

Broward County, Florida Transportation Surtax Fund

Special Purpose Financial Statements
For the Nine Months Ended September 30, 2019

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RSM US LLP

Independent Auditor's Report

To the Honorable Board of County Commissioners
and Independent Transportation Surtax Oversight Board
Broward County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Surtax Fund of Broward County, Florida (the Surtax Fund), as of and for the nine months ended September 30, 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transportation Surtax Fund of Broward County, Florida as of September 30, 2019, and the changes in financial position thereof for the nine months then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Surtax Fund and do not purport to, and do not, present fairly the financial position of Broward County, Florida as of September 30, 2019 and the changes in its financial position for the nine months then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information 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.

RSM US LLP

Fort Lauderdale, Florida
March 26, 2020

**Broward County, Florida
Transportation Surtax Fund**

**Balance Sheet
September 30, 2019**

	(Amounts in Thousands)
Assets	
Cash and cash equivalents	\$ 59,741
Investments	155,643
Interest receivable	471
Due from other governments	<u>63,290</u>
Total assets	<u><u>\$ 279,145</u></u>
Liabilities	
Accounts payable	\$ 554
Accrued liabilities	19
Total liabilities	<u>573</u>
Fund Balance	
Restricted for transportation program projects	<u>278,572</u>
Total liabilities and fund balance	<u><u>\$ 279,145</u></u>

See notes to financial statements.

**Broward County, Florida
Transportation Surtax Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balance
For the Nine Months Ended September 30, 2019**

	(Amounts in Thousands)
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Revenues:	
Transportation surtax	\$ 282,631
Investment income	1,650
Total revenues	<u>284,281</u>
Expenditures:	
Transportation	4,696
Capital outlay	1,013
Total expenditures	<u>5,709</u>
Excess of revenues over expenditures	278,572
Fund balance, beginning of year	<u>-</u>
Fund balance, end of year	<u><u>\$ 278,572</u></u>

See notes to financial statements.

**Broward County, Florida
Transportation Surtax Fund**

Notes to 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. Transportation Surtax proceeds shall be collected, applied, disbursed, and expended only for authorized transportation and transit purposes, in accordance with applicable law including, specifically, Sections 212.054 and 212.055(1), Florida Statutes.

In accordance with the Ordinance's Section 31½-75, an independent seven-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.

A. Reporting Entity

The special-purpose financial statements presented include the activity of the Surtax 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, 2019 and the changes in its financial position for the nine months then ended in accordance with accounting principles generally accepted in the United States of America. The Surtax fund is reported as a major fund in the County's comprehensive annual 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 significant accounting policies are described below. The special-purpose financial statements were prepared in accordance with applicable GASB pronouncements.

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 considers 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.

**Broward County, Florida
Transportation Surtax Fund**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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 participates in the cash and investment pool maintained by the County. The Surtax Fund's portion of the pool is presented as *cash and cash equivalents* and *investments* on the balance sheet as appropriate. All investments are carried at fair value. Please refer to the County's Comprehensive Annual 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.

Fund Balance

The Surtax Fund reports 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 fund can be spent. The Surtax Fund fund balance is restricted due to the constraints imposed externally by laws or regulations of other governments, or by law through constitutional provisions or enabling legislation. The fund balance is restricted to support transportation improvement projects within the County.

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 are classified as restricted fund balance at year end. Encumbrances as of the year ended September 30, 2019 follows:

Project Name	Project Description	Balance
Bus vehicles 30-year plan	Purchase buses	\$37,598,000
Paratransit vehicles surtax	Purchase buses	5,840,000
Traffic signal master arm conversion	Construction in progress	691,000
Fiber optic network install	Construction in progress	545,000
Public works vehicles	Purchase vehicles	369,000
Fiber optic network install	Construction in progress	98,000
Adaptive traffic control systems engineering study	Professional services – engineering	89,000
Traffic signal master arm conversion	Construction in progress	89,000
Bus vehicles 30-year plan	Purchase buses	86,000
Paratransit vehicles surtax	Purchase vehicles	22,000
Administrative office telecom set-up	Construction in progress	2,000
Total		\$45,429,000

**Broward County, Florida
Transportation Surtax Fund**

Notes to Financial Statements

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.

Note 2. Interfund Charges

Interfund charges between the Surtax Fund and other funds of the County include funding for increased mass transit operations and administrative costs which include legal and audit services. Interfund charges for the year ended September 30, 2019 were \$3,812,646.

REQUIRED SUPPLEMENTARY INFORMATION

**Broward County, Florida
Transportation Surtax Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Unaudited)
For the Nine Months Ended September 30, 2019
(Amounts in Thousands)**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 202,998	\$ 202,998	\$ 282,631	\$ 79,633
Investment income	-	-	1,650	1,650
Less 5% of anticipated revenue	(10,150)	(10,150)	-	10,150
Total revenues	192,848	192,848	284,281	91,433
Expenditures:				
Transportation	140,024	140,024	4,696	135,328
Capital outlay	52,824	52,824	1,013	51,811
Total expenditures	192,848	192,848	5,709	187,139
Excess of revenues over expenditures	-	-	278,572	278,572
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ 278,572	\$ 278,572

See the accompanying notes to the schedule.

**Broward County, Florida
Transportation Surtax Fund**

**Note to Budgetary Comparison Schedule
For the Fiscal Year Ended September 30, 2019**

Note 1. Budgetary Information

The County prepares an annual operating budget for the Surtax Fund which is 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.