

Broward County, Florida Transportation Surtax Program

Special-Purpose Financial Statements
September 30, 2022

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RSM US LLP

Independent Auditor's Report

Honorable Board of County Commissioners
Broward County, Florida

Report on the Audit of the Special-Purpose Financial Statements

Opinions

We have audited the special-purpose financial statements of each major fund of the Transportation Surtax Program of Broward County, Florida (the Surtax Program) as of and for the year ended September 30, 2022, and the related notes to the special-purpose financial statements, as listed in the table of contents.

In our opinion, the accompanying special-purpose financial statements referred to above presents fairly, in all material respects, the respective financial position of each major fund of the Surtax Program as of September 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Special-Purpose Financial Statements section of our report. We are required to be independent of the Surtax Program, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the special-purpose financial statements were prepared for the purpose of complying with the financial reporting provisions of Section 212.055, *Florida Statutes*, and do not purport to, and do not, present fairly the financial position of Broward County, Florida as of September 30, 2022, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Special-Purpose Financial Statements

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

Auditor's Responsibility for the Audit of the Special-Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special-purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the special-purpose financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the special-purpose financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the special-purpose financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Surtax Program's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the special-purpose financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary comparison schedule – Transportation Surtax Program Special Revenue Fund be presented to supplement the special-purpose financial statements. Such information is the responsibility of management and, 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 GAAS, 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 special-purpose financial statements, and other knowledge we obtained during our audit of the special-purpose 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

Management is responsible for the other information included in the special-purpose financial statements. The other information comprises the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual of the Transport Surtax Program Capital Projects Fund but does not include the special-purpose financial statements and our auditor's report thereon. Our opinions on the special-purpose financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the special-purpose financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the special-purpose financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

RSM US LLP

Fort Lauderdale, Florida
March 27, 2023

**Broward County, Florida
Transportation Surtax Program**

**Special-Purpose Balance Sheet
September 30, 2022
(in Thousands)**

	Transportation Surtax	Transportation Surtax Capital	Total Transportation Surtax Program
Assets			
Cash and cash equivalents	\$ 42,134	\$ 19,852	\$ 61,986
Investments	737,558	347,503	1,085,061
Interest receivable	1,500	662	2,162
Due from other governments	87,360	19	87,379
Total assets	\$ 868,552	\$ 368,036	\$ 1,236,588
Liabilities			
Accounts payable	\$ 104	\$ 5,824	\$ 5,928
Accrued liabilities	81	-	81
Due to other governments	1,826	692	2,518
Total liabilities	2,011	6,516	8,527
Fund balance:			
Restricted for transportation program projects	866,541	361,520	1,228,061
Total liabilities and fund balance	\$ 868,552	\$ 368,036	\$ 1,236,588

See notes to special-purpose financial statements.

Broward County, Florida
Transportation Surtax Program

Special-Purpose Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended September 30, 2022
(In Thousands)

	Transportation Surtax	Transportation Surtax Capital	Total Transportation Surtax Program
Revenues:			
Transportation surtax	\$ 508,712	\$ -	\$ 508,712
Federal grant	-	271	271
Miscellaneous	30	10	40
Interest income	5,171	2,135	7,306
Net decrease in the fair value of investments	(39,555)	(18,504)	(58,059)
Net interest income and investment (loss)	(34,384)	(16,369)	(50,753)
Total revenues	474,358	(16,088)	458,270
Expenditures:			
Current:			
Transportation	42,824	-	42,824
Capital outlay	-	37,579	37,579
Total expenditures	42,824	37,579	80,403
Excess (deficiency) of revenues over (under) expenditures	431,534	(53,667)	377,867
Other financing sources (uses)			
Transfers in	-	169,085	169,085
Transfers out	(169,085)	-	(169,085)
Total other financing sources (uses)	(169,085)	169,085	-
Net change in fund balance	262,449	115,418	377,867
Fund balance, beginning of year	604,092	246,102	850,194
Fund balance, end of year	\$ 866,541	\$ 361,520	\$ 1,228,061

See notes to special-purpose financial statements.

Note 1. Summary of Significant Accounting Policies

The Broward County, Florida Transportation Surtax Fund (the Surtax Fund) was established on January 1, 2019, by Florida Statute Section 212.055, *Discretionary Sales Surtaxes* and by the Broward County, Florida (the County) Board of County Commissioners (BOCC) County Ordinance Section 31½ *Taxation, Article V Broward County Transportation Surtax* (the Ordinance), for the purpose of improving transportation in any incorporated or unincorporated area of the County by levying and collecting a 1% transportation sales surtax. Transportation surtax proceeds shall be collected, applied, disbursed, and expended only for authorized transportation and transit purposes, in accordance with applicable law including, specifically, Florida Statute Section 212.054 *Discretionary Sales Surtax* and Section 212.055(1) *Discretionary Sales Surtaxes*, Florida Statutes.

In accordance with the Ordinance's Section 31½-75, an independent nine-member Oversight Board of Volunteer Professionals (the Board) was established and is responsible for reviewing projects for eligibility under Florida Statute Section 212.055(1)(d), monitoring revenues and expenditures, and offering transparency and accountability to the public. The Surtax Fund is a special revenue fund that accounts for expenditures and revenue received from a one percent transportation sales surtax, which is restricted to support transportation improvement projects within the County. The Transportation Surtax Capital Projects Fund (the Surtax Capital Fund) is supported by a transfer from the Surtax Fund and was created to account for financial resources to be used for the acquisition and construction of major capital facilities.

A. Reporting Entity

The special-purpose financial statements presented include the activity of the Transportation Surtax Program, which includes the Surtax Fund and the Surtax Capital Fund. The special-purpose financial statements are not intended to be a complete presentation under Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Therefore, the special-purpose financial statements do not purport to, and do not, present fairly the financial position of the County as of September 30, 2022, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. The Surtax Fund and the Surtax Capital Fund are reported as major funds in the County's annual comprehensive financial report.

B. Basis of Presentation

These special-purpose financial statements are fund financial statements that have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental funds. The GASB is the accepted standard-setting body for establishing governmental and financial reporting principles. The Surtax Fund's and the Surtax Capital Fund's significant accounting policies are described below. The special-purpose financial statements were prepared in accordance with applicable GASB pronouncements.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resource being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus 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. The Surtax Fund and the Surtax Capital Fund consider revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, however debt service expenditures, as well as expenditures related to compensated absences, pension costs, other post-employment benefit costs and claims and judgements, are recorded only when payment is due.

The Surtax Fund is a special revenue fund that accounts for expenditures and revenue received from a one percent transportation sales surtax. The Surtax Capital Fund is a capital projects fund that accounts for the acquisition or construction of major capital facilities. The Surtax Capital Fund is funded primarily by transfers from the Surtax Fund. The fund balances are restricted to support transportation improvement projects within the County.

D. Assets, Liabilities and Fund Balance Deposits and Investments

Cash and cash equivalents consist of cash on hand, demand deposits and investments with original maturities at time of purchase of three months or less. The Surtax Fund and the Surtax Capital Fund participate in the cash and investment pool maintained by the County. The Surtax Fund's and the Surtax Capital Fund's portion of the pool is presented as *cash and cash equivalents* and *investments* on the special-purpose balance sheet as appropriate. All investments are carried at fair value. Please refer to the County's Annual Comprehensive Financial Report for all risk related disclosures.

Due From Other Governments

Due from other governments are amounts due from the State of Florida for surtaxes collected and not remitted as of year-end. All amounts are considered collectible and therefore no allowance is required.

Due To Other Governments

Due to other governments are amounts due to various municipalities for funding of surtax projects.

Fund Balance

The Surtax Fund and the Surtax Capital Fund report fund balance in classifications based on the extent to which it is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The Surtax Fund and the Surtax Capital Fund's fund balances are restricted due to the constraints imposed externally by laws or regulations of other governments, or by law through constitutional provisions or enabling legislation as described in the first paragraph of Note 1. The fund balances are restricted to support transportation improvement projects within the County.

Note 1. Summary of Significant Accounting Policies (Continued)

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the County to control expenditures. All encumbrances in the Surtax Fund and the Surtax Capital Fund are classified as restricted fund balance at year-end.

The County's encumbrance policy is for fiscal year end individual encumbrances exceeding \$500,000 to be considered significant encumbrances. Significant encumbrances as of September 30, 2022, are as follows:

Project Name	Project Description	Balance
Electric Buses	Vehicle purchases	\$ 10,634,650
Intersection Improvements	Construction in progress	6,912,175
LRT Infrastructure	Construction in progress	5,733,962
Paratransit Vehicles	Vehicle purchases	4,078,032
Rapid Bus Infrastructure	Construction in progress	4,000,000
Bus Shelters	Construction in progress	3,713,365
Sidewalks	Construction in progress	2,229,063
Mast Arm	Construction in progress	1,732,963
Fiber Optic Network	Construction in progress	1,616,649
Community Shuttle Bus	Municipal surtax projects	1,452,811
Bike Lanes	Construction in progress	1,189,004
Surtax Plan Study	Professional services – engineering	1,089,764
Government Center West Construction	Construction in progress	939,947
School Safety Zone Improvement	Construction in progress	715,916
Adaptive Traffic Control Systems	Construction in progress	577,646
Security Enhancements	IT and security enhancements	514,350
Total commitments		<u><u>\$ 47,130,297</u></u>

E. Revenues

Revenues consist of a 1% transportation sales surtax which is collected by the State of Florida and remitted to the County. Revenue is recognized when it is both measurable and available.

F. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the reporting period. Actual results could differ from those estimates.

REQUIRED SUPPLEMENTARY INFORMATION

Broward County, Florida
Transportation Surtax Program – Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Unaudited)
For the Fiscal Year Ended September 30, 2022
(In Thousands)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Transportation surtax	\$ 360,612	\$ 360,612	\$ 508,712	\$ 148,100
Miscellaneous	-	-	30	30
Interest income	-	-	5,171	5,171
Net decrease in the fair value of investments	-	-	(39,555)	(39,555)
Net interest income and investment (loss)	-	-	(34,384)	(34,384)
Subtotal	360,612	360,612	474,358	113,746
Less 5% of anticipated revenue	(18,031)	(18,031)	-	18,031
Total revenues	342,581	342,581	474,358	131,777
Expenditures:				
Current:				
Transportation	131,819	315,621	42,824	(272,797)
Total expenditures	131,819	315,621	42,824	(272,797)
Excess of revenues over expenditures	210,762	26,960	431,534	404,574
Other financing sources (uses):				
Transfers out	(185,361)	(169,085)	(169,085)	-
Total other financing sources (uses)	(185,361)	(169,085)	(169,085)	-
Net change in fund balance	25,401	(142,125)	262,449	404,574
Fund balance, beginning of year	604,092	604,092	604,092	-
Fund balance, end of year	\$ 629,493	\$ 461,967	\$ 866,541	\$ 404,574

See accompanying note to the schedule.

OTHER INFORMATION

Broward County, Florida
Transportation Surtax Program – Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Unaudited)
For the Fiscal Year Ended September 30, 2022
(In Thousands)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Federal grant	\$ -	\$ -	\$ 271	\$ 271
Miscellaneous	-	10	10	-
Interest income	-	-	2,135	2,135
Net decrease in the fair value of investments	-	-	(18,504)	(18,504)
Net interest income and investment (loss)	-	-	(16,369)	(16,369)
Subtotal	-	10	(16,088)	(16,098)
Total revenues	-	10	(16,088)	(16,098)
Expenditures:				
Current:				
Capital outlay	165,361	415,024	37,579	(377,445)
Total expenditures	165,361	415,024	37,579	(377,445)
Excess (deficiency) of revenues over expenditures	(165,361)	(415,014)	(53,667)	361,347
Other financing sources (uses):				
Transfers in	165,361	169,085	169,085	-
Total other financing sources (uses)	165,361	169,085	169,085	-
Net change in fund balance	-	(245,929)	115,418	361,347
Fund balance, beginning of year	246,102	246,102	246,102	-
Fund balance, end of year	\$ 246,102	\$ 173	\$ 361,520	\$ 361,347

See accompanying note to the schedule.

Note 1. Budgetary Information

The County prepares annual operating budgets for the Surtax Fund and the Surtax Capital Fund which are reflected in these financial statements. The County's budgeting process is based on estimates of revenues and expenditures and requires that the budget be approved after a public hearing is held by the Broward County Board of County Commissioners (BOCC). Subsequent amendments to the budget, if any, are approved by the BOCC. Fund appropriations lapse after year-end.

Budgets are prepared on the same basis as accounting as required for the governmental fund types and conforms with GAAP.