                  | 523,745                   | 20,877           | -             | 544,622                   |
| Vehicles                                   | 693,678                   | 58,583           | 34,680        | 717,581                   |
| Equipment                                  | <u>403,771</u>            | <u>7,259</u>     | <u>-</u>      | <u>411,030</u>            |
| Total Accumulated Depreciation             | <u>7,747,378</u>          | <u>384,218</u>   | <u>34,680</u> | <u>8,096,916</u>          |
| Capital Assets, Net                        | <u>\$ 15,079,298</u>      | <u>\$ 71,996</u> | <u>\$ -</u>   | <u>\$ 15,151,294</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 totally administered by the State of Florida, Department

(Continued)

**SOUTH BROWARD DRAINAGE DISTRICT**

**Notes to Financial Statements (Continued)**

**(7) RETIREMENT PLAN (Continued)**

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**

Effective July 1, 2011, both employer and employees are required to make contributions towards the FRS. The District's current actuarially determined required contribution rate, as established by State statute, is 7.52% for covered regular payroll, and 21.77% for senior management payroll (District Director). All employees of the District contribute 3% of their salary to the program. The combined pension contributions approximated \$135,743 (\$102,929 from the District and \$32,814 from employees) for the year ended September 30, 2016, which amounts to 12.1% of current-year covered payrolls. The District's total and current-year covered payroll was approximately \$1,126,530.

**(8) PERMITS AND OTHER INCOME**

Other income for the year ended September 30, 2016 consisted of the following:

|                               |                   |
|-------------------------------|-------------------|
| Miscellaneous                 | \$ 46,371         |
| Annual telecommunication fees | 3,500             |
| Permit fees                   | 94,387            |
| Recertification program       | <u>57,851</u>     |
|                               | <u>\$ 202,109</u> |

**(9) COMMITMENTS**

The District entered into a contract with the new District Director effective May 17, 2010. The Board shall employ the director as the Chief Administrator/Director of the District for a term of four (4) years commencing June 1, 2010 and terminating on May 31, 2014. The Contract automatically renewed for a term of four (4) years in accordance with the provisions contained therein. 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.

**(Continued)**

## **SOUTH BROWARD DRAINAGE DISTRICT**

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

#### **(9) COMMITMENT (Continued)**

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 automatically renewed for a term of four (4) years in accordance with the provisions contained therein. 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.

#### **(10) 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.

#### **(11) SUBSEQUENT EVENTS**

Subsequent events have been evaluated through January 9, 2017, which is the date the financial statements were available to be issued to the District.

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



**SOUTH BROWARD DRAINAGE DISTRICT**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance – Budget and Actual – General Fund**  
**(Budgetary Basis)**  
**For the year ended September 30, 2016**

|   | <u>Final<br/>Budget**</u> | <u>Actual -<br/>Budgetary<br/>Basis</u> | <u>Variance –<br/>Favorable<br/>(Unfavorable)</u> |
|---|---------------------------|---|---|
| Revenues:                               |                           |   |   |
| Maintenance taxes                       | \$ 3,093,365              | \$ 3,093,391                            | \$ 26   |
| Permit fees and other income            | 85,850                    | 202,109                                 | 116,259   |
| Interest                                | <u>12,000</u>             | <u>10,105</u>                           | <u>(1,895)</u>                                    |
|   | <u>3,191,215</u>          | <u>3,305,605</u>                        | <u>114,390</u>                                    |
| Expenditures:                           |                           |   |   |
| Administrative salaries                 | 334,502                   | 336,056                                 | (1,554)   |
| Board of Commissioners' salaries        | 37,800                    | 37,800                                  | -   |
| Field operations' salaries              | 501,105                   | 503,474                                 | (2,369)   |
| Inspectors' salaries                    | 247,990                   | 238,904                                 | 9,086   |
| Payroll taxes                           | 90,833                    | 85,631                                  | 5,202   |
| Pension costs                           | 105,891                   | 102,929                                 | 2,962   |
| Other salaries and costs                | 65,000                    | 48,096                                  | 16,904  |
| Accounting fees                         | 25,000                    | 24,750                                  | 250   |
| Engineering/consulting/special projects | 59,700                    | 10,815                                  | 48,885  |
| Legal fees                              | 60,000                    | 54,621                                  | 5,379   |
| Legal fees – special projects           | 25,000                    | -                                       | 25,000  |
| Other professional fees                 | 1,000                     | -                                       | 1,000   |
| Commercial property package             | 36,000                    | 32,888                                  | 3,112   |
| General liability                       | 38,000                    | 36,515                                  | 1,485   |
| Group health and life insurance         | 395,000                   | 359,794                                 | 35,206  |
| Workers compensation                    | 22,000                    | 21,614                                  | 386   |
| Advertising                             | 6,500                     | 4,436                                   | 2,064   |
| Computer supplies and upgrades          | 10,000                    | 7,928                                   | 2,072   |
| Dues and subscriptions                  | 5,600                     | 5,346                                   | 254   |
| Electric costs                          | 13,000                    | 11,910                                  | 1,090   |
| Gas (LP) auxiliary power                | 5,000                     | 188                                     | 4,812   |
| Janitorial services                     | 2,000                     | 1,721                                   | 279   |
| Licenses and fees                       | 900                       | 1,024                                   | (124)   |

**(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 year ended September 30, 2016**

|  | <u>Final<br/>Budget**</u> | <u>Actual -<br/>Budgetary<br/>Basis</u> | <u>Variance -<br/>Favorable<br/>(Unfavorable)</u> |
|--|---------------------------|---|---|
| Maintenance contracts                      | \$ 9,000                  | \$ 6,549                                | \$ 2,451  |
| Miscellaneous/uniforms                     | 4,200                     | 3,162                                   | 1,038   |
| Office supplies and postage                | 4,500                     | 3,284                                   | 1,216   |
| Payroll service                            | 3,600                     | 3,462                                   | 138   |
| Printing and stationary                    | 1,800                     | 1,461                                   | 339   |
| Public records, storage and filing         | 40,000                    | 23,558                                  | 16,442  |
| Telephone and miscellaneous communications | 15,000                    | 13,657                                  | 1,343   |
| Water and sewer costs                      | 2,100                     | 1,808                                   | 292   |
| Buildings and grounds maintenance          | 35,000                    | 33,655                                  | 1,345   |
| Equipment rental                           | 5,000                     | 689                                     | 4,311   |
| Equipment and vehicles maintenance         | 30,000                    | 26,926                                  | 3,074   |
| Fuel, oil and lubricants -                 |                           |   |   |
| Pump stations                              | 60,000                    | 47,472                                  | 12,528  |
| Vehicles and equipment                     | 40,000                    | 36,032                                  | 3,968   |
| Hazardous materials                        | 5,000                     | 945                                     | 4,055   |
| Janitorial supplies                        | 1,000                     | 267                                     | 733   |
| Hurricane preparedness supplies            | 1,500                     | 619                                     | 881   |
| Landscaping and mowing                     | 32,500                    | 32,002                                  | 498   |
| Photography and VCR equipment              | 250                       | -                                       | 250   |
| Pump station and flood gates maintenance   | 70,000                    | 46,613                                  | 23,387  |
| Safety and SCUBA equipment                 | 2,500                     | 2,525                                   | (25)  |
| Sanitation and exterminating services      | 10,200                    | 8,805                                   | 1,395   |
| Small tools and shop supplies              | 9,000                     | 9,315                                   | (315)   |
| Water recorder/elevation gauge/telemetry   | 8,400                     | 9,978                                   | (1,578)   |
| Canal and swale renovations                | 30,000                    | 21,092                                  | 8,908   |
| Culvert cleaning                           | 50,000                    | 38,621                                  | 11,379  |
| Culvert and flapper gate repairs           | 40,000                    | 39,608                                  | 392   |
| Endwall repairs and replacements           | 5,000                     | 311                                     | 4,689   |
| Erosion control                            | 45,000                    | 31,935                                  | 13,065  |
| Gates, fences and ramp upgrades            | 5,000                     | 3,574                                   | 1,426   |
| Outfall structures                         | 2,000                     | -                                       | 2,000   |
| Trash rack, piling and tank upgrades       | 10,000                    | 8,659                                   | 1,341   |
| Tree removal                               | 30,000                    | 25,100                                  | 4,900   |

**(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 year ended September 30, 2016**

|  | <u>Final<br/>Budget**</u> | <u>Actual -<br/>Budgetary<br/>Basis</u> | <u>Variance -<br/>Favorable<br/>(Unfavorable)</u> |
|--|---------------------------|---|---|
| Herbicides   | \$ 370,000                | \$ 273,064                              | \$ 96,936   |
| Triploid carp  | 30,000                    | 23,600                                  | 6,400   |
| Water testing  | 8,000                     | 5,410                                   | 2,590   |
| Seminars, meetings and conferences                   | 8,500                     | 6,652                                   | 1,848   |
| Bank charges   | -                         | 291                                     | (291)   |
| Equipment and vehicle purchases                      | 50,000                    | 46,674                                  | 3,326   |
| Contingency  | 10,000                    | -                                       | 10,000  |
| Billing and collection costs                         | 61,867                    | 59,485                                  | 2,382   |
| Discounts and commissions                            | <u>111,361</u>            | <u>110,260</u>                          | <u>1,101</u>                                      |
| <br>Total expenditures                               | <br><u>3,345,099</u>      | <br><u>2,933,560</u>                    | <br><u>411,539</u>                                |
| Excess (deficiency) of revenues<br>over expenditures | <u>\$ (153,884)*</u>      | 372,045                                 | <u>\$ 525,929</u>                                 |
| <br>Fund balance at beginning of year                |                           | 6,270,788                               |   |
| Adjustment ***                                       |                           | <u>(389,561)</u>                        |   |
| <br>Fund balance at end of year                      |                           | <br><u>\$ 6,253,272</u>                 |   |

\* Appropriation of Fund Balance

\*\* The District amended certain line items of the original budget on August 25, 2016. The changes were immaterial and only the final amended budget has been presented for purposes of this statement.

\*\*\* In order to reconcile the excess of revenues over expenditures for budgetary purposes to GAAP, the adjusted difference between the 2016 and 2015 reserve for encumbrances and reserve fund adjustments, which amount to a total of (\$389,561), would be included as the reconciling item. (See Note 2)

See accompanying notes to the financial statements.

## **OTHER REPORTS SECTION**

**SOUTH BROWARD DRAINAGE DISTRICT**

**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*  
For the year ended September 30, 2016**

**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**

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

We have audited, in accordance with the 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, 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, 2016, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated January 9, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

*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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Margolies, Fink & Wichrowski*

Certified Public Accountants

January 9, 2017  
Pompano Beach, Florida

**SOUTH BROWARD DRAINAGE DISTRICT**

**INDEPENDENT AUDITOR'S MANAGEMENT LETTER REQUIRED BY  
CHAPTER 10.550, RULES OF THE STATE OF FLORIDA OFFICE  
OF THE AUDITOR GENERAL  
For the year ended September 30, 2016**



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

January 9, 2017

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

We have audited the financial statements of the South Broward Drainage District, located in Southwest Ranches, Florida, as of and for the year ended September 30, 2016, and have issued our report thereon dated January 9, 2017.

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; and Chapter 10.550, Rules of the Florida Auditor General. We have issued our 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*, and Chapter 10.550, Rules of the Florida Auditor General. Disclosures in those reports, if any, which are dated January 9, 2017, should be considered in conjunction with this management letter.

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. There were no corrective actions, or recommendations made in the preceding annual financial report that need to be discussed in the current management letter.
- Section 10.554(1)(i)2., 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)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The South Broward Drainage District was originally established pursuant to the provisions of Chapter 12049, a Special Act of the Florida Legislature in 1927. Since the initial charter was created several revisions have been made by the Florida Legislature, the latest having been completed in 2013. 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)5.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)5.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the South Broward Drainage District for the year ended September 30, 2015, 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 year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

- Pursuant to Sections 10.554(1)(i)5.c, and 10.556(8), 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, 2016, and through the date of our audit report, January 9, 2017.
- Pursuant to Section 215.985(11), Florida Statutes and Section 10.554(1)(i)6.a, the District provided monthly financial statements to its governing board and has made such financial statements available for public access on the District's website.
- Pursuant to Section 218.32(1)g Florida Statutes and Section 10.554(1)(i)6.b, the District has provided a link on their website directly to allow the viewing of the District's annual financial report.
- Pursuant to Section 373.536(5)(d) and (6)(d) Florida Statutes and Section 10.554(1)(i)6.c, the District has provided a link on their website directly to allow the viewing of the District's tentative and final adopted budget for the current fiscal year.

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 year ended September 30, 2016.

**PART II - STATUS OF PRIOR YEAR COMMENTS AND RECOMMENDATIONS**

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

**SOUTH BROWARD DRAINAGE DISTRICT**

**STATEMENT OF EXPLANATION OR REBUTTAL TO  
MANAGEMENT LETTER COMMENTS AND RECOMMENDATIONS  
For the year ended September 30, 2016**

There is no response required for the current year.

**SOUTH BROWARD DRAINAGE DISTRICT**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LOCAL  
GOVERNMENT INVESTMENT POLICIES PURSUANT TO CHAPTER 10.556(10),  
RULES OF THE STATE OF FLORIDA OFFICE OF THE AUDITOR GENERAL  
For the year ended September 30, 2016**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LOCAL  
GOVERNMENT INVESTMENT POLICIES PURSUANT TO CHAPTER 10.556(10),  
RULES OF THE STATE OF FLORIDA OFFICE OF THE AUDITOR GENERAL**

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

We have examined South Broward Drainage District's compliance with the requirements referenced in Section 218.415, Florida Statutes and Chapter 10.556(10), *Rules of the State of Florida Office of the Auditor General* during the year ended September 30, 2016. Management is responsible for South Broward Drainage District's compliance with those requirements. Our responsibility is to express an opinion on South Broward Drainage District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about South Broward Drainage District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on South Broward Drainage District's compliance with specified requirements.

In our opinion, South Broward Drainage District's complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

*Margolies, Fink & Wichrowski*

Certified Public Accountants

January 9, 2017  
Pompano Beach, Florida