

SOUTH BROWARD DRAINAGE DISTRICT

ANNUAL FINANCIAL STATEMENTS

September 30, 2021

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INTRODUCTORY SECTION

SOUTH BROWARD DRAINAGE DISTRICT

Board of Commissioners

September 30, 2021

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 AUDITORS' 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, 2021, 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.

Auditors' 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, 2021, 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 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 February 14, 2022, 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 solely 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 February 14, 2022, 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

Boca Raton, Florida
February 14, 2022

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

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

The management of South Broward Drainage District (“District” or “SBDD”) 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, 2021. 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 those assessments upon all the lands in the District for annual drainage, administrative, operation and maintenance taxes, and impose and foreclose on special assessment liens.

During Fiscal Year 2020-2021, the COVID-19 virus continued to have an impact on the staff, residents, and businesses of the District; however, the impacts to the District’s operations and financial condition continued to be minimal. The District took the following measures in response to the COVID-19 virus:

- SBDD has maintained its safety guidelines for its staff and operations to help minimize the spread of COVID-19 and help protect those most vulnerable to the virus.
- SBDD continued to allow the public to attend Board of Commissioners meetings virtually.
- In October 2020, SBDD adopted an update to the District’s 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 May 2021, SBDD adopted a second update to the District’s COVID-19 Policy (SBDD Resolution 2021-03).
- SBDD’s COVID-19 Policy continues to follow the recommendations and guidelines of the Centers for Disease Control and Prevention, 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 continued to perform all necessary operations and maintenance work during the 2021 hurricane season.
- In September 2021, the SBDD Board of Commissioners adopted the 2021-2022 budget, with no discernable changes or impacts due to COVID-19.

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 \$21,800,529. Pursuant to Governmental Accounting Standards Board (“GASB”) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (“GASB 54”) presentation requirements, \$1,745,728 of this amount may be used to meet the District’s ongoing operations and \$5,407,021 has been committed for specific purposes.

- The District's total net position increased by \$92,802 in 2021.
- The total assets of the District amounted to \$23,391,338 as of September 30, 2021. Of this amount, \$15,911,610 represented the net investment in capital assets. The total liabilities amounted to \$1,017,849.
- The District's total general revenues on an accrual basis were \$3,853,565 for the year ended September 30, 2021.
- The total expenses for all of the District's activities were \$3,760,763 for the year ended September 30, 2021.
- As of September 30, 2021, the District had a total of \$7,152,749 of unrestricted net position, of which \$5,407,021 had been committed for specific purposes; \$408,940 had been appropriated during the preparation of the fiscal year 2022 budget, leaving a remaining balance of \$1,336,788 as unassigned funds.

DISTRICT HIGHLIGHTS

- The District completed the following improvements under the District's 5-Year Capital Improvements Plan during the 2020-2021 fiscal year:
 - Rebuilt three stormwater pumps - the #1 pump at the S-8 pump station, the #1 pump at the S-5 pump station, and the #1 pump at the S-7 pump station.
 - Rebuilt 1 Caterpillar Engine #1 motor at the S-5 pump station.
 - Rebuilt 1 gear drive for the S-1 pump station.
 - Completed the rebuild of 1 gear drive for the S-7 pump station (carry-over from 2019-2020).
 - Purchased 4 new gear drives for the S-4 and S-5 pump stations.
 - Completed the re-roofing system at the S-8 pump station.
 - Installed a new exhaust system on the roof-top at the S-8 pump station.
 - Purchased a new chipper for field operations.
 - Completed the milling and resurfacing of the parking lots and driveways at SBDD headquarters.
 - Performed maintenance dredging in the S-10 Drainage Basin as part of the erosion protection project at S.W. 208th Avenue (Hidden Lake) and Sheridan Street (Chapel Trail outfall).
 - Completed the first phase of the east by-pass culvert and sluice gate at the S-1 pump station headwall, sluice gate, motor, outfall channel, electrical conduits, and approximately 60 lineal feet of 48" HDPE piping.
 - Participated as a cost-share member with Broward County on the update to the county-wide 100-year flood maps.
 - Began construction for the replacement and relocation of the fuel tank at the S-1 pump station and completed approximately 90% of the project.
 - Awarded the contract for the covered parking and storage area in the maintenance yard.

The District completed the following improvements as part of the District's annual maintenance, repairs, replacement and upgrades work during the 2020-2021 fiscal year:

- Installed 3 adjustable sluice gates with telemetry within the S-5 Drainage Basin.
- Constructed the east swale and drainage system at S.W. 199th Avenue (cost-share with the Town of Southwest Ranches).
- Installed fabric-form revetment protection at the S.W. 208th Avenue twin culvert crossing at Hidden Lake and at the Chapel Trail outfall culvert at Sheridan Street (south side).
- Purchased a new 4x4 off-road utility vehicle for SBDD field operations.

- Completed the design and permitting for a second 42” culvert across Johnson Street at Rose Price Park in Chapel Trail.
- Re-established the outfall channel from Hidden Lake, east of SW 208th Avenue.
- Installed guardrail protection at 2 locations in the S-1 Drainage Basin.
- Completed the design and permitting for the S.W. 202nd Avenue & S.W. 50th Place drainage improvements (cost-share with Southwest Ranches).
- Began construction for the S.W. 50th Place and S.W. 183rd Avenue drainage improvements (cost-share with Southwest Ranches).
- Upgraded the sound system and video system in the SBDD board room to allow for improved virtual meeting sound and reception.
- Purchased a new Ford Ranger truck for use by SBDD’s project manager.
- Completed the installation of the fabric-form revetment at the Ivanhoe flood gate and the S.W. 164th Avenue canal flood gate.
- Completed a major repair to SBDD’s grapple truck.
- Removed the Keystone Lake weir at Sheridan Street (Basin S-10).
- Installed a new yard drain at S.W. 168th Avenue and S.W. 48th Street.
- Purchased 3 new water level recorders.
- Completed the update to SBDD’s Facilities Report and Water Control Plan.
- Purchased 2 spare motors for SBDD’s flood gates.
- Performed diesel fuel polishing at the S-7 and S-1 pump stations.
- Purchased 2 spare clutches for SBDD’s pump stations.
- Completed the Dykes Road cured-in-place pipe lining project – joint project with the Town of S.W. Ranches.
- Installed a new lightning protection system at the S-8 pump station.
- Installed a new fence and gate at the NW 85th Way boat ramp location.
- Contracted for the installation of a second doorway at the S-7 pump station emergency exit.
- Prepared the technical specifications and bid documents for 2 high-capacity, mobile stormwater pumps.
- Purchased 3 new office computers and monitors and 2 new laptop computers.
- 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

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

Government-wide financial statements

The government-wide financial statements report information as a whole using accounting methods similar to those used by the private sector. One very important question asked about the District’s finances: “Is the District as a whole better off or worse off as a result of the year’s activities?” The accompanying Statement of net position and 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 the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the net difference of these amounts reported as Total 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 (e.g., buildings, stormwater pump stations, canals, etc.), to assess the overall financial well-being of the District.

The Statement of activities presents the changes in the government's net position during the most recent fiscal year. All changes in net position are reported at the point in time the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, certain revenues and expenses reported in this statement will impact 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 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. The governmental fund reports on the flow of monies into and out of the fund, as well as the fund balances outstanding and available for spending at year end. The fund is reported using the *modified accrual* accounting method, 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 the amount of increase or decrease in financial resources available to finance the District's programs in the near future.

The District reconciles the differences between governmental activities reported in the government-wide Statement of net position and the Statement of activities and those reported in the basic governmental fund statements.

During the fiscal year ended September 30, 2021, 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, including for purposes of 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 required supplementary information. The notes to the financial statements also reference 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, total net position may serve over time as a useful indicator of a government's financial position. In the case of South Broward Drainage District, the total net position was \$21,800,529 at September 30, 2021. The largest portion of the District's net position (73%) reflects its net investment in capital assets (e.g., 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 (25%) represents resources that have been committed as to how they may be used. These resources can be used only for their intended designation. The remaining unrestricted net position, \$1,745,728, may be used to meet ongoing operations.

The District adopted the fiscal year 2021-2022 budget on September 13, 2021. Total general fund expenditures budgeted for the year ended September 30, 2021, were \$4,188,006. Total actual general fund expenditures on a budgetary basis were \$3,662,540 and the District had a favorable expenditures budget variance for the year ended September 30, 2021 of \$525,466, as reflected on page 35 of the financial statements. It should be noted that the District transferred \$89,381 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 2021.

Contacting the District's financial management

This financial report is designed to provide a general overview of the District's finances and to present 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>2021</u>	<u>2020</u>
Current and other assets	\$ 7,479,728	\$ 7,599,643
Capital assets	<u>15,911,610</u>	<u>15,809,559</u>
Total assets	<u>23,391,338</u>	<u>23,409,202</u>
Deferred outflows of resources	<u>422,457</u>	<u>558,724</u>
Current and other liabilities	230,540	249,617
Long-term liabilities	<u>787,309</u>	<u>1,979,177</u>
Total liabilities	<u>1,017,849</u>	<u>2,228,794</u>
Deferred inflows of resources	<u>995,417</u>	<u>31,405</u>
Net investment in capital assets	15,911,610	15,809,559
Unrestricted	<u>5,888,919</u>	<u>5,898,168</u>
Total net position	<u>\$ 21,800,529</u>	<u>\$ 21,707,727</u>

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

	<u>2021</u>	<u>2020</u>
General revenues:		
Maintenance taxes	\$ 3,619,788	\$ 3,605,032
Permits and other income	227,312	639,491
Investment earnings	<u>6,465</u>	<u>32,583</u>
Total revenues	<u>3,853,565</u>	<u>4,277,106</u>
Expenses:		
Operation and maintenance	3,171,526	3,098,143
Depreciation	<u>589,237</u>	<u>401,539</u>
Total expenses	<u>3,760,763</u>	<u>3,499,682</u>
Increase in net position	92,802	777,424
Net position – beginning	21,707,727	21,021,934
Transfer-in (out), net	<u>-</u>	<u>(91,631)</u>
Net position – ending	<u>\$ 21,800,529</u>	<u>\$ 21,707,727</u>

See accompanying notes to the financial statements.

**BASIC FINANCIAL STATEMENTS –
GOVERNMENT-WIDE**

SOUTH BROWARD DRAINAGE DISTRICT
Statement of Net Position
September 30, 2021

ASSETS

Cash – unrestricted	\$ 1,614,201
Cash and investments – reserve funds and certificates of deposit	5,528,286
Receivables, including interest	20,721
Inventory	195,829
Other assets	120,691
Capital assets:	
Land	349,616
Other capital assets, net of accumulated depreciation	<u>15,561,994</u>
Total capital assets	<u>15,911,610</u>
Total assets	<u>23,391,338</u>

DEFERRED OUTFLOWS OF RESOURCES

Florida Retirement System Pension Plan	<u>422,457</u>
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LIABILITIES

Accounts payable and accrued expenses	74,640
Refundable deposits	155,900
Non-current liabilities:	
Net pension liability	690,870
Compensated absences payable	<u>96,439</u>
Total liabilities	<u>1,017,849</u>

DEFERRED INFLOWS OF RESOURCES

Florida Retirement System Pension Plan	<u>995,417</u>
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NET POSITION:

Net investment in capital assets	15,911,610
Unrestricted	<u>5,888,919</u>
Total net position	<u><u>\$ 21,800,529</u></u>

See accompanying notes to the financial statements.

SOUTH BROWARD DRAINAGE DISTRICT
Statement of Activities
For the year ended September 30, 2021

Expenses:	
Personnel services	\$ 1,322,047
Materials and services	1,719,335
Depreciation expense	589,237
Collection discounts	<u>130,144</u>
Total expenses	<u>3,760,763</u>
General revenues:	
Maintenance taxes	3,619,788
Permits and other income	227,312
Investment earnings	<u>6,465</u>
Total general revenues	<u>3,853,565</u>
Change in net position	92,802
Net position, beginning of year	<u>21,707,727</u>
Net position, end of year	<u><u>\$ 21,800,529</u></u>

See accompanying notes to the financial statements.

**BASIC FINANCIAL STATEMENTS –
FUND**

SOUTH BROWARD DRAINAGE DISTRICT
Balance Sheet – Governmental Fund
September 30, 2021

General
Fund

ASSETS

Cash	\$	6,162,487
Investments		980,000
Receivables:		
Delinquent taxes and assessments, including interest		19,147
Other		1,574
Inventory		195,829
Other assets		<u>120,691</u>
Total assets	\$	<u><u>7,479,728</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:		
Accounts payable and accrued expenses	\$	74,640
Compensated absences payable		96,439
Refundable deposits		<u>155,900</u>
Total liabilities		<u>326,979</u>
Fund balance:		
Committed		5,407,021
Assigned		408,940
Unassigned		<u>1,336,788</u>
Total fund balance		<u>7,152,749</u>
Total liabilities and fund balance	\$	<u><u>7,479,728</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, 2021

Reconciliation of Balance Sheet

Total governmental fund balance	\$ 7,152,749
Capital assets reported in the statement of net position, reported as expenditures by governmental fund, not reported in governmental fund balance:	
Capital assets	26,140,362
Less accumulated depreciation	<u>(10,228,752)</u>
	15,911,610
Deferred outflows of resources related to pensions recorded in the statement of net position	422,457
Deferred inflows of resources related to pensions recorded in the statement of net position	(995,417)
Net pension liability reported in the statement of net position, not reported in the governmental fund statement	<u>(690,870)</u>
Total net position	<u><u>\$ 21,800,529</u></u>

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, 2021

	<u>General Fund</u>
Revenues:	
Maintenance taxes	\$3,619,788
Permits and other income	227,312
Interest	<u>6,465</u>
Total revenues	<u>3,853,565</u>
Expenditures:	
Capital outlay	691,288
Operating	2,930,779
Administrative	208,123
Discounts	<u>130,144</u>
Total expenditures	<u>3,960,334</u>
Excess of expenditures over revenues	(106,769)
Fund balance at beginning of year	<u>7,259,518</u>
Fund balance at end of year	<u><u>\$7,152,749</u></u>

See accompanying notes to the financial statements.

SOUTH BROWARD DRAINAGE DISTRICT
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance -
Governmental Fund to the Statement of Activities
For the year ended September 30, 2021

Reconciliation of Statement of Revenues

Excess of expenditures over revenues - total governmental fund	\$ (106,769)
Amounts reported in the statement of activities not reported in governmental fund:	
<p>Governmental fund reports capital outlays as expenditures. The statement of activities reports the cost of capital assets over the estimated useful life of the asset as depreciation expense.</p>	
Expenditures for capital assets reported in general fund	691,288
Less current year depreciation reported in statement of activities	<u>(589,237)</u>
	102,051
<p>Expenses reported in the statement of activities which do not require the use of current financial resources, not reported as expenditures of governmental fund.</p>	
Change in net pension liability and deferred outflows and inflows of resources related to pensions	<u>97,520</u>
Change in net position	<u><u>\$ 92,802</u></u>

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements

September 30, 2021

(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 for annual drainage, administrative, operation and maintenance taxes, and impose and foreclose on 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 and Financial Reporting

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 follows the requirements of GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54").

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements

September 30, 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District follows the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("GASB 34") and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* ("GASB 63"), which incorporates deferred outflows and deferred inflows of resources into the definitions of the required components of the residual measure 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 the Statement of net position and the 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 investment income earned during the year. The District's policy is to apply restricted resources before unrestricted resources when an expense is incurred for which both restricted and unrestricted assets are available.

Separate financial statements are provided by governmental fund. Major governmental funds are reported as separate columns in the fund financial statements. The governmental fund statements reflect amounts due from/to other funds. These amounts represent transfers repaid in the future period.

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements

September 30, 2021

(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 when they are both measurable and available. Revenues are considered to be measurable when the cash flow from the revenue can be reasonably estimated. 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 made.

(d) Major Funds

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, for purposes of maintaining control over resources for specific activities or objectives, or to ensure compliance with finance-related legal requirements.

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements

September 30, 2021

(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 with the exception that 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, 2021, there were \$154,689 of outstanding encumbrances; accordingly, for the year ended September 30, 2021, 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's director ("District Director") is required to submit to the Board of Commissioners ("Board") the proposed budget for the fiscal year commencing October 1st. 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 the Board.

In connection with the forthcoming fiscal year 2022 budget, the District appropriated a portion of the unassigned fund balance in the amount of \$408,940 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 are included within the committed or assigned fund balance.

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements

September 30, 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Inventory

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

(h) Compensated Absences

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 completed fourteen years of service with the District, with the exception of certain employees covered by employment agreements. At September 30, 2021, the liability for accrued compensated absences, to be paid within one year, was \$96,439, an increase of \$5,931.

(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 measured at amortized cost.

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

September 30, 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Capital Assets and Depreciation – Government-wide Financial Statements

Capital assets, which include land, buildings, equipment, vehicles and infrastructure assets (e.g., 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, 2021.

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 Statement of activities in accordance with GASB 34. 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

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (“GASB 54”), classifies fund balances as follows:

- Non-spendable fund balances include 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, inventory is not reported as a non-spendable fund balance by the District.

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements

September 30, 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Restricted fund balances include amounts constrained for a specific purpose by external parties. The District does not have any restricted fund balances as of September 30, 2021.
- Committed fund balances include 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 of \$5,407,021 in the accompanying Balance sheet – governmental fund. The emergency fund was established to provide for situations when the District may incur unbudgeted expenditures as a result of a severe emergency, such as a major hurricane.
- Assigned fund balances include general fund amounts constrained for a specific purpose by the District's Board and are included in Assigned fund balance of \$408,940 in the accompanying Balance sheet – governmental fund. This amount represents the appropriation of fund balance in the 2021-2022 fiscal year budget.
- Unassigned fund balance represents 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, as adopted by the Board in accordance with 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 are expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The approved *Financial Policies and Guidelines* of the District establishes minimum amounts for certain fund balances.

(1) Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of net position may report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and, accordingly, will not be recognized as an outflow of resources, i.e., expense/expenditure, until such time.

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements

September 30, 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the Statement of net position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and, accordingly, will not be recognized as an inflow of resources, i.e., revenue, until such 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) Recently Issued Accounting Pronouncement

The District has not yet determined the impact of GASB Statement No. 91, *Conduit Debt Obligations*, 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 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 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.

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements

September 30, 2021

(3) CASH AND INVESTMENTS (Continued)

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 Public Securities Association's "Master Repurchase Agreement" with either a primary dealer as defined by the Federal Reserve or a bank or savings and loan domiciled in Florida 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 the District's 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, 2021, the District had placed approximately 13.72% in certificates of deposit ("CD") and 86.28% in interest bearing money market accounts.

Interest Rate and Credit Risk:

The District's investment portfolio is actively managed by District management in an effort to attain the highest available market rate of return while still operating within the District's 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) interest income has been increased; (2) time to maturity has been reduced; or (3) credit quality has been improved.

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements

September 30, 2021

(3) CASH AND INVESTMENTS (Continued)

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 2021 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, 2021, is the balance of approximately \$3,246,749 in the general fund emergency account.

Custodial Credit Risk – Investments:

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

Concentration of Credit Risk:

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

Following is the percentage allocation of cash and investments by issuer as of September 30, 2021:

<u>Issuer</u>	<u>Percentage of Total</u>
SunTrust Bank	86.28%
Legacy Bank CD	3.43%
Bank United CD	3.43%
Synovus Bank CD	3.43%
Ameris Bank CD	3.43%

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements

September 30, 2021

(3) CASH AND INVESTMENTS (Continued)

Cash and investments as of September 30, 2021, are comprised of the following:

Cash deposits:

Demand deposit accounts	\$ 6,161,687
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Petty cash	<u>800</u>
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Total cash deposits	6,162,487
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Investments:

Certificates of deposit	<u>980,000</u>
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Total cash and investments	<u>\$ 7,142,487</u>
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(4) MAINTENANCE TAXES AND SPECIAL ASSESSMENTS

Maintenance taxes and special assessments attach as an enforceable lien on the owners' properties as of January 1st of each year. The taxes are levied on November 1st for that calendar year and are payable, without penalty, from November 1st to the following March 31st. 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, 2021, consist of prepaid insurance totaling \$120,691.

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements

September 30, 2021

(6) CAPITAL ASSETS

The following summarizes changes in the capital assets:

	Balance <u>09/30/20</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>09/30/21</u>
Capital Assets Not Being Depreciated:				
Land	\$ 349,616	\$ -	\$ -	\$ 349,616
Canal Improvements and Lakes	<u>10,315,076</u>	<u>-</u>	<u>-</u>	<u>10,315,076</u>
 Total Capital Assets Not Being Depreciated	 <u>10,664,692</u>	 <u>-</u>	 <u>-</u>	 <u>10,664,692</u>
 Capital Assets Being Depreciated:				
Water Control Structures/Culverts	11,695,410	584,770	-	12,280,180
Buildings - District Headquarters	1,372,915	-	-	1,372,915
Vehicles	1,176,231	106,518	-	1,282,749
Equipment	<u>565,288</u>	<u>-</u>	<u>25,462</u>	<u>539,826</u>
 Total Capital Assets Being Depreciated	 <u>14,809,844</u>	 <u>691,288</u>	 <u>25,462</u>	 <u>15,475,670</u>
 Less Accumulated Depreciation				
Water Control Structures	7,696,353	331,423	-	8,027,776
Buildings	649,856	34,323	-	684,179
Vehicles	821,863	201,060	-	1,022,923
Equipment	<u>496,905</u>	<u>22,431</u>	<u>25,462</u>	<u>493,874</u>
 Total Accumulated Depreciation	 <u>9,664,977</u>	 <u>589,237</u>	 <u>25,462</u>	 <u>10,228,752</u>
 Capital Assets, Net	 <u>\$ 15,809,559</u>	 <u>\$ 102,051</u>	 <u>\$ -</u>	 <u>\$ 15,911,610</u>

(7) RETIREMENT PLAN

Plan Description:

The District participates in the Florida Retirement System ("FRS") retirement plan ("Plan"), a cost-sharing multiple-employer Public Employee Retirement System, 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.

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements

September 30, 2021

(7) RETIREMENT PLAN (Continued)

The FRS is administered by the State of Florida, Department of Management Services - Division of Retirement, which provides an annual report which is made available to the public every year from the Florida Department of Management Services' website (www.dms.myflorida.com).

Funding Policy:

Effective July 1, 2011, both the 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 10.82% for covered regular payroll, 18.34% for DROP, and 29.01% for senior management payroll, in the District's case, the District Director. All employees of the District contribute 3% of their salary to the program. During the fiscal year ended September 30, 2021, pension contributions amounted to \$197,125, \$168,114 of which was from the District and \$29,011 from employees. Total contributions approximated 16.7% of current year covered payroll expense of approximately \$1,179,000.

The DROP program, 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, 2021, the District has two individuals that are participating in the DROP program.

(Continued)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements

September 30, 2021

(7) RETIREMENT PLAN (Continued)

Detailed information supporting the deferred outflows/inflows of resources related to pensions from the following sources as of September 30, 2021, are as follows :

FRS Pension Plan :

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 47,078	\$ -
Change of assumptions	187,939	-
Net difference between projected and actual earnings on FRS pension plan investments	-	(958,237)
Changes in proportion and differences between District FRS contributions and proportionate share of FRS contributions	88,446	(3,900)
District FRS contributions subsequent to the measurement date	39,099	-
Totals	\$ 362,562	\$ (962,137)

HIS Pension Plan :

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,927	\$ (174)
Change of assumptions	32,704	(17,149)
Net difference between projected and actual earnings on HIS pension plan investments	434	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	7,800	(15,957)
District HIS contributions subsequent to the measurement date	5,030	-
Totals	\$ 59,895	\$ (33,280)

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements

September 30, 2021

8) PERMITS AND OTHER INCOME

Permits and other income for the year ended September 30, 2021, consisted of the following:

Miscellaneous income	\$ 78,313
Annual telecommunication fees	3,500
Residential and lot permit fees	48,407
Permit fees	50,649
Recertification program fees	<u>46,443</u>
	<u>\$ 227,312</u>

(9) COMMITMENTS

The District entered into amended contracts with the District Director and the Assistant District Director effective October 1, 2018. The amended contracts are for a term of four years commencing on October 1, 2018 and terminating on September 30, 2022. The contracts automatically renew for a term of four years unless otherwise terminated in accordance with the provisions contained therein. The contracts provide for an annual base salary with annual increases linked to the cost of living index, however not less than 3% up to a specified maximum base salary. The contracts also provide for benefits, including but not limited to life insurance, vacation time and sick leave.

SOUTH BROWARD DRAINAGE DISTRICT

Notes to Financial Statements

September 30, 2021

(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 its 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. In the opinion of management, the amount of ultimate liability in excess of applicable insurance coverage, if any, is not likely to have a material effect on the financial position or liquidity of the District.

(11) COVID-19 PANDEMIC

The COVID-19 virus continues to have major impacts throughout the United States, including the State of Florida, and across the globe. Since the onset of the pandemic in early 2020, the District's operations and financial condition have not been adversely affected by the COVID virus. There is still uncertainty concerning new strains of the virus and other variables, and how these factors may affect the District in the future. The District will continue to operate as an essential service for drainage and flood protection; will continue to employ the safety measures that have been put in place in response to the virus; will continue with the modifications it has made to its operating schedules and policies; and will monitor its operating budgets over the next fiscal year.

(12) SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 14, 2022, which is the date the financial statements were available to be issued to the District.

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
(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, 2021

	<u>Final</u>	<u>Actual -</u>	<u>Variance -</u>
	<u>Budget **</u>	<u>Basis</u>	<u>Favorable</u>
			<u>(Unfavorable)</u>
Revenues:			
Maintenance taxes	\$3,599,322	\$ 3,619,788	\$ 20,466
Permits and other income	578,684	227,312	(351,372)
Investment earnings	<u>10,000</u>	<u>6,465</u>	<u>(3,535)</u>
	<u>4,188,006</u>	<u>3,853,565</u>	<u>(334,441)</u>
Expenditures:			
Administrative salaries	433,410	417,214	16,196
Board of Commissioners' salaries	37,800	37,800	-
Field operations' salaries	541,954	504,761	37,193
Inspectors' salaries	227,439	211,791	15,648
Payroll taxes	100,261	91,068	9,193
Pension costs	172,000	168,115	3,885
Other salaries and costs	70,000	59,412	10,588
Accounting fees	23,500	23,250	250
Engineering/consulting/special projects	40,000	38,849	1,151
Legal fees	60,000	37,395	22,605
Legal fees – special projects	30,000	-	30,000
Other professional fees	1,000	-	1,000
Commercial property package	43,100	43,025	75
General liability	38,000	36,307	1,693
Group health and life insurance	363,900	344,311	19,589
Workers compensation	30,000	20,454	9,546
Advertising	5,500	3,902	1,598
Computer supplies and upgrades	17,500	16,017	1,483
Dues and subscriptions	6,000	5,137	863
Electric costs	15,500	14,587	913
Gas (LP) auxiliary power	5,000	575	4,425
Janitorial services	6,000	5,865	135
Licenses and fees	1,100	947	153

See accompanying notes to the financial statements.

(Continued)

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, 2021

	<u>Final Budget **</u>	<u>Actual - Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
Maintenance contracts	11,200	7,962	3,238
Miscellaneous/uniforms	3,800	3,136	664
Office supplies and postage	6,000	5,406	594
Payroll service	4,500	2,466	2,034
Printing and stationary	1,800	1,796	4
Public records, storage and filing	20,000	16,525	3,475
Telephone and miscellaneous communications	17,500	13,024	4,476
Water and sewer costs	2,500	2,012	488
Buildings and grounds maintenance	50,000	47,515	2,485
Equipment rental	7,500	6,306	1,194
Equipment and vehicles maintenance	42,500	33,929	8,571
Fuel, oil and lubricants -			
Pump stations	100,000	4,547	95,453
Vehicles and equipment	45,000	51,563	(6,563)
Hazardous materials	5,000	1,297	3,703
Janitorial supplies	1,000	-	1,000
Hurricane preparedness supplies	1,500	508	992
Landscaping and mowing	25,000	14,569	10,431
Photography and VCR equipment	250	-	250
Pump station and flood gates maintenance	70,000	66,889	3,111
Safety and SCUBA equipment	5,000	4,600	400
Sanitation and exterminating services	40,000	33,656	6,344
Small tools and shop supplies	9,000	6,411	2,589
Water recorder/elevation gauge/telemetry	17,000	16,842	158
Canal and swale renovations	40,000	36,011	3,989
Culvert cleaning	35,000	24,700	10,300
Culvert and flapper gate repairs	20,000	1,785	18,215
Endwall repairs and replacements	5,000	-	5,000
Erosion control	25,000	25,000	-
Gates, fences and ramp upgrades	7,500	7,844	(344)
Outfall structures	10,000	9,955	45
Trash rack, piling and tank upgrades	5,000	849	4,151

See accompanying notes to the financial statements.

(Continued)

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, 2021

	<u>Final Budget **</u>	<u>Actual - Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
Tree removal	45,000	31,286	13,714
Herbicides	271,020	189,011	82,009
Triploid carp	40,000	4,800	35,200
Water testing	7,500	5,540	1,960
Seminars, meetings and conferences	7,500	3,930	3,570
Equipment and vehicle purchases	50,000	48,008	1,992
S-5 Basin Improvements	250,000	249,923	77
Capital Improvements	400,000	400,920	(920)
Contingency	10,000	-	10,000
Bank/Credit Card charges	2,000	2,144	(144)
Billing and collection costs	71,972	68,949	3,023
Discounts and commissions	<u>130,500</u>	<u>130,144</u>	<u>356</u>
 Total expenditures	 <u>4,188,006</u>	 <u>3,662,540</u>	 <u>525,466</u>
 Excess (deficiency) of revenues over expenditures *	 <u>\$ -</u>	 191,025	 <u>\$ 191,025</u>
 Fund balance at beginning of year		 7,259,518	
 Differences between budgetary basis and GAAP basis:			
Capital improvements expenditures budgeted as part of the 5-year capital improvement plan ***		 (246,778)	
 Committed funds:			
Expenditures applied against prior period encumbrances and reserves ***		 (205,705)	
Encumbrances budgeted for in the current fiscal year ***		<u>154,689</u>	
 Fund balance at end of year		 <u>\$ 7,152,749</u>	

See accompanying notes to the financial statements.
(Continued)

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, 2021

Additional budget statement disclosures:

- * Appropriation of fund balance
- ** The District amended certain line items of the original budget on August 24, 2021. The changes were immaterial and only the final amended budget has been presented for purposes of this statement.
- *** During the fiscal year, the District made capital improvement expenditures of \$246,778 which were budgeted for separately under the District's 5-year capital improvement program; this is in addition to the \$400,920 in capital improvements expended against the current year annual District budget. In addition, the District expended amounts in the current fiscal year out of funds which were encumbered or reserved in prior years, of which approximately \$181,000 was for capital improvements and \$25,000 was for compensated absences. Finally, the District encumbered \$154,689 in the current year for spending in future periods.

SOUTH BROWARD DRAINAGE DISTRICT
Schedule of the District's Proportionate Share of the
Net Pension Liability – Florida Retirement System Pension Plan
September 30, 2021, 2020, 2019, 2018 and 2017

<u>Florida Retirement System Pension Plan ("FRS")</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportionate share of the FRS net pension liability - percentage	0.0036%	0.0034%	0.0032%	0.0032%	0.0032%
District's proportionate share of the FRS net pension liability - dollars	\$ 274,665	\$ 1,469,127	\$ 1,121,936	\$ 973,914	\$ 955,966
District's covered-employee payroll	\$ 1,178,902	\$ 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	23.30%	116.88%	96.28%	88.55%	83.17%
FRS Plan fiduciary net pension position as a percentage of the total pension liability	96.40%	78.85%	82.61%	84.26%	83.89%

Note: The amounts presented for the fiscal year were determined as of the June 30, 2021 measurement date. The schedule is presented to illustrate the requirements of GASB Statement No. 68, *Accounting and Reporting for Pensions – An Amendment of GASB Statement No. 27* ("GASB 68"). Currently, only data is available through fiscal year ending June 30, 2021.

SOUTH BROWARD DRAINAGE DISTRICT
Schedule of the District's Contributions –
Florida Retirement System Pension Plan
September 30, 2021, 2020, 2019, 2018 and 2017

<u>Contributions to Florida Retirement System Pension Plan ("FRS")</u>					
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required FRS contribution	\$ 168,114	\$ 120,246	\$ 127,646	\$ 117,384	\$ 109,872
Contributions to FRS	<u>(168,114)</u>	<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>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,178,902	\$ 1,257,006	\$ 1,165,282	\$ 1,099,834	\$ 1,116,252
FRS contributions as a percentage of covered-employee payroll	14.26%	9.57%	10.95%	10.67%	9.84%

Note: The amounts presented for the fiscal year were determined as of September 30, 2021. The schedule is presented to illustrate the requirements of GASB 68.

SOUTH BROWARD DRAINAGE DISTRICT
Schedule of the District's Proportionate Share of the
Net Pension Liability – Health Insurance Subsidy Pension Plan
September 30, 2021, 2020, 2019, 2018 and 2017

<u>Net Pension Liability - Health Insurance Subsidy ("HIS")</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportionate share of the HIS net pension liability-percentage	0.0034%	0.0034%	0.0034%	0.0034%	0.0035%
District's proportionate share of the HIS net pension liability-dollars	\$ 416,205	\$ 419,542	\$ 385,963	\$ 355,704	\$ 375,279
District's covered-employee payroll	\$ 1,178,902	\$ 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	35.30%	33.38%	33.12%	32.34%	33.62%
HIS Plan fiduciary net pension position as a percentage of the total pension liability	3.56%	3.00%	2.63%	2.15%	1.64%

Note: The amounts presented for the fiscal year were determined as of the June 30, 2021 measurement date. The schedule is presented to illustrate the requirements of GASB 68. Currently, only data is available through fiscal year ending June 30, 2021.

SOUTH BROWARD DRAINAGE DISTRICT
Schedule of the District's Contributions –
Health Insurance Subsidy Pension Plan
September 30, 2021, 2020, 2019, 2018 and 2017

<u>District Contributions - Health Insurance Subsidy ("HIS")</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required HIS contribution	\$ 19,570	\$ 20,866	\$ 19,344	\$ 18,257	\$ 18,530
Contributions to HIS	<u>(19,570)</u>	<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>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,178,902	\$ 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%	1.66%

Note: The amounts presented for the fiscal year were determined as of September 30, 2021. The schedule is presented to illustrate the requirements of GASB 68.

OTHER REPORTS SECTION

SOUTH BROWARD DRAINAGE DISTRICT

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
For the year ended September 30, 2021**

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, 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, 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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 14, 2022.

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.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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, administrative rules, 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 District'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

February 14, 2022
Boca Raton, Florida

SOUTH BROWARD DRAINAGE DISTRICT

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY
CHAPTER 10.550, RULES OF THE STATE OF FLORIDA OFFICE
OF THE AUDITOR GENERAL
For the year ended September 30, 2021**

**INDEPENDENT AUDITORS' 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, 2021, and have issued our report thereon dated February 14, 2022.

Auditors' 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 Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, and Independent Auditors' 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. Disclosures in those reports, if any, which are dated February 14, 2022, should be considered in conjunction with this management letter.

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

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures, based on the auditors' professional judgement, 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, 2021, and through the date of our audit report, February 14, 2022.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate 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)9.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 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)9.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 its website to the Florida Department of Financial Services' 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)9.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 budget on its website. In connection with our audit, we determined that the District posted its tentative and final budgets on its website.

Specific Information (unaudited)

South Broward Drainage District (the “District”) has reported the following information (unaudited):

- Total number of District employees compensated in the last pay period of the District’s fiscal year ended September 30, 2021: 20
- Total number of independent contractors to whom nonemployee compensation was paid in September 2021: 5
- All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency for fiscal year ended September 30, 2021: \$ 1,322,047
- All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency for fiscal year ended September 30, 2021: \$ 81,453
- Each construction project with a cost of at least \$65,000 approved by the District that is scheduled to begin on or after October 1, 2020:

Projects	Expenditures
Re-roofing of S-8 pump station	\$ 40,959.00
Milling and resurfacing of headquarters parking lot	\$ 58,770.74
Replacement and relocation of fuel tank at S-1 pump station	\$ 98,625.85
FabricForm revetment stabilization at miscellaneous locations	\$ 87,201.71

- Budget variance report: See pages 33-36 of annual financial statements for fiscal year ended September 30, 2021
- Ad valorem taxes collected by or on behalf of and millage rates imposed by the District for fiscal year ended September 30, 2021:

Category	Rate Unit	Millage Rate
Single family home	Rate	\$ 35.00
Vacant land	Rate	\$ 27.10
Multi-family home	Rate	\$ 24.30
Residential condo	Rate	\$ 24.30
Commercial industrial	Rate	\$72.30
Mobile home	Rate	\$24.30
Non-ad valorem special assessments	None	None
Outstanding bonds issued	None	None

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we communicate noncompliance with provisions of contracts or grant agreements, or abuse, that has occurred, or is likely to have occurred, that has an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note 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

February 14, 2022
Boca Raton, Florida

SOUTH BROWARD DRAINAGE DISTRICT

REPORT TO MANAGEMENT

PART I - CURRENT YEAR COMMENTS AND RECOMMENDATIONS

No comments or recommendations were noted for the year ended September 30, 2021.

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, 2021**

There is no response required for the current year.

SOUTH BROWARD DRAINAGE DISTRICT

**INDEPENDENT AUDITORS' 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, 2021**

**INDEPENDENT AUDITORS' 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, 2021. 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 complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

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

February 14, 2022
Boca Raton, Florida