

SOUTH BROWARD DRAINAGE DISTRICT

ANNUAL FINANCIAL STATEMENTS

September 30, 2020

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INTRODUCTORY SECTION

SOUTH BROWARD DRAINAGE DISTRICT

Board of Commissioners

September 30, 2020

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
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, 2020, 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, 2020, 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 5–10 and 33–40 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 are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion,

the introductory and statistical sections are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 3, 2020, 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 the effectiveness of the District's 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 3, 2020, 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 3, 2020

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, 2020. 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 11.

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 assessments upon all the lands in the District, and annual drainage, administrative, operation and maintenance taxes, and the District has the ability to install and foreclose special assessment liens.

During Fiscal Year 2019-2020, the COVID-19 virus had a profound impact on the staff, residents, and businesses of the District, however, to date, the impacts to the District's operations and financial condition have been minimal. Starting in early March, the District took the following measures in response to the COVID-19 virus:

- In March, 2020, in accordance with a County-wide directive, the District closed its offices for a 2-week period.
- All SBDD staff that were able, continued to work remotely from home.
- SBDD continued to process its employee payroll and accounts payable during this temporary shutdown.
- SBDD closed its offices to the public.
- SBDD started to conduct all permitting on-line.
- As an essential service for drainage and flood protection, SBDD field staff and office staff began working on a split schedule, following the 2-week shut down.
- Starting in March, 2020 SBDD began to hold its Board of Commissioners meetings virtually.
- SBDD adopted a COVID-19 Policy in March 2020 (SBDD Resolution 2020-01).
- SBDD's COVID-19 Policy followed the recommendations and guidelines of the CDC, the Surgeon General and the State of Florida Health Department to help slow down the spread of COVID-19 and follow best practices as it relates to personal and social distancing.
- SBDD instituted strict safety guidelines for its staff and operations to help minimize the spread of COVID-19 and help protect those most vulnerable to the virus.
- In May, 2020, which marked the start of 2020 Rainy Season, all SBDD staff returned to a full, 40-hour work week.
- By June 1, 2020, which marked the start of 2020 Hurricane Season, SBDD staff continued to perform all necessary operations and maintenance work.
- In September 2020, the SBDD Board of Commissioner adopted the 2020-2021 Budget, with no discernable changes or impacts due to COVID-19.
- In October 2020, SBDD adopted an updated COVID-19 Policy (SBDD Resolution 2020-07), which followed the State of Florida entering Phase 3 of the State's **Safe, Smart. Step-By-Step** plan for Florida's recovery from impacts of COVID-19.
- In November 2020, SBDD returned to holding open, public Board of Commissioner meetings.

SBDD's offices continue to be closed to the public, except for scheduled meetings and special circumstances.

FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the District exceeded its liabilities plus deferred inflows of resources at the end of the fiscal year by \$21,707,727. Pursuant to the GASB Statement No. 54 presentation requirements, \$2,350,055 of this amount may be used to meet the District's ongoing operations and \$4,909,463 has been committed for specific purposes.
- The District's total net position increased by \$777,424, or 3.7% in 2020.
- The total assets of the District amounted to \$23,409,202 as of September 30, 2020. Of this amount, \$15,809,559 represented the net investment in capital assets. The total liabilities amounted to \$2,228,794.
- The District's total general revenues (on an accrual basis) were \$4,277,106 for the year ended September 30, 2020.
- The total expenses for all of the District's activities were \$3,499,682 for the year ended September 30, 2020.
- As of September 30, 2020, the District has a total of \$7,259,518 of unrestricted net position, of which \$4,909,463 has been committed for specific purposes; \$470,184 has been appropriated during the preparation of the fiscal year 2021 budget, leaving a remaining balance of \$1,879,871 as unassigned funds.

DISTRICT HIGHLIGHTS

- Completed the following improvements under the District's 5-Year Capital Improvements Plan (CIP) during the 2019/2020 fiscal year:
 - Rebuilt two stormwater pumps; rebuilt the #1 pump at the S-2 pump station and the #1 pump at the S-7 pump station.
 - Rebuilt 1 Caterpillar Engine (#2 motor at the S-4 pump station).
 - Rebuilt 1 gear drive for the S-2 pump station; and purchased a spare gear drive for the S-5 pump station.
 - Installed five (5) culvert slip liners as follows: SBDD Culvert Nos. S-20, S-19, 2-102 (partial liner), 8-37, and 8-39.
 - Installed new air conditioning units at the District headquarters and field maintenance office.
 - Completed the design and permitting of the east by-pass culvert and sluice gate at the S-1 pump station.
 - Completed the preliminary design and concept drawings for the replacement and relocation of the fuel tank at the S-1 pump station.

Completed the following improvements as part of the District's annual maintenance, repairs, replacement and upgrades work during the 2019/20 fiscal year:

- Installed impact resistant entry doors at the SBDD headquarters.
- Installed a new keyless entry system for the District headquarters and field maintenance office. The system allows for controlled access into both buildings and includes a camera and intercom at the public entrance to the District headquarters.
- Replaced the existing 24" CAMP culvert at the SW 51st Manor crossing of the SW 164th Avenue Canal (SBDD Culvert No. 8-38) with a new A-2000 PVC 24" pipe.

- Painted the S-3 fuel tank and the outside of the building at the S-3 pump station.
- Purchased a new Ford Ranger truck for use by SBDD's field inspector.
- Contracted for the installation of FabricForm revetment at the Ivanhoe flood gate and the SW 164th Avenue Canal flood gate.
- Purchased a new 61" lawn mower for SBDD field operations.
- Upgraded SBDD's file server and computer back-up system/fire wall.
- Modified the headwall caps at the Rolling Oaks flood gate and the SW 164th Avenue Canal flood gate.
- Completed the Dykes Road Swale Improvements – joint project with the Town of SW Ranches.
- Upgraded the SBDD Board room to allow for video feeds to each Board member's seat on the dais and installed new seating for the public.
- Purchased an upgrade for the District's ICPR Pro software (stormwater modeling software).
- Installed new fuel monitoring systems at the S-3 and S-8 pump stations.
- Purchase three (3) new 9.9 hp Mercury outboard motors for SBDD field operations.
- Performed diesel fuel polishing at the S-8 pump station.
- Created a professionally designed and edited outreach video on SBDD operations.
- Purchased a Honda GX 200 engine/100-gallon pressure washer w/trailer.
- Purchased two (2) motors for SBDD's flood gates.
- Purchased a Honda 200 Watt generator for field operations.
- Purchased a new aluminum, single-axle utility trailer for field operations.
- Purchased a new aquatic herbicide spray rig with pump and 50-gallon tank.
- Purchased 300 LF of 18" HDPE pipe for future drainage projects.
- Purchased numerous spare parts for SBDD equipment, pump stations, and flood gates.
- 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 11 and 12.

Fund financial statements

A fund is a grouping of related accounts that are 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, 2020, 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 17 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 \$21,707,727 at the close of the most recent year. The largest portion of the District's net position (73%) 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 (22.6%) 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 (\$2,350,055) may be used to meet ongoing operations.

The District adopted the fiscal year 2020-2021 Budget on September 12, 2020. On August 20, 2020, the Board approved certain line item reclassifications to the original budget. Total general fund expenditures budgeted for the year ended September 30, 2020 were \$3,889,833. Total actual general fund expenditures were \$3,415,590, and the District had a favorable budget variance for the year ended September 30, 2020 of \$861,516, as reflected on page 35 of the financial statements. It should be noted that the District transferred \$91,631 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 during 2020.

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>2020</u>	<u>2019</u>
Current and other assets	\$ 7,599,643	\$ 6,685,805
Capital assets	<u>15,809,559</u>	<u>15,886,048</u>
Total assets	<u>23,409,202</u>	<u>22,571,853</u>
Deferred outflows of resources	<u>558,724</u>	<u>461,489</u>
Current and other liabilities	249,617	293,595
Long-term liabilities	<u>1,979,177</u>	<u>1,613,557</u>
Total liabilities	<u>2,228,794</u>	<u>1,907,152</u>
Deferred inflows of resources	<u>31,405</u>	<u>104,256</u>
Net Position:		
Net investment in capital assets	15,809,559	15,886,048
Unrestricted	<u>7,259,518</u>	<u>6,296,552</u>
Total net position	<u>\$ 21,707,727</u>	<u>\$ 21,021,934</u>

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

	<u>2020</u>	<u>2019</u>
General revenues:		
Maintenance taxes	\$ 3,605,032	\$ 3,581,813
Permits and other income	639,491	277,527
Investment earnings	<u>32,583</u>	<u>38,748</u>
Total revenues	<u>4,277,106</u>	<u>3,898,088</u>
Expenses:		
Operation and maintenance	3,098,143	2,903,030
Depreciation	<u>401,539</u>	<u>418,378</u>
Total expenses	<u>3,499,682</u>	<u>3,321,408</u>
Increase (decrease) in net position	777,424	576,680
Net position – beginning	21,021,934	20,529,375
Transfer-in (out), net	<u>(91,631)</u>	<u>(84,121)</u>
Net position – ending	<u>\$ 21,707,727</u>	<u>\$ 21,021,934</u>

See accompanying notes to the financial statements.

**BASIC FINANCIAL STATEMENTS –
GOVERNMENT-WIDE**

SOUTH BROWARD DRAINAGE DISTRICT
Statement of Net Position
September 30, 2020

ASSETS

Cash – unrestricted	\$ 2,184,363
Cash and investments – Reserve funds and Certificates of Deposit	5,155,096
Receivables, including interest	9,640
Inventory	129,639
Other assets	120,905
Capital assets:	
Land	349,616
Other capital assets, net of depreciation	<u>15,459,943</u>
Total capital assets	<u>15,809,559</u>
Total assets	<u>23,409,202</u>

DEFERRED OUTFLOWS OF RESOURCES

FRS Pension	<u>558,724</u>
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LIABILITIES

Accounts payable and accrued expenses	88,877
Refundable deposits	160,740
Non-current liabilities:	
Net pension liability	1,888,669
Compensated absences payable	<u>90,508</u>
Total liabilities	<u>2,228,794</u>

DEFERRED INFLOWS OF RESOURCES

FRS Pension	<u>31,405</u>
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NET POSITION

Net investment in capital assets	15,809,559
Unrestricted	<u>7,259,518</u>
Total net position	<u><u>\$ 21,707,727</u></u>

See accompanying notes to the financial statements.

SOUTH BROWARD DRAINAGE DISTRICT
Statement of Activities
For the year ended September 30, 2020

Expenses:	
Personnel services	\$ 1,560,408
Materials and services	1,408,508
Depreciation expense	401,539
Collection discounts	<u>129,227</u>
 Total expenses	 <u>3,499,682</u>
 General revenues:	
Maintenance taxes	3,605,032
Permits and other income	639,491
Investment earnings	<u>32,583</u>
 Total general revenues	 <u>4,277,106</u>
 Changes in net position	 777,424
 Net position, beginning of year	 21,021,934
 Transfer-out, net	 <u>(91,631)</u>
 Net position, end of year	 <u><u>\$ 21,707,727</u></u>

See accompanying notes to the financial statements.

**BASIC FINANCIAL STATEMENTS –
FUND**

SOUTH BROWARD DRAINAGE DISTRICT
Balance Sheet – Governmental Fund
September 30, 2020

General
Fund

ASSETS

Cash	\$	6,359,459
Investments		980,000
Receivables:		
Delinquent taxes and assessments, including interest		1,040
Other		8,600
Inventory		129,639
Other assets		<u>120,905</u>
 Total assets	 \$	 <u><u>7,599,643</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:		
Accounts payable and accrued expenses		88,877
Compensated absences payable		90,508
Refundable deposits		<u>160,740</u>
 Total liabilities		 <u>340,125</u>
 Fund balance:		
Committed		4,909,463
Assigned		470,184
Unassigned		<u>1,879,871</u>
 Total fund balance		 <u>7,259,518</u>
 Total liabilities and fund balance	 \$	 <u><u>7,599,643</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, 2020

Total government fund balances	\$ 7,259,518
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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	\$ 25,474,536	
Less accumulated depreciation	<u>(9,664,977)</u>	<u>15,809,559</u>

Deferred outflows of resources related to pensions recorded in the statement of net position	558,724
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Deferred inflows of resources related to pensions recorded in the statement of net position	(31,405)
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Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide financial statements.

Net pension liability	<u>(1,888,669)</u>
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Total net position	<u><u>\$ 21,707,727</u></u>
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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, 2020

	<u>General Fund</u>
Revenues:	
Maintenance taxes	\$3,605,032
Permits and other income	639,491
Interest	<u>32,583</u>
Total revenues	<u>4,277,106</u>
Expenditures:	
Capital outlay	325,050
Operating	2,539,819
Administrative	228,413
Discounts	<u>129,227</u>
Total expenditures	<u>3,222,509</u>
Excess of revenues over expenditures	1,054,597
Fund balance at beginning of year	6,296,552
Transfer-out, net	<u>(91,631)</u>
Fund balance at end of year	<u>\$7,259,518</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, 2020

Excess of revenues over expenditures - total governmental fund \$ 1,054,597

Amounts reported in the statement of activities are different because:

Government funds report capital outlays 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	\$ 325,050	
Less current year depreciation	<u>(401,539)</u>	(76,489)

Some expenses reported in the statement of activities do not require the
 use of current financial resources; and therefore, are not reported as
 expenditures in governmental funds. The difference is detailed below:

Change in net pension liability and deferred outflows and inflows of resources related to pensions	<u>(200,684)</u>
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Changes in net position	<u><u>\$ 777,424</u></u>
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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 those assessments 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

(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, 2020, there were \$193,321 of outstanding encumbrances; accordingly, for the year ended September 30, 2020, 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 2021 budget, the District appropriated a portion of the unassigned fund balance in the amount of \$470,184 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, 2020, the liability for accrued compensated absences, to be paid within one year, was \$90,508, a decrease of \$5,150.

(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, 2020.

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, 2020.
- **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 (\$4,909,466). 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 (\$470,184). This amount represents the appropriation of fund balance in the 2020-2021 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.

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements (Continued)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(l) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

(m) 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.

(n) Impact of Recently Issued Accounting Pronouncements

In March 2017, GASB issued Statement No. 85 “Omnibus 2017”. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). Upon further review, this statement has no effect on the District.

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements (Continued)

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncement

The District has not yet determined the impact of GASB pronouncement No. 91 which has been issued but is not yet effective and has not been implemented.

(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.

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements (Continued)

(4) CASH AND INVESTMENTS (Continued)

- 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, 2020, the District had placed approximately 13.39% in Certificate of Deposits and 86.64% 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 2020 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, 2020, is the balance of approximately \$3,246,749 in the general fund emergency account.

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements (Continued)

(3) CASH AND INVESTMENTS (Continued)

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, 2020

<u>Issuer</u>	<u>Percentage of Total</u>
SunTrust Bank	86.64%
Legacy Bank CD	3.34%
Bank United CD	3.34%
Synovus Bank CD	3.34%
Ameris Bank CD	3.34%

Cash and investments as of September 30, 2020, are comprised of the following:

Cash deposits:	
Demand deposit accounts	\$ 6,358,659
Petty cash	<u>800</u>
Total cash deposits	<u>\$ 6,359,459</u>
Investments:	
Certificates of deposit	<u>\$ 980,000</u>
Total investments	<u>\$ 980,000</u>
Total cash and investments	<u>\$ 7,339,459</u>

(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, 2020, consisted of the following:

Prepaid insurance	<u>\$ 120,905</u>
	<u>\$ 120,905</u>

(6) CAPITAL ASSETS

The following summarizes changes in the capital assets:

	Balance <u>09/30/19</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>09/30/20</u>
Capital Assets Not Being Depreciated:				
Land	\$ 349,616	\$ -	\$ -	\$ 349,616
Canal Improvements and Lakes	<u>10,139,046</u>	<u>176,030</u>	<u>-</u>	<u>10,315,076</u>
Total Capital Assets Not Being Depreciated	<u>10,488,662</u>	<u>176,030</u>	<u>-</u>	<u>10,664,692</u>
Capital Assets Being Depreciated:				
Water Control Structures/Culverts	11,624,931	70,479	-	11,695,410
Buildings - District Headquarters	1,351,537	21,378	-	1,372,915
Vehicles	1,176,231	28,905	28,905	1,176,231
Equipment	<u>537,295</u>	<u>28,258</u>	<u>265</u>	<u>565,288</u>
Total Capital Assets Being Depreciated	<u>14,689,994</u>	<u>149,020</u>	<u>29,170</u>	<u>14,809,844</u>
Less Accumulated Depreciation				
Water Control Structures	7,385,004	311,349	-	7,696,353
Buildings	615,800	34,056	-	649,856
Vehicles	819,891	30,877	28,905	821,863
Equipment	<u>471,913</u>	<u>25,257</u>	<u>265</u>	<u>496,905</u>
Total Accumulated Depreciation	<u>9,292,608</u>	<u>401,539</u>	<u>29,170</u>	<u>9,664,977</u>
Capital Assets, Net	<u>\$ 15,886,048</u>	<u>\$ (76,489)</u>	<u>\$ -</u>	<u>\$ 15,809,559</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 was created in Chapter 121, Florida Statutes and offers a defined benefit plan, a defined contribution 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. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

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. This comprehensive annual financial report includes financial statements, required supplementary information, actuarial report, and other relevant information. That report is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

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 10.00% for covered regular payroll, 16.98% for DROP, and 27.29% for senior management payroll (District Director). All employees of the District contribute 3% of their salary to the program. The combined pension contributions approximated \$152,892 (\$120,246 from the District and \$32,646 from employees) for the year ended September 30, 2020, which amounts to 12.2% of current-year covered payrolls. The District's total and current-year covered payroll was approximately \$1,257,006.

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, 2020, the District has three individuals that have entered the DROP program.

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements (Continued)

(7) RETIREMENT PLAN (Continued)

Detailed information supporting the deferred outflows/inflows of resources related to pensions from the following sources as of September 30, 2020 are as follows :

FRS Pension Plan -

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 56,226	\$ -
Change of assumptions	265,959	
Net difference between projected and actual earnings on FRS pension plan investments	87,473	
Changes in proportion and differences between District FRS contributions and proportionate share of FRS contributions	32,594	(6,686)
District FRS contributions subsequent to the measurement date	36,934	
Totals	\$ 479,186	\$ (6,686)

HIS Pension Plan -

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,162	\$ (324)
Change of assumptions	45,113	(24,395)
Net difference between projected and actual earnings on HIS pension plan investments	335	
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	11,528	
District HIS contributions subsequent to the measurement date	5,400	
Totals	\$ 79,538	\$ (24,719)

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements (Continued)

8) PERMITS AND OTHER INCOME

Permits and other income for the year ended September 30, 2020, consisted of the following:

Miscellaneous	\$ 8,144
Annual telecommunication fees	3,500
Reimbursement from builder for Basin 5 improvements	278,231
FEMA income	210,267
Permit fees	99,483
Insurance safety rebate	5,000
Recertification program	<u>34,866</u>
	<u>\$ 639,491</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 became effective on October 1, 2018 and was effective until his retirement during August 2020. The contract provided for an annual base salary from the contract's effective date up until his retirement date, including benefits of 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. The District is currently involved in an ongoing litigation which is being handled through their insurance carrier. The final outcome of this matter is still undetermined at this time. Settlements have not exceeded insurance coverage for any of the past three fiscal years.

(11) COVID 19

In December 2019, a novel strain of coronavirus (SARS-CoV-2), which causes COVID-19, was reported to have surfaced in China. The spread of this virus in China, and throughout the world, caused business disruptions beginning in early 2020; and in March 2020 the World Health Organization declared the outbreak of COVID-19 to be a global pandemic; and the U.S. economy began to experience pronounced effects. To date, the District's operations and financial condition have not been adversely affected by the COVID virus. There is still uncertainty around the duration of the virus, and how it may affect the District in the future. Therefore, the District will continue to operate as an essential service for drainage and flood protection, and will continue to employ the safety measures that have been put in place in response to the virus. The District will continue with the modifications it has made to its operating schedules and will carefully monitor its operating budgets over the next fiscal year.

(12) SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 3, 2020, 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, 2020

	<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	\$3,604,117	\$ 3,605,032	\$ 915
Permit fees and other income	265,716	639,491	373,775
Interest	<u>20,000</u>	<u>32,583</u>	<u>12,583</u>
	<u>3,889,833</u>	<u>4,277,106</u>	<u>387,273</u>
Expenditures:			
Administrative salaries	441,505	429,181	12,324
Board of Commissioners' salaries	37,800	37,800	-
Field operations' salaries	524,275	510,700	13,575
Inspectors' salaries	271,629	243,549	28,080
Payroll taxes	101,357	94,389	6,968
Pension costs	149,463	152,892	(3,429)
Other salaries and costs	60,000	44,105	15,895
Accounting fees	23,000	23,000	-
Engineering/consulting/special projects	40,000	38,940	1,060
Legal fees	60,000	35,219	24,781
Legal fees – special projects	25,000	13,746	11,254
Other professional fees	1,000	94	906
Commercial property package	40,000	38,067	1,933
General liability	36,000	34,550	1,450
Group health and life insurance	309,600	287,995	21,605
Workers compensation	25,000	21,491	3,509
Advertising	5,500	2,698	2,802
Computer supplies and upgrades	25,000	22,626	2,374
Dues and subscriptions	6,000	5,132	868
Electric costs	14,500	13,515	985
Gas (LP) auxiliary power	5,000	2,394	2,606
Janitorial services	5,600	5,635	(35)
Licenses and fees	1,100	625	475

(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, 2020

	<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	11,200	\$ 7,671	\$ 3,529
Miscellaneous/uniforms	3,800	3,398	402
Office supplies and postage	6,000	4,465	1,535
Payroll service	4,500	3,307	1,193
Printing and stationary	1,800	1,560	240
Public records, storage and filing	18,500	19,390	(890)
Telephone and miscellaneous communications	16,000	13,545	2,455
Water and sewer costs	2,500	1,991	509
Buildings and grounds maintenance	40,000	38,328	1,672
Equipment rental	5,000	4,297	703
Equipment and vehicles maintenance	40,000	32,818	7,182
Fuel, oil and lubricants -			
Pump stations	45,000	65,117	(20,117)
Vehicles and equipment	45,000	32,131	12,869
Hazardous materials	5,000	859	4,141
Janitorial supplies	1,000	99	901
Hurricane preparedness supplies	1,500	412	1,088
Landscaping and mowing	38,000	25,371	12,629
Photography and VCR equipment	250	9	241
Pump station and flood gates maintenance	70,000	60,937	9,063
Safety and SCUBA equipment	4,500	4,339	161
Sanitation and exterminating services	18,000	13,768	4,232
Small tools and shop supplies	9,000	7,932	1,068
Water recorder/elevation gauge/telemetry	6,500	2,463	4,037
Canal and swale renovations	30,000	25,278	4,722
Culvert cleaning	40,000	27,119	12,881
Culvert and flapper gate repairs	50,000	10,987	39,013
Endwall repairs and replacements	5,000	2,108	2,892
Erosion control	45,000	32,350	12,650
Gates, fences and ramp upgrades	5,000	3,930	1,070
Outfall structures	2,000	-	2,000
Trash rack, piling and tank upgrades	10,000	3,556	6,444

(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, 2020

	<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	45,000	\$ 41,125	\$ 3,875
Herbicides	310,000	179,663	130,337
Triploid carp	50,000	42,363	7,637
Water testing	5,000	2,020	2,980
Seminars, meetings and conferences	9,500	8,976	524
Equipment and vehicle purchases	50,000	41,808	8,192
S-5 Basin Improvements	20,000	15,649	4,351
Capital Improvements	400,000	377,243	22,757
Contingency	10,000	-	10,000
Bank/Credit Card charges	124	584	(460)
Billing and collection costs	72,082	69,054	3,028
Discounts and commissions	<u>129,748</u>	<u>129,227</u>	<u>521</u>
 Total expenditures	 <u>3,889,833</u>	 <u>3,415,590</u>	 <u>474,243</u>
 Excess (deficiency) of revenues over expenditures *	 <u>\$ -</u>	 861,516	 <u>\$ 861,516</u>
 Fund balance at beginning of year		 6,296,552	
 Transfer-out, net		 (91,631)	
 Adjustment ***		 <u>193,081</u>	
 Fund balance at end of year		 <u>\$ 7,259,518</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, 2020

Additional budget statement disclosures:

- * Appropriation of Fund Balance
- ** The District amended certain line items of the original budget on August 20, 2020. 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 net reserve for encumbrances (\$193,081) would be included as a reconciling item. In addition, the District transferred a net total of \$91,631 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. The net of these amounts totaled \$101,450. (See Note 2)

SOUTH BROWARD DRAINAGE DISTRICT
Schedule of the District's Proportionate Share of the
Net Pension Liability – Florida Retirement System Pension Plan
September 30, 2020, 2019, 2018 and 2017

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the FRS net pension liability	0.0034%	0.0032%	0.0032%	0.0032%
District's proportionate share of the FRS net pension liability	\$ 1,469,127	\$ 1,121,936	\$ 973,914	\$ 955,966
District's covered-employee payroll	\$ 1,257,006	\$ 1,165,282	\$ 1,099,834	\$ 1,116,252
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	116.88%	96.28%	88.55%	83.17%
FRS Plan fiduciary net pension position as a percentage of the total pension liability	78.85%	82.61%	84.26%	83.89%

Note: The amounts presented for the fiscal year were determined as of June 30, 2020 measurement date. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data is available through fiscal year ending June 30, 2020.

SOUTH BROWARD DRAINAGE DISTRICT
Schedule of the District's Contributions –
Florida Retirement System Pension Plan
September 30, 2020, 2019, 2018 and 2017

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required FRS contribution	\$ 120,246	\$ 127,646	\$ 117,384	\$ 109,872
FRS contributions in relation to the contractually required contribution	<u>(120,246)</u>	<u>(127,646)</u>	<u>(117,384)</u>	<u>(109,872)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,257,006	\$ 1,165,282	\$ 1,099,834	\$ 1,116,252
FRS contributions as a percentage of covered-employee payroll	9.57%	10.95%	10.67%	9.84%

Note: The amounts presented for the fiscal year were determined as of September 30, 2020. The schedule is presented to illustrate the requirements of GASB Statement No. 68.

SOUTH BROWARD DRAINAGE DISTRICT
Schedule of the District's Proportionate Share of the
Net Pension Liability – Health Insurance Subsidy Pension Plan
September 30, 2020, 2019, 2018 and 2017

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the HIS net pension liability	0.0034%	0.0034%	0.0034%	0.0035%
District's proportionate share of the HIS net pension liability	\$ 419,542	\$ 385,963	\$ 355,704	\$ 375,279
District's covered-employee payroll	\$ 1,257,006	\$ 1,165,282	\$ 1,099,834	\$ 1,116,252
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	33.38%	33.12%	32.34%	33.62%
HIS Plan fiduciary net pension position as a percentage of the total pension liability	3.00%	2.63%	2.15%	1.64%

Note: The amounts presented for the fiscal year were determined as of June 30, 2020 measurement date. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data is available through fiscal year ending June 30, 2020.

SOUTH BROWARD DRAINAGE DISTRICT
Schedule of the District's Contributions –
Health Insurance Subsidy Pension Plan
September 30, 2020, 2019, 2018 and 2017

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required HIS contribution	\$ 20,866	\$ 19,344	\$ 18,257	\$ 18,530
HIS contributions in relation to the contractually required contribution	<u>(20,866)</u>	<u>(19,344)</u>	<u>(18,257)</u>	<u>(18,530)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,257,006	\$ 1,165,282	\$ 1,099,834	\$ 1,116,252
HIS contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.66%	1.66%

Note: The amounts presented for the fiscal year were determined as of September 30, 2020. The schedule is presented to illustrate the requirements of GASB Statement No. 68.

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, 2020**

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, 2020, 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 3, 2020.

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) as a basis for designing 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

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 financial statements. 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 3, 2020
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, 2020**

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

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

Report on the Financial Statements

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, 2020, and have issued our report thereon dated December 3, 2020.

Auditor's Responsibility

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 Auditor General.

Other Reporting Requirements

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 Independent Accountant's Report on and examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Florida Auditor General. Disclosures in those reports, if any, which are dated December 3, 2020, should be considered in conjunction with this management letter.

To the Board of Commissioners
South Broward Drainage District

Prior Audit Findings

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.

Official Title and Legal Authority

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.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the South Broward Drainage District 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, 2020, and through the date of our audit report, December 3, 2020.

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.

Monthly Financial Statements

Sections 10.554(1)(i)6.a. and 10.556(9), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not 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. In connection with our audit, we determined

To the Board of Commissioners
South Broward Drainage District

that the District provided monthly financial statements to its governing board and made such monthly financial statements available for public access on its website.

Transparency

Sections 10.554(1)(i)6.b. and 10.556(9), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the District provided a link on their website to the Florida Department of Financial Service's website to view the District's annual financial report submitted to the Department. In connection with our audit, we determined that the District provided a link on its website to the Florida Department of Financial Service's website.

Sections 10.554(1)(i)6.c. and 10.556(9), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the District posted its tentative and final budgets on its website. In connection with our audit, we determined that the District posted its tentative and final budgets on its website.

Additional Matters

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.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General the Board of Commissioners of South Broward Drainage District, and applicable management, 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

December 3, 2020
Boca Raton, Florida

PART I - CURRENT YEAR COMMENTS AND RECOMMENDATIONS

No comments were noted for the year ended September 30, 2020.

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, 2020**

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, 2020**

**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, 2020. 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, 2020.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, and the Board of Commissioners of South Broward Drainage District, Southwest Ranches, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Lerro & Chandross, PLLC
Certified Public Accountants

December 3, 2020
Boca Raton, Florida