

**SOUTH BROWARD DRAINAGE DISTRICT**  
**ANNUAL FINANCIAL STATEMENTS**  
**September 30, 2013**

## 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 Funds	
Balance Sheet	12
Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - 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 Balance – Budget and Actual - General Fund	33
<b>OTHER REPORTS SECTION</b>	
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 <i>Government Auditing Standards</i>	36

**TABLE OF CONTENTS (Continued)**

**MANAGEMENT LETTER SECTION**

Independent Auditor's Management Letter Required by Chapter 10.550, Rules of the State of Florida Office of the Auditor General	38
Response to the Management letter	42

## **INTRODUCTORY SECTION**

**SOUTH BROWARD DRAINAGE DISTRICT**

**Board of Commissioners**

**September 30, 2013**

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

**Counsel to the District**

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

**District Director**

Kevin M. Hart, P.E.

## **FINANCIAL SECTION**

## **INDEPENDENT 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, 2013, 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, 2013, 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 33–35 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 27, 2013, 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

December 27, 2013  
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, 2013. 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. 12049, a special act of the Florida legislature. The District was originally created in 1927; and today, the single purpose District manages approximately 46,400 acres (72.5 square miles) in southwest Broward County, Florida and serves a population of approximately 240,000 residents. The District, a special taxing district, has powers primarily in the areas of stormwater management and flood control. Their powers include rights to borrow money and issue bonds or other evidences of indebtedness, assess and impose upon all the lands in the District annual drainage, administrative, operation and maintenance taxes, and the District has the ability to install and foreclose special assessment liens.

### **FINANCIAL HIGHLIGHTS**

- The District has implemented the requirements of the Government Accounting Standards Board ("GASB") Statement No.63 during the year ended September 30, 2013. As part of the scope of this GASB statement, the change for the District has been changing the name of the "Statement of Net Assets" to the "Statement of Net Position"
- The assets of the District exceeded its liabilities at the end of the fiscal year by \$21,393,685. Pursuant to the GASB Statement No. 54 presentation requirements, \$2,203,623 of this amount may be used to meet the District's ongoing operations and \$4,487,608 has been committed for specific purposes.
- The District's total net position increased by \$133,850, or .6% in 2013.
- The total assets of the District amounted to \$22,098,031 as of September 30, 2013. Of this amount, \$14,653,038 represented the net investment in capital assets. The total liabilities amounted to \$704,346.
- The District's total general revenues (on an accrual basis) were \$3,203,622 for the year ended September 30, 2013.
- The total expenses for all of the District's activities were \$3,069,772 for the year ended September 30, 2013.
- As of September 30, 2013, the District has a total of \$6,691,231 of unrestricted net position, of which \$4,487,608 has been committed for specific purposes; \$443,583 has been appropriated during the preparation of the fiscal year 2014 budget, leaving a remaining balance of \$1,760,040 as unassigned funds.

### **DISTRICT HIGHLIGHTS**

- Completed the following improvements under the District's 5-Year Capital Improvements Plan (CIP) during the 2012/2013 fiscal year:
  - Converted two drainage pumps from oil cooled to water cooled pumps; one at the S-1 pump station and the second at the S-7 pump station.
  - Replaced three gear drives at the S-7 pump station.
  - Installed a manually operated sluice gate at the S-7 pump station.

- Completed the drainage improvements at the Grand Palms Golf & Resort property in accordance with the Settlement Agreement for an on-going litigation case.
  - Participated in a cost sharing project with the City of Pembroke Pines to repair the drainage outfall culvert serving the Hollybrook community.
  - Participated in a cost sharing project with the Town of Southwest Ranches to replace a 48” diameter culvert on SW 70<sup>th</sup> Place.
- Completed the following improvements as part of the District’s annual maintenance, repairs, replacement and upgrades work during the 2012/2013 fiscal year:
    - Rebuilt one pump at the S-8 pump station.
    - Installed one new drive shaft at the S-3 pump station.
    - Rebuilt one gear drive each at the S-8 pump station and the S-4/S-5 pump station.
    - Installed a pipe liner in the 48” culvert on SW 68<sup>th</sup> Court, SW Ranches, FL.
    - Purchased two new, replacement field trucks.
    - Installed three new exhaust mufflers at the S-8 pump station.
    - Installed a new exhaust muffler at the SBDD garage for the emergency generator.
    - Installed new solenoid valves at the S-2 and S-4/S-5 pump stations.
    - Installed new clutches at the S-4/S-5 pump station and the S-1 pump station.
    - Upgraded the control panel at the S-4/S-5 pump station.
    - Installed a new safety railing at the S-3 pump station.
    - Installed new lighting at all District pump stations and control structures.
    - Installed FabricForm stabilization material around headwalls at four lake inter-connect locations.
    - Installed stabilized access areas at the S-3 pump station and the S-8 pump station.
    - Installed fencing and guardrails at miscellaneous locations.
    - Miscellaneous tree removal and trimming.
    - Miscellaneous culvert inspections, culvert cleaning, and swale improvements.
    - Painted the inside of the administrative office building.
    - Purchased a tire changer and tire balancer for the garage area.
  - Updated the District’s Facilities Report and Water Control Plan in accordance with state statutes.
  - Participated in miscellaneous outreach efforts.

## **USING THE ANNUAL REPORT**

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

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

The government-wide statements report information as a whole using accounting methods similar to those used by private sector business. One very important question asked about the District’s finances is “Is the District as a whole better off or worse off as a result of the year’s activities?” The Statement of Net 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. The District's funds can be divided into two categories: governmental funds and fiduciary funds. These two kinds of funds use different accounting approaches.

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

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

At September 30, 2013, the District maintained two individual governmental funds: one General and one Capital project fund. In addition, the District establishes other funds to help it control and manage money for particular purposes or to show that it is meeting its legal and fiduciary responsibilities. The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Accordingly, two major funds are reported individually in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances.

### **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 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 \$21,393,685 at the close of the most recent year. The largest portion of the District's net position (68%) 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 (21%) 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 (\$2,203,623) may be used to meet ongoing operations.

The District adopted the fiscal year 2012-2013 Budget on September 13, 2012. On August 29, 2013 the Board approved certain line item reclassifications to the original budget. Total general fund expenditures budgeted for the year ended September 30, 2013 were \$3,522,628. Total actual general fund expenditures were \$2,909,276, and the District achieved a favorable budget variance for the year ended September 30, 2013 of \$684,500, as reflected on page 35 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>2013</u>	<u>2012</u>
Current and other assets	\$ 7,444,993	\$ 7,661,073
Capital assets	<u>14,653,038</u>	<u>14,279,928</u>
Total assets	<u>\$ 22,098,031</u>	<u>\$ 21,941,001</u>
Current and other liabilities	\$ 704,346	\$ 681,166
Total liabilities	<u>\$ 704,346</u>	<u>\$ 681,166</u>
Net Position:		
Net investment in capital assets	\$ 14,653,038	\$ 14,279,928
Restricted	49,416	49,363
Unrestricted	<u>6,691,231</u>	<u>6,930,544</u>
Total net position	<u>\$ 21,393,685</u>	<u>\$ 21,259,835</u>

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

	<u>2013</u>	<u>2012</u>
General revenues:		
Maintenance taxes	\$ 3,055,616	\$ 3,054,760
Permits and other income	129,617	525,554
Investment earnings	<u>18,389</u>	<u>37,972</u>
Total revenues	<u>3,203,622</u>	<u>3,618,286</u>
Expenses:		
Operation and maintenance	2,774,578	2,798,748
Depreciation	<u>295,194</u>	<u>402,218</u>
Total expenses	<u>3,069,772</u>	<u>3,200,966</u>
Increase (decrease) in net position	133,850	417,320
Net position – beginning	<u>21,259,835</u>	<u>20,842,515</u>
Net position – ending	<u>\$ 21,393,685</u>	<u>\$ 21,259,835</u>

**BASIC FINANCIAL STATEMENTS –  
GOVERNMENT-WIDE**



**SOUTH BROWARD DRAINAGE DISTRICT**  
**Statement of Net Position**  
**September 30, 2013**

**ASSETS**

Cash and investments – unrestricted	\$ 1,529,448
Cash and investments – temporarily restricted	5,726,276
Receivables, including interest	9,366
Inventory	157,861
Other assets	22,042
Capital assets:	
Land	349,616
Other capital assets, net of depreciation	<u>14,303,422</u>
Total capital assets	<u>14,653,038</u>
Total assets	<u>22,098,031</u>

**LIABILITIES**

Accounts payable and accrued expenses	112,233
Compensated absences payable	111,419
Refundable deposits	<u>480,694</u>
Total liabilities	<u>704,346</u>

**NET POSITION**

Net investment in capital assets	14,653,038
Restricted for Capital project fund	49,416
Unrestricted	<u>6,691,231</u>
Total net position	<u>\$ 21,393,685</u>

See accompanying notes to the financial statements.

**SOUTH BROWARD DRAINAGE DISTRICT**  
**Statement of Activities**  
**For the year ended September 30, 2013**

Expenses:	
Personnel services	\$ 1,127,655
Materials and services	1,539,880
Depreciation expense	295,194
Collection discounts	<u>107,043</u>
Total expenses	<u>3,069,772</u>
General revenues:	
Maintenance taxes	3,055,616
Permits and other income	129,617
Investment earnings	<u>18,389</u>
Total general revenues	<u>3,203,622</u>
Changes in net position	133,850
Net position, beginning of year	<u>21,259,835</u>
Net position, end of year	<u>\$ 21,393,685</u>

See accompanying notes to the financial statements.

**BASIC FINANCIAL STATEMENTS –  
FUND**

**SOUTH BROWARD DRAINAGE DISTRICT**  
**Balance Sheet – Governmental Funds**  
**September 30, 2013**

<b>ASSETS</b>	<b><u>General</u></b>	<b><u>Capital Projects \$ – 9/10</u></b>	<b><u>Total Governmental Funds</u></b>
Cash	\$ 5,345,837	\$ -	\$ 5,345,837
Investments	1,860,471	49,416	1,909,887
Receivables:			
Delinquent taxes and assessments, including interest	1,309	-	1,309
Other	8,057	-	8,057
Inventory	157,861	-	157,861
Other assets	<u>22,042</u>	<u>-</u>	<u>22,042</u>
Total assets	<u>\$ 7,395,577</u>	<u>\$ 49,416</u>	<u>\$ 7,444,993</u>
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:			
Accounts payable and accrued expenses	\$ 112,233	\$ -	\$ 112,233
Compensated absences payable	111,419	-	111,419
Refundable deposits and deferred income	<u>480,694</u>	<u>-</u>	<u>480,694</u>
Total liabilities	<u>704,346</u>	<u>-</u>	<u>704,346</u>
Fund balances:			
Restricted	-	49,416	49,416
Committed	4,487,608	-	4,487,608
Assigned	443,583	-	443,583
Unassigned	<u>1,760,040</u>	<u>-</u>	<u>1,760,040</u>
Total fund equity	<u>6,691,231</u>	<u>49,416</u>	<u>6,740,647</u>
Total liabilities and fund equity	<u>\$ 7,395,577</u>	<u>\$ 49,416</u>	<u>\$ 7,444,993</u>

See accompanying notes to the financial statements.

**SOUTH BROWARD DRAINAGE DISTRICT**  
**Reconciliation of Balance Sheet - Governmental Funds**  
**to the Statement of Net Position**  
**September 30, 2013**

Total governmental fund balances \$ 6,740,647

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	\$ 21,700,312	
Less accumulated depreciation	<u>(7,047,274)</u>	<u>14,653,038</u>

Total net position \$ 21,393,685

See accompanying notes to the financial statements.

**SOUTH BROWARD DRAINAGE DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Governmental Funds**  
**For the year ended September 30, 2013**

	<u>General</u>	<u>Capital Projects S - 9/10</u>	<u>Total Governmental Funds</u>
Revenues:			
Maintenance taxes	\$ 3,055,616	\$ -	\$ 3,055,616
Permits and other income	129,617	-	129,617
Interest	<u>18,336</u>	<u>53</u>	<u>18,389</u>
Total revenues	<u>3,203,569</u>	<u>53</u>	<u>3,203,622</u>
Expenditures:			
Capital outlay	668,304	-	668,304
Operating	2,395,852	-	2,395,852
Administrative	271,683	-	271,683
Discounts	<u>107,043</u>	<u>-</u>	<u>107,043</u>
Total expenditures	<u>3,442,882</u>	<u>-</u>	<u>3,442,882</u>
Excess of revenues over expenditures	<u>(239,313)</u>	<u>53</u>	<u>(239,260)</u>
Fund balances at beginning of year	<u>6,930,544</u>	<u>49,363</u>	<u>6,979,907</u>
Fund balances at end of year	<u>\$ 6,691,231</u>	<u>\$ 49,416</u>	<u>\$ 6,740,647</u>

See accompanying notes to the financial statements.

**SOUTH BROWARD DRAINAGE DISTRICT**  
**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Governmental Funds to the Statement of Activities**  
**For the year ended September 30, 2013**

Net change in fund balances – total governmental funds \$ (239,260)

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	\$ 668,304	
Less current year depreciation	<u>(295,194)</u>	<u>373,110</u>
Changes in net position		<u>\$ 133,850</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 12049, 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 has 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, 2013 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 following are the District's governmental fund types:

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

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

##### Fiduciary Fund Types

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

(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, 2013, there were \$101,426 of outstanding encumbrances; accordingly, for the year ended September 30, 2013, the "actual budgetary basis" is presented on a basis which is not consistent with GAAP.

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

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 2014 budget, the District appropriated unassigned fund balance in the amount of \$443,583 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, 2013, the liability for accrued compensated absences, to be paid within one year, was \$111,419, an increase of \$7,549.

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

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

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

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

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

**(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, 2013.

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

#### (k) Fund Balance

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

(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’s Capital Project fund (\$49,416) for the S-9/10 basin improvements qualifies as a restricted fund.
- **Committed Fund Balance** includes amounts constrained for a specific purpose by a government using its highest level of decision making authority. The District’s Capital Improvements, Emergency, and Separation funds, along with the outstanding encumbrances, are included in the committed fund balance (\$4,487,608).
- **Assigned Fund Balance** includes general fund amounts constrained for a specific purpose by the District’s board (\$443,583). This amount represents the appropriation of fund balance in the 2013-2014 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.

#### (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

(Continued)

# SOUTH BROWARD DRAINAGE DISTRICT

## Notes to Financial Statements (Continued)

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

revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

(m) Impact of Recently Issued Accounting Pronouncements

#### **Recently Issued Accounting Pronouncements, Not yet Implemented**

The District has not yet determined the impact of the following GASB pronouncements which have been issued but are not yet effective and have not been implemented.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statement periods beginning after December 15, 2012. The District is required to implement this Statement in its fiscal year beginning October 1, 2013.

In March 2012, GASB issued Statement No. 66 *Technical Corrections 2012 an - amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statement periods beginning after December 15, 2012. The District is required to implement this Statement in its fiscal year beginning October 1, 2013.

In June 2012, GASB issued Statement No. 67 *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. For defined benefit pension plans, this statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be

(Continued)

# SOUTH BROWARD DRAINAGE DISTRICT

## Notes to Financial Statements (Continued)

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

presented. The provisions of this Statement are effective for financial statement periods beginning after June 15, 2013. The District is required to implement this Statement in its fiscal year beginning October 1, 2013.

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 expense/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 is required to implement this Statement in its fiscal year beginning October 1, 2014.

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 is required to implement this Statement in its fiscal year beginning October 1, 2014.

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.

(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, 2013, the District had placed approximately 1.2% in the Florida Local Government Surplus Funds Trust Fund (also known as the "Local Government Investment Pool" or "LGIP"), 18.3% in Certificate of Deposits, 52.6% in interest bearing money market accounts and 6.9% in State of Israel Bonds.

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

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

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

**(Continued)**

## **SOUTH BROWARD DRAINAGE DISTRICT**

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

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

dispose of, or agree to the extension, workout or restructuring of, Segregated Securities; provided that the Investment Manager determines, in its sole discretion, that such sale, exchange, disposition, extension, workout or restructuring is in the best interest of participants.

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

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

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

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

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

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

**(Continued)**

## **SOUTH BROWARD DRAINAGE DISTRICT**

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

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

The District will to the extent practicable make every attempt to match its investments in a manner as to provide sufficient liquidity to pay obligations of the District as they become due with anticipated cash-flow requirements. In order to meet projected cash requirements, the District will invest all surplus District checking account balances into the State of Florida Investment Pool (SBA), and/or other longer-term investments. Unless matched to a specific cash flow requirement, the District will generally not directly invest in securities maturing more than five (5) years from the date of purchase. Pool A is rated AAAm by Standard & Poor's, and investment into the fund by local governments is consistent with SEC rule 2a-7. Pool B is currently not rated by any nationally recognized statistical rating agency.

All of the District's investments in agency securities for fiscal year 2013 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, 2013 is the balance of approximately \$3,243,000 in the general fund emergency accounts.

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

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

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

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

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

**(Continued)**

**SOUTH BROWARD DRAINAGE DISTRICT**

**Notes to Financial Statements (Continued)**

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

**Percentage Allocation by Issuer as of September 30, 2013**

<u>Issuer</u>	<u>Percentage of Total</u>
Local Government Surplus Trust Fund – Pool A	.86%
Local Government Surplus Trust Fund – Pool B	.30%
State of Israel Bonds	6.89%
SunTrust Bank	73.68%
Regent Bank CD	3.31%
Bank United CD	1.39%
TD Bank CD	3.41%
Stonegate Bank CD	3.40%
Bank of America CD	3.41%
Landmark Bank CD	3.35%

Cash and investments as of September 30, 2013 are comprised of the following:

Cash deposits:

Money market accounts	\$ 3,816,389
Demand deposits	1,528,648
Petty cash	<u>800</u>
Total cash deposits	<u>\$ 5,345,837</u>

Investments:

Local Government Surplus Trust Fund – Pool A	\$ 62,152
Local Government Surplus Trust Fund – Pool B	21,499
Certificates of deposit	1,326,236
State of Israel Bonds	<u>500,000</u>
Total investments	<u>\$ 1,909,887</u>

Total cash and investments	<u>\$ 7,255,724</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, 2013 consisted of the following:

Prepaid expenses	\$ <u>22,042</u>
	\$ <u>22,042</u>

#### (6) CAPITAL ASSETS

The following summarizes changes in the capital assets:

	<u>Balance</u> <u>9/30/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/13</u>
Capital Assets Not Being Depreciated:				
Land	\$ 349,616	\$ -	\$ -	\$ 349,616
Canal Improvements and Lakes	<u>9,993,860</u>	<u>          </u>	<u>          </u>	<u>9,993,860</u>
Total Capital Assets Not Being Depreciated	<u>10,343,476</u>	<u>          </u>	<u>          </u>	<u>10,343,476</u>
Capital Assets Being Depreciated:				
Water Control Structures/Culverts	8,829,493	607,157	-	9,436,650
Buildings - District Headquarters	802,551	-	-	802,551
Vehicles	649,046	49,508	-	698,554
Equipment	<u>407,442</u>	<u>11,639</u>	<u>          </u>	<u>419,081</u>
Total Capital Assets Being Depreciated	<u>10,688,532</u>	<u>668,304</u>	<u>          </u>	<u>11,356,836</u>
Less Accumulated Depreciation				
Water Control Structures	5,205,424	200,043	-	5,405,467
Buildings	463,553	20,064	-	483,617
Vehicles	532,811	66,513	-	599,324
Equipment	<u>550,292</u>	<u>8,574</u>	<u>          </u>	<u>558,866</u>
Total Accumulated Depreciation	<u>6,752,080</u>	<u>295,194</u>	<u>          </u>	<u>7,047,274</u>
Capital Assets, Net	<u>\$ 14,279,928</u>	<u>\$ 373,110</u>	<u>\$ -</u>	<u>\$ 14,653,038</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 of

(Continued)

**SOUTH BROWARD DRAINAGE DISTRICT**

**Notes to Financial Statements (Continued)**

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

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 actuarially determined required contribution rate, as established by State statute, was 6.95% for covered regular payroll, and 18.31% for senior management payroll (District Director). All employees of the District contribute 3% of their salary to the program. The combined pension contributions approximated \$89,220 (\$62,253 from the District and \$26,967 from employees) for the year ended September 30, 2013, which amounts to 8.82% of current-year covered payrolls. The District's total and current-year covered payroll was approximately \$1,011,749.

**(8) PERMITS AND OTHER INCOME**

Other income for the year ended September 30, 2013 consisted of the following:

Miscellaneous	\$ 15,366
Permit fees	56,405
Recertification program	<u>57,846</u>
	<u>\$ 129,617</u>

**(9) COMMITMENT**

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

**(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 shall automatically renew for term of four (4) years unless otherwise terminated in accordance with the provisions contained herein. The contracts provide for an annual base salary with annual increases linked to the cost of living index, however not less than 3%. The contracts also provides for benefits, including but not limited to life insurance, vacation time and sick leave.

#### **(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 30, 2014, which is the date the financial statements were available to be issued to the District.

At the January 30, 2014 Board meeting, the District's Board of Commissioners approved the transfer of undesignated funds, in the amount of \$1,010,040, from the District's General Operating and Investment accounts to the Capital Improvements Fund for funding of District capital improvement projects.



**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, 2013**

	<u>Final Budget **</u>	<u>Actual - Budgetary Basis</u>	<u>Variance – Favorable (Unfavorable)</u>
Revenues:			
Maintenance taxes	\$ 3,056,421	\$ 3,055,616	\$ (805)
Permit fees and other income	51,000	129,617	78,617
Interest	<u>25,000</u>	<u>18,336</u>	<u>(6,664)</u>
	<u>3,132,421</u>	<u>3,203,569</u>	<u>71,148</u>
Expenditures:			
Administrative salaries	304,891	299,866	5,025
Board of Commissioners' salaries	37,800	37,800	-
Field operations' salaries	469,231	447,230	22,001
Inspectors' salaries	228,194	216,954	11,240
Payroll taxes	84,531	78,106	6,425
Pension costs	61,538	62,253	(715)
Other salaries and costs	59,598	47,699	11,899
Accounting fees	25,000	24,000	1,000
Engineering/consulting/special projects	29,100	18,585	10,515
Legal fees	70,200	54,293	15,907
Legal fees – special projects	60,000	26,211	33,789
Other professional fees	1,000	-	1,000
Commercial property package	40,000	38,340	1,660
General liability	45,000	44,737	263
Group health and life insurance	330,100	319,672	10,428
Workers compensation	20,600	20,489	111
Advertising	8,300	7,741	559
Computer supplies and upgrades	10,200	9,997	203
Dues and subscriptions	5,400	3,738	1,662
Electric costs	13,500	12,507	993
Gas (LP) auxiliary power	5,000	308	4,692
Janitorial services	2,000	1,788	212
Licenses and fees	900	898	2

**(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, 2013**

	<u>Final Budget **</u>	<u>Actual - Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
Maintenance contracts	\$ 6,000	\$ 5,101	\$ 899
Miscellaneous/uniforms	3,500	3,495	5
Office supplies and postage	23,000	22,812	188
Payroll service	3,200	3,239	(39)
Printing and stationary	1,800	1,574	226
Public records, storage and filing	6,000	4,414	1,586
Telephone and miscellaneous communications	14,000	13,081	919
Water and sewer costs	3,000	1,671	1,329
Buildings and grounds maintenance	33,200	29,214	3,986
Equipment rental	5,000	1,752	3,248
Equipment and vehicles maintenance	29,000	27,190	1,810
Fuel, oil and lubricants -			
Pump stations	90,000	47,003	42,997
Vehicles and equipment	40,000	35,315	4,685
Hazardous materials	2,500	2,069	431
Janitorial supplies	1,000	689	311
Hurricane preparedness supplies	1,500	1,138	362
Landscaping and mowing	27,500	26,905	595
Photography and VCR equipment	350	312	38
Pump station and flood gates maintenance	78,000	77,791	209
Safety and SCUBA equipment	2,500	2,489	11
Sanitation and exterminating services	6,100	5,735	365
Small tools and shop supplies	9,000	8,794	206
Water recorder/elevation gauge/telemetry	8,000	7,625	375
Canal and swale renovations	21,000	21,000	-
Culvert cleaning	56,500	41,892	14,608
Culvert and flapper gate repairs	25,000	23,272	1,728
Endwall repairs and replacements	5,000	3,100	1,900
Erosion control	65,000	65,000	-
Gates, fences and ramp upgrades	5,500	5,342	158
Outfall structures	2,500	1,396	1,104
Trash rack, piling and tank upgrades	5,000	1,150	3,850
Tree removal	30,000	27,910	2,090

**(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, 2013**

	<u>Final Budget **</u>	<u>Actual - Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
Herbicides	\$ 360,000	\$ 359,698	\$ 302
Triploid carp	30,000	20,045	9,955
Water testing	8,000	5,206	2,794
Seminars, meetings and conferences	12,900	7,924	4,976
Bank charges	-	371	(371)
Equipment and vehicles purchases	51,300	50,956	344
Pump station and drainage improvements	357,531	2,872	354,659
Contingency	10,000	3,523	6,477
Billing and collection costs	61,128	58,956	2,172
Discounts and commissions	<u>110,036</u>	<u>107,043</u>	<u>2,993</u>
 Total expenditures	 <u>3,522,628</u>	 <u>2,909,276</u>	 <u>613,352</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (390,207)*</u>	<u>294,293</u>	<u>\$ 684,500</u>
 Fund balance at beginning of year		 6,930,544	
Adjustment ***		<u>(533,606)</u>	
 Fund balance at end of year		 <u>\$ 6,691,231</u>	

\* Appropriation of Fund Balance

\*\* The District amended certain line items of the original budget on August 30, 2013. The changes were immaterial and only the final budget has been presented for purposes of this statement.

\*\*\* In order to reconcile the excess of revenues over expenditures for budgetary purposes to GAAP, the adjusted difference between the 2013 and 2012 reserve for encumbrances and reserve fund adjustments, which amount to a total of (\$533,606), 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, 2013**

**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, 2013, 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 27, 2013.

**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

December 27, 2013  
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, 2013**

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

December 27, 2013

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

We have audited the financial statements of the South Broward Drainage District, whose headquarters is located in Southwest Ranches, Florida, as of and for the year ended September 30, 2013, and have issued our report thereon dated December 27, 2013.

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 27, 2013, 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 our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the South Broward Drainage District complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address 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)5., 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 2012. 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)6.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)6.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, 2012, 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, 2012. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)6.c, and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the South Broward Drainage District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same as of September 30, 2013, and through the date of our audit report, December 27, 2013.
- Pursuant to Section 215.985(11), Florida Statutes and Section 10.554(1)(i)8, 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 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, 2013.

**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, 2013**

There is no response required for the current year.