

SOUTH BROWARD DRAINAGE DISTRICT

ANNUAL FINANCIAL STATEMENTS

September 30, 2018

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INTRODUCTORY SECTION

SOUTH BROWARD DRAINAGE DISTRICT

Board of Commissioners

September 30, 2018

Scott Hodges	Chairperson
James Ryan	Vice Chairperson
Robert E. Goggin, IV	Secretary
Vicki Minnaugh	Treasurer
Jack McCluskey	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, 2018, 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, 2018, 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, schedule of the proportionate share of the net pension liability, schedule of contributions, and budgetary comparison information on pages 5–9 and 31–35 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 December 6, 2018, 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.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated December 6, 2018, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

Lerro & Chandross, PLLC
Certified Public Accountants

Boca Raton, Florida
December 6, 2018

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, 2018. 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 \$21,667,364. Pursuant to the GASB Statement No. 54 presentation requirements, \$1,793,228 of this amount may be used to meet the District's ongoing operations and \$4,353,474 has been committed for specific purposes.
- The District's total net position increased by \$574,351, or 3% in 2018.
- The total assets of the District amounted to \$22,073,058 as of September 30, 2018. Of this amount, \$15,520,662 represented the net investment in capital assets. The total liabilities amounted to \$405,694.
- The District's total general revenues (on an accrual basis) were \$3,826,889 for the year ended September 30, 2018.
- The total expenses for all of the District's activities were \$3,252,538 for the year ended September 30, 2018.
- As of September 30, 2018, the District has a total of \$6,146,702 of unrestricted net position, of which \$4,353,474 has been committed for specific purposes; \$95,565 has been appropriated during the preparation of the fiscal year 2019 budget, leaving a remaining balance of \$1,696,663 as unassigned funds.

DISTRICT HIGHLIGHTS

Completed the following improvements under the District's 5-Year Capital Improvements Plan (CIP) during the 2017/2018 fiscal year:

- Completed the construction of the SBDD Maintenance Garage Expansion Project.
- Installed a 48" RCP by-pass at the S-8 pump station and a new, manual Sluice Gate for the S-8 pump station with a tie-in to SBDD's telemetry system for remote operation.
- Modified the Ivanhoe Control Structure and installed a new, manual Sluice Gate with a tie-in to SBDD's telemetry system for remote operation.
- Installed two new, manual Sluice Gates for the S-4 and S-5 pump stations with a tie-in to SBDD's telemetry system for remote operation.
- Rebuilt one Caterpillar diesel engine at the S-7 pump station.

- Rebuilt two stormwater pumps; one at the S-2 pump station and the second at the S-8 pump station.
- Purchased and installed 2 new gear drives; one at the S-3 pump station and the second at the S-8 pump station.
- Purchased and installed 2 new generators; one at the S-1 pump station and the second at the S-7 pump station.
- Ordered a new grapple truck for field maintenance operations.
- Installed a culvert slip liner at the 13th Street Canal in Pembroke Pines.

Completed the following improvements as part of the District's annual maintenance, repairs, replacement and upgrades work during the 2017/2018 fiscal year:

- Modified the SFWMD Basin S-8 Permit to allow for the operation of all gates along the C-11 Canal as part of SBDD's on-going Basin S-8 operations.
- Installed FabricForm revetment protection along the entire in-take side of the S-3 pump station.
- Modified the sluice gate openings at the S-7 and S-2 pump stations to minimize blockages caused by the buildup of aquatic vegetation (installed a PVC pipe over the lower I-beam).
- Coordinated with SWR on the Basin 8 Drainage Improvements (Dykes Road/Basin 8 Inter-connect). Construction began on April 30, 2018.
- Started the design plans for the Dykes Road swale improvements.
- Started the design plans and permitting for the final three sluice gate locations along the C-11 Canal (Basin S-8).
- Purchased a new SBDD inspection vehicle.
- Installed new LED lighting at the S-1 pump station.
- Completed the drainage ditch improvements on the west side of SW 199th Avenue.
- Purchased two (2) new 9.9 HP outboard motors.
- Completed additional boat ramp improvements at four locations throughout the District.
- Replaced 2 motors and purchased two (2) new back-up motors for the SBDD sluice gates.
- Purchased a new aquatic bucket for the grapple truck.
- Purchased a back-hoe assembly for the tractor.
- Purchased an air compressor for the new garage building.
- Performed miscellaneous tree removal and trimming.
- Performed miscellaneous culvert inspections, culvert cleanings, 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, 2018, 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 \$21,667,364 at the close of the most recent year. The largest portion of the District's net position (72%) 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 (20.1%) 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 (\$1,793,228) may be used to meet ongoing operations.

The District adopted the fiscal year 2017-2018 Budget on September 12, 2017. On August 23, 2018 the Board approved certain line item reclassifications to the original budget. Total general fund expenditures budgeted for the year ended September 30, 2018 were \$3,792,846. Total actual general fund expenditures were \$3,689,995, and the District had an unfavorable budget variance for the year ended September 30, 2018 of (\$251,063), as reflected on page 33 of the financial statements. It should be noted that the District did transfer \$388,233 from the capital improvements reserve fund into the operating fund to cover the capital expenditures budgeted under the District's 5-year Capital Improvement Program and paid through the general operating fund. Additionally, the liability for "compensated absences payable" was decreased by a total of \$43,958 from 2107 to 2018 and this reduction resulted in a decrease to "Other salaries and costs" as shown in the budget statement on Page 31 of this report.

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>2018</u>	<u>2017</u>
Current and other assets	\$ 6,552,396	\$ 6,834,430
Capital assets	15,520,662	15,171,194
Total assets	<u>22,073,058</u>	<u>22,005,624</u>
Current and other liabilities	405,694	927,861
Total liabilities	<u>405,694</u>	<u>927,861</u>
Net Position:		
Net investment in capital assets	\$ 15,520,662	\$ 15,171,194
Restricted	-	-
Unrestricted	6,146,702	5,906,569
Total net position	<u>\$ 21,667,364</u>	<u>\$ 21,077,763</u>

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

	<u>2018</u>	<u>2017</u>
General revenues:		
Maintenance taxes	\$ 3,564,274	\$ 3,114,442
Permits and other income	242,697	284,300
Investment earnings	19,918	16,375
Total revenues	<u>3,826,889</u>	<u>3,415,117</u>
Expenses:		
Operation and maintenance	2,830,276	3,080,781
Depreciation	422,262	416,239
Total expenses	<u>3,252,538</u>	<u>3,497,020</u>
Increase (decrease) in net position	574,351	(81,903)
Net position – beginning	21,077,763	21,404,566
Transfer-in (out), net	15,250	(244,900)
Net position – ending	<u>\$ 21,667,364</u>	<u>\$ 21,077,763</u>

See accompanying notes to the financial statements.

**BASIC FINANCIAL STATEMENTS –
GOVERNMENT-WIDE**

SOUTH BROWARD DRAINAGE DISTRICT
Statement of Net Position
September 30, 2018

ASSETS

Cash and investments – unrestricted	\$ 1,658,284
Cash and investments – Money market and Certificates of Deposit	4,692,662
Receivables, including interest	17,158
Inventory	157,560
Other assets	26,732
Capital assets:	
Land	349,616
Other capital assets, net of depreciation	<u>15,171,046</u>
 Total capital assets	 <u>15,520,662</u>
 Total assets	 <u>22,073,058</u>

LIABILITIES

Accounts payable and accrued expenses	116,923
Compensated absences payable	92,231
Refundable deposits	<u>196,540</u>
 Total liabilities	 <u>405,694</u>

NET POSITION

Net investment in capital assets	15,520,662
Unrestricted	<u>6,146,702</u>
 Total net position	 <u><u>\$ 21,667,364</u></u>

See accompanying notes to the financial statements.

SOUTH BROWARD DRAINAGE DISTRICT
Statement of Activities
For the year ended September 30, 2018

Expenses:	
Personnel services	\$ 1,202,765
Materials and services	1,499,697
Depreciation expense	422,262
Collection discounts	<u>127,814</u>
Total expenses	<u>3,252,538</u>
General revenues:	
Maintenance taxes	3,564,274
Permits and other income	242,697
Investment earnings	<u>19,918</u>
Total general revenues	<u>3,826,889</u>
Changes in net position	574,351
Net position, beginning of year	21,077,763
Transfer-in, net	<u>15,250</u>
Net position, end of year	<u>\$ 21,667,364</u>

See accompanying notes to the financial statements.

**BASIC FINANCIAL STATEMENTS –
FUND**

SOUTH BROWARD DRAINAGE DISTRICT
Balance Sheet – Governmental Fund
September 30, 2018

ASSETS	<u>General Fund</u>
Cash	\$ 5,360,945
Investments	990,001
Receivables:	
Delinquent taxes and assessments, including interest	5,571
Other	11,587
Inventory	157,560
Other assets	<u>26,732</u>
 Total assets	 <u><u>\$ 6,552,396</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued expenses	116,923
Compensated absences payable	92,231
Refundable deposits and deferred income	<u>196,540</u>
 Total liabilities	 <u>405,694</u>
 Fund balances:	
Committed	4,353,474
Assigned	96,565
Unassigned	<u>1,696,663</u>
 Total fund balance	 <u>6,146,702</u>
 Total liabilities and fund balance	 <u><u>\$ 6,552,396</u></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, 2018

Total governmental fund balances \$ 6,146,702

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	\$ 24,423,944	
Less accumulated depreciation	<u>(8,903,282)</u>	<u>15,520,662</u>

Total net position \$ 21,667,364

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, 2018

	<u>General Fund</u>
Revenues:	
Maintenance taxes	\$ 3,564,274
Permits and other income	242,697
Interest	<u>19,918</u>
Total revenues	<u>3,826,889</u>
Expenditures:	
Capital outlay	771,730
Operating	2,504,750
Administrative	197,712
Discounts	<u>127,814</u>
Total expenditures	<u>3,602,006</u>
Excess of revenues over expenditures	224,883
Fund balance at beginning of year	5,906,569
Transfer-in, net	<u>15,250</u>
Fund balance at end of year	<u><u>\$ 6,146,702</u></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, 2018

Excess of revenues over expenditures – total governmental fund \$ 224,883

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	\$ 771,730	
Less current year depreciation	<u>(422,262)</u>	<u>349,468</u>
Changes in net position		<u>\$ 574,351</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.

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements (Continued)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2018 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.

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements (Continued)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements (Continued)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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, 2018, there were \$97,685 of outstanding encumbrances; accordingly, for the year ended September 30, 2018, 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 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 2019 budget, the District appropriated a portion of the unassigned fund balance in the amount of \$96,565 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.

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements (Continued)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Inventory

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

(h) Compensated Absences

The full-time employees of the District can carryover to the following fiscal year up to one year of their sick leave and vacation benefits. Vacation time is earned based upon length of service, up to a maximum amount of four weeks per year, once the employee has been with the District for fourteen years, with the exception of employees that are covered by employment agreements. At September 30, 2018, the liability for accrued compensated absences, to be paid within one year, was \$92,231, a decrease of \$43,958.

(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.

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.

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements (Continued)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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, 2018.

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 (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.

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements (Continued)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 does not have any restricted fund balances as of September 30, 2018.
- **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 (\$4,353,474). 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 (\$96,565). This amount represents the appropriation of fund balance in the 2018-2019 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.

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements (Continued)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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.

(m) Impact of Recently Issued Accounting Pronouncements

In March 2016, GASB issued Statement No. 82 Pension Issues-an amendment of GASB Statements No. 67, No. 68 and No. 73. The Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2018. Upon further review, this statement has no effect on the District.

Recently Issued Accounting Pronouncements

The District has not yet determined the impact of GASB pronouncements No. 83 through No. 90 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.

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements (Continued)

(3) CASH AND INVESTMENTS (Continued)

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, 2018, the District had placed approximately 15.6% in Certificate of Deposits and 84.4% 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 2018 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.

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements (Continued)

(3) CASH AND INVESTMENTS (Continued)

The most significant cash deposit of the District at September 30, 2018 is the balance of approximately \$2,973,719 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.

Percentage Allocation by Issuer as of September 30, 2018

<u>Issuer</u>	<u>Percentage of Total</u>
SunTrust Bank	84.4%
Legacy Bank CD	3.9%
Bank United CD	3.9%
Florida Community Bank CD	3.9%
TD Bank CD	3.9%

Cash and investments as of September 30, 2018 are comprised of the following:

Cash deposits:

Money market accounts	\$ 3,702,661
Demand deposits	1,657,484
Petty cash	<u>800</u>

Total cash deposits \$ 5,360,945

Investments:

Certificates of deposit	<u>990,001</u>
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Total investments \$ 990,001

Total cash and investments \$ 6,350,946

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements (Continued)

(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.

(5) OTHER ASSETS

Other assets as of September 30, 2018 consisted of the following:

Prepaid insurance	\$ <u>26,732</u>
	\$ <u>26,732</u>

(6) CAPITAL ASSETS

The following summarizes changes in the capital assets:

	Balance <u>9/30/17</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>9/30/18</u>
Capital Assets Not Being Depreciated:				
Land	\$ 349,616	\$ -	\$ -	\$ 349,616
Canal Improvements and Lakes	<u>10,089,046</u>	<u>-</u>	<u>-</u>	<u>10,089,046</u>
Total Capital Assets Not Being Depreciated	<u>10,438,662</u>	<u>-</u>	<u>-</u>	<u>10,438,662</u>
Capital Assets Being Depreciated:				
Water Control Structures/Culverts	10,979,477	397,671	-	11,377,148
Buildings - District Headquarters	935,203	341,052	-	1,276,255
Vehicles	778,705	31,753	-	810,458
Equipment	<u>522,527</u>	<u>1,254</u>	<u>2,360</u>	<u>521,421</u>
Total Capital Assets Being Depreciated	<u>13,215,912</u>	<u>771,730</u>	<u>2,360</u>	<u>13,985,282</u>
Less Accumulated Depreciation				
Water Control Structures	6,729,488	322,580	-	7,052,068
Buildings	567,158	23,380	-	590,538
Vehicles	758,078	49,343	-	807,421
Equipment	<u>428,656</u>	<u>26,959</u>	<u>2,360</u>	<u>453,255</u>
Total Accumulated Depreciation	<u>8,483,380</u>	<u>422,262</u>	<u>2,360</u>	<u>8,903,282</u>
Capital Assets, Net	<u>\$ 15,171,194</u>	<u>\$ 349,468</u>	<u>\$ -</u>	<u>\$ 15,520,662</u>

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements (Continued)

(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 a Deferred Retirement Option Program ("DROP") for eligible employees. 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 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 8.26% for covered regular payroll, and 24.06% for senior management payroll (District Director). All employees of the District contribute 3% of their salary to the program. The combined pension contributions approximated \$148,336 (\$117,384 from the District and \$30,952 from employees) for the year ended September 30, 2018, which amounts to 13.5% of current-year covered payrolls. The District's total and current-year covered payroll was approximately \$1,099,800.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits. As of September 30, 2018, the District has an individual that has entered the DROP program.

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements (Continued)

(8) PERMITS AND OTHER INCOME

Other income for the year ended September 30, 2018 consisted of the following:

Miscellaneous	\$ 23,402
Annual telecommunication fees	3,500
Permit fees	132,176
Recertification program	<u>83,619</u>
	<u>\$ 242,697</u>

(9) COMMITMENTS

The District entered into an amendment to the original contract with the new District Director effective October 1, 2018. The Board shall employ the director as the Chief Administrator/Director of the District for a term of four (4) years commencing October 1, 2018 and terminating on September 30, 2022. The Contract shall automatically renew for a term of four (4) years unless otherwise terminated 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% up to a specified maximum base salary. The contract also provides for benefits, including but not limited to life insurance, vacation time and sick leave.

The District also entered into amended contracts with the Assistant District Director and the Project Manager effective October 1, 2018. The amended contract with the Assistant District Director is for a term of four years commencing on the effective date of October 1, 2018 and terminating on September 30, 2022. The Contract shall automatically renew for a term of four (4) years unless otherwise terminated 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% up to a specified maximum base salary. The contract also provides for benefits, including but not limited to life insurance, vacation time and sick leave.

The amended contract with the Project Manager shall become effective on October 1, 2018 and notwithstanding, he will be employed by the District until his anticipated retirement date sometime during the calendar year of 2020. The contract provides for an annual base salary from the effective date up until his retirement date sometime during 2020. 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)

(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 December 6, 2018, 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 year ended September 30, 2018

	<u>Final</u>	<u>Actual -</u>	<u>Variance -</u>
	<u>Budget</u>	<u>Budgetary</u>	<u>Favorable</u>
		<u>Basis</u>	<u>(Unfavorable)</u>
Revenues:			
Maintenance taxes	\$ 3,562,677	\$ 3,564,274	\$ (1,597)
Permit fees and other income	109,500	242,697	(133,197)
Interest	<u>6,500</u>	<u>19,918</u>	<u>(13,418)</u>
	<u>3,678,677</u>	<u>3,826,889</u>	<u>(148,212)</u>
Expenditures:			
Administrative salaries	354,311	352,339	1,972
Board of Commissioners' salaries	37,800	37,350	450
Field operations' salaries	488,101	448,548	39,553
Inspectors' salaries	261,797	259,865	1,932
Payroll taxes	92,236	85,012	7,224
Pension costs	120,941	117,375	3,566
Other salaries and costs	70,000	19,650	50,350
Accounting fees	22,500	22,500	-
Engineering/consulting/special projects	30,000	20,514	9,486
Legal fees	60,000	34,050	25,950
Legal fees – special projects	25,000	-	25,000
Other professional fees	1,000	33	967
Commercial property package	32,800	30,794	2,006
General liability	34,000	30,885	3,115
Group health and life insurance	389,200	284,879	104,321
Workers compensation	25,000	24,531	469
Advertising	6,500	4,500	2,000
Computer supplies and upgrades	10,000	8,388	1,612
Dues and subscriptions	5,800	5,115	685
Electric costs	13,000	13,351	(351)
Gas (LP) auxiliary power	5,000	651	4,349
Janitorial services	2,000	1,788	212
Licenses and fees	1,100	557	543

(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, 2018

	<u>Final</u> <u>Budget</u>	<u>Actual -</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance -</u> <u>Favorable</u> <u>(Unfavorable)</u>
Maintenance contracts	\$ 10,200	\$ 7,931	\$ 2,269
Miscellaneous/uniforms	3,800	3,367	433
Office supplies and postage	5,000	3,872	1,128
Payroll service	3,800	3,025	775
Printing and stationary	1,800	964	836
Public records, storage and filing	25,000	22,882	2,118
Telephone and miscellaneous communications	15,000	14,291	709
Water and sewer costs	2,100	2,364	(264)
Buildings and grounds maintenance	112,000	111,632	368
Equipment rental	6,000	2,915	3,085
Equipment and vehicles maintenance	35,000	28,481	6,519
Fuel, oil and lubricants -			
Pump stations	48,000	10,651	37,349
Vehicles and equipment	42,000	39,877	2,123
Hazardous materials	5,000	707	4,293
Janitorial supplies	1,000	-	1,000
Hurricane preparedness supplies	1,500	585	915
Landscaping and mowing	35,000	30,365	4,635
Photography and VCR equipment	250	88	162
Pump station and flood gates maintenance	70,000	49,379	20,621
Safety and SCUBA equipment	3,000	2,000	1,000
Sanitation and exterminating services	18,500	16,395	2,105
Small tools and shop supplies	9,000	7,328	1,672
Water recorder/elevation gauge/telemetry	8,000	7,038	962
Canal and swale renovations	30,000	24,808	5,192
Culvert cleaning	41,850	35,314	6,536
Culvert and flapper gate repairs	40,000	39,245	755
Endwall repairs and replacements	5,000	-	5,000
Erosion control	25,000	15,656	9,344
Gates, fences and ramp upgrades	5,000	2,859	2,141
Outfall structures	9,500	9,500	-
Trash rack, piling and tank upgrades	10,650	10,620	30

(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, 2018

	<u>Final</u> <u>Budget **</u>	<u>Actual -</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance -</u> <u>Favorable</u> <u>(Unfavorable)</u>
Tree removal	\$ 40,000	\$ 39,854	\$ 146
Herbicides	315,000	191,197	123,803
Triploid carp	45,000	42,750	2,250
Water testing	8,000	3,270	4,730
Seminars, meetings and conferences	9,300	8,513	787
Equipment and vehicle purchases	50,000	46,939	3,061
Capital Improvements ****	400,000	710,890	(310,890)
Hurricane Irma Expenditures	-	143,416	(143,416)
Contingency	10,000	-	10,000
Billing and collection costs	71,254	68,538	2,716
Discounts and commissions	<u>128,256</u>	<u>127,814</u>	<u>442</u>
Total expenditures	<u>3,792,846</u>	<u>3,689,995</u>	<u>102,851</u>
Excess (deficiency) of revenues over expenditures *	<u>\$ (114,169)</u>	\$ 136,894	<u>\$ (251,063)</u>
Fund balance at beginning of year		5,906,569	
Transfer-in, net		15,250	
Adjustment ***		<u>87,989</u>	
Fund balance at end of year		<u>\$ 6,146,702</u>	

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, 2018

Additional budget statement disclosures:

- * Appropriation of Fund Balance
- ** The District amended certain line items of the original budget on August 23 2018. 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 2018 and 2017 reserve for encumbrances and reserve fund adjustments, which amount to a total of \$87,989, would be included as the reconciling item. (See Note 2)
- **** The District transferred a total of \$388,233 from the Capital Improvement reserve fund into the operating fund to cover the capital expenditures that had been budgeted under the District's 5-year Capital Improvement Program and paid through the general operating fund.

SOUTH BROWARD DRAINAGE DISTRICT
Schedule of the District's Proportionate Share of the
Net Pension Liability – Florida Retirement System Pension Plan
September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
District's proportion of the FRS net pension liability	.0032%	.0032%
District's proportionate share of the FRS net pension liability	\$ 973,914	\$ 955,996
District's covered-employee payroll	\$ 1,099,834	\$ 1,116,252
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	88.55%	83.17%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%

Note: The amounts presented for the fiscal year were determined as of June 30, 2018. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data is available through fiscal year ending June 30, 2018.

SOUTH BROWARD DRAINAGE DISTRICT
Schedule of the District's Contributions –
Florida Retirement System Pension Plan
September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Contractually required FRS contribution	\$ 117,384	\$ 109,872
FRS contributions in relation to the contractually required contribution	<u>(117,384)</u>	<u>(109,872)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,099,834	\$ 1,116,252
FRS contributions as a percentage of covered-employee payroll	10.67%	9.84%

Note: The amounts presented for the fiscal year were determined as of June 30, 2018. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data is available through fiscal year ending June 30, 2018.

SOUTH BROWARD DRAINAGE DISTRICT
Schedule of the District's Proportionate Share of the
Net Pension Liability – Health Insurance Subsidy Pension Plan
September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
District's proportion of the HIS net pension liability	.0034%	.0035%
District's proportionate share of the HIS net pension liability	\$ 355,704	\$ 375,279
District's covered-employee payroll	\$ 1,099,834	\$ 1,116,252
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	32.34%	33.62%
HIS Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%

Note: The amounts presented for the fiscal year were determined as of June 30, 2018. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data is available through fiscal year ending June 30, 2018.

SOUTH BROWARD DRAINAGE DISTRICT
Schedule of the District's Contributions –
Health Insurance Subsidy Pension Plan
September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Contractually required HIS contribution	\$ 18,257	\$ 18,530
HIS contributions in relation to the contractually required contribution	<u>(18,257)</u>	<u>(18,530)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,099,834	\$ 1,116,252
HIS contributions as a percentage of covered-employee payroll	1.66%	1.66%

Note: The amounts presented for the fiscal year were determined as of June 30, 2018. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data is available through fiscal year ending June 30, 2018.

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, 2018**

**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, 2018, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated December 6, 2018.

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.

Lerro & Chandross, PLLC
Certified Public Accountants

December 6, 2018
Boca Raton, 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, 2018**

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

December 6, 2018

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, 2018, and have issued our report thereon dated December 6, 2018.

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 December 29, 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.

- Pursuant to Sections 10.554(1)(i)5.b, 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, 2018, and through the date of our audit report, December 6, 2018.
- 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,

Lerro & Chandross, PLLC
Certified Public Accountants

Boca Raton, Florida

PART I - CURRENT YEAR COMMENTS AND RECOMMENDATIONS

No comments were noted for the year ended September 30, 2018.

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, 2018**

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, 2018**

**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, 2018. 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, 2018.

Lerro & Chandross, PLLC
Certified Public Accountants

December 6, 2018
Boca Raton, Florida