

**Audited Financial Statements
and Supplementary Information**

Pine Tree Water Control District

September 30, 2011

PINE TREE WATER CONTROL DISTRICT

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2011

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Independent Auditor's Report

Board of Supervisors
Pine Tree Water Control District
Village of Wellington, Florida

We have audited the accompanying financial statements of the governmental activities and the major fund of Pine Tree Water Control District (the "District") as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Pine Tree Water Control District as of September 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the *management's discussion and analysis* on pages 3 through 6 and the budgetary comparison information on pages 15 and 16 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 U.S. generally accepted auditing standards, 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.

*Cale, Douten, Levine,
Cohen, Porter & Veil, P.A.*

June 29, 2012

Pine Tree Water Control District

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pine Tree Water Control District's Management's Discussion and Analysis (MD&A) is designed to provide readers with a narrative overview and analysis of the District's financial activities for the year ended September 30, 2011. This information is presented in conjunction with the financial statements that follow this section.

Financial Highlights

- ❖ The District's government-wide total assets exceeded its liabilities at the close of the most recent fiscal year by \$171,648 (net assets). Of this amount, \$45,219 is invested in capital assets and the remaining \$126,429 is unrestricted and may be used to meet the District's ongoing obligations to landowners and creditors.
- ❖ Governmental activities generated \$139,254 in revenues with \$103,424 in expenses.
- ❖ Total revenues decreased by \$28,024 or 17% from the prior year, while expenditures decreased by \$14,842 or 13%.

Overview of the Financial Highlights

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements. The District is a special-purpose government engaged in a single governmental program and as such, has presented the fund financial statements and government-wide financial statements in a combined columnar format.

Reporting the District as a Whole

Government-Wide Financial Statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. A frequently asked question regarding the District's financial health is whether the year's activities contributed positively to its overall financial well-being. The statement of net assets and the statement of activities report information about the District as a whole and about its activities in a way that helps answer this question. The government-wide statements are prepared using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net assets presents information on all of the District's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors should also be considered to assess the overall health of the District.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 7 and 8 of this report.

Reporting the District's Major Fund

Fund Financial Statements: Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The governmental fund balance provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one major fund, a special revenue fund, to account for its operations and activities. The District adopts an annual appropriated budget for this fund. To demonstrate compliance with the adopted budget, a budgetary comparison statement has been provided as required supplementary information in accordance with GASB 34.

The governmental fund financial statements can be found on pages 7 and 8 of this report.

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 9 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This information includes a budgetary comparison schedule and note for the District's special revenue fund which can be found on pages 15 and 16.

Government-Wide Financial Analysis

Below are tables comparing the District's statements of net assets and statements of activities for the years ended September 30, 2011 and 2010.

Statements of Net Assets

	<u>2011</u>	<u>2010</u>
Cash	\$ 235,620	\$ 164,139
Due from other governments	849	-
Capital assets not being depreciated	<u>45,219</u>	<u>-</u>
Total assets	<u>281,688</u>	<u>164,139</u>
Accounts payable	1,981	3,215
Due to other governments	<u>108,059</u>	<u>25,106</u>
Total liabilities	<u>110,040</u>	<u>28,321</u>
Net assets		
Invested in capital assets	45,219	-
Unrestricted	<u>126,429</u>	<u>135,818</u>
Total net assets	<u>\$ 171,648</u>	<u>\$ 135,818</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$171,648 as of September 30, 2011. Of this amount, \$45,219 reflects the District's investment in capital assets. Capital assets are used to provide services to citizens and they are not available for future spending. The remaining \$126,429 of unrestricted net assets may be used to meet the District's ongoing obligations to citizens and creditors.

Statements of Activities

	2011	2010
Revenues		
Non-ad valorem assessments	\$ 139,144	\$ 167,147
Interest income	110	131
Total revenues	139,254	167,278
 Expenditures		
General government	30,580	26,516
Physical environment	72,844	91,750
Total expenditures	103,424	118,266
Increase in net assets	35,830	49,012
Net assets, beginning of year	135,818	86,806
Net assets, end of year	\$ 171,648	\$ 135,818

As the information in the above table indicates, revenues totaled \$139,254 and expenses totaled \$103,424 which resulted in an increase of the District's net assets in the amount of \$35,830.

Non-ad valorem assessments are the District's primary source of revenue totaling \$139,144 or 99.92% of the District's revenue. For fiscal year 2011, assessments decreased \$28,003 or 17%, from 2010.

Fund Financial Analysis

Governmental Fund: As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Pine Tree Water Control District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, \$63,781 of the District's fund balance was assigned for the subsequent year's budget and completion of a capital project, and the remaining \$62,648 was unassigned and available to be used for any District purposes as deemed necessary by the Board of Supervisors.

Budgetary Highlights: Revenues were less than budgetary estimates by \$6,226 and expenditures were less than the budget by \$13,437, resulting in a net positive variance of \$7,211 for the year. The Board made an amendment to budgeted line items during the year, but budgeted expenditures did not change in total.

Capital Assets

The District's investment in capital assets for its governmental activities at September 30, 2011 amounts to \$45,219. This investment in capital assets, which occurred in 2011, consists entirely of construction in progress related to the construction of equestrian bridges. Management anticipates completion of this project in 2012, at which time they will begin to depreciate these assets.

Economic Factors and Next Year's Budget and Rates

The Board of Supervisors adopted the District's 2011/12 budget on August 1, 2011. The approval of a budget provides funding for the District's operating costs for the 2011/12 fiscal year. Appropriations for fiscal year 2011/12 total \$138,300. The major expenses in the budget include maintenance of the District's roads and culverts.

The assessment rates for 2012 and 2011 range from \$17.50 to \$85 and \$25 to \$85, respectively.

Additional Financial Information

This financial report is designed to provide interested parties with an overview of the District's financial operations and financial condition. Questions regarding the information included in this report or requests for additional financial information should be directed to:

District Administrator
Pine Tree Water Control District
12300 Forest Hill Blvd.
Wellington, FL 33414
561-791-4000

BASIC FINANCIAL STATEMENTS

PINE TREE WATER CONTROL DISTRICT

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET

September 30, 2011

	Governmental Fund <u>Special Revenue Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets Governmental Activities</u>
ASSETS			
Cash	\$ 235,620	\$ -	\$ 235,620
Due from other governments	849		849
Capital assets not being depreciated	<u>-</u>	<u>45,219</u>	<u>45,219</u>
Total assets	<u>\$ 236,469</u>	45,219	281,688
LIABILITIES			
Accounts payable	\$ 1,981	-	1,981
Due to Wellington	<u>108,059</u>	<u>-</u>	<u>108,059</u>
Total liabilities	110,040	-	110,040
FUND BALANCE/NET ASSETS			
Fund balance			
Assigned for:			
Subsequent year's budget	39,000	(39,000)	-
Capital project	24,781	(24,781)	-
Unassigned	62,648	(62,648)	-
Total fund balance	<u>126,429</u>	<u>(126,429)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 236,469</u>		
Net assets			
Invested in capital assets		45,219	45,219
Unrestricted		<u>126,429</u>	<u>126,429</u>
Total net assets		<u>\$ 45,219</u>	<u>\$ 171,648</u>

See notes to financial statements.

PINE TREE WATER CONTROL DISTRICT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended September 30, 2011

	Governmental Fund <u>Special</u> <u>Revenue Fund</u>	<u>Adjustments</u>	<u>Statement of</u> <u>Net Assets</u> <u>Governmental</u> <u>Activities</u>
REVENUES			
Non-ad valorem assessments	\$ 139,144	\$ (139,144)	\$ -
Physical environment			
Charges for services	-	139,144	139,144
Interest income	110	-	110
Total revenues	<u>139,254</u>	<u>-</u>	<u>139,254</u>
EXPENDITURES/EXPENSES			
Current			
General government	30,580	-	30,580
Physical environment	72,844	-	72,844
Capital outlay	45,219	(45,219)	-
Total expenditures/expenses	<u>148,643</u>	<u>(45,219)</u>	<u>103,424</u>
Expenditures in excess of revenues/ Change in net assets	(9,389)	45,219	35,830
Fund balance/net assets at October 1, 2010	<u>135,818</u>	<u>-</u>	<u>135,818</u>
Fund balance/net assets at September 30, 2011	<u>\$ 126,429</u>	<u>\$ 45,219</u>	<u>\$ 171,648</u>

See notes to financial statements.

PINE TREE WATER CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Pine Tree Water Control District (the "District") was incorporated in 1971 pursuant to Chapter 298, Laws of Florida. The District was created for the purpose of reclaiming the lands within its boundaries for water control and water supply purposes, and to protect the land from the effects of water by means of the construction and maintenance of a surface water management system. The District's boundaries include approximately 4,622 taxable acres within Palm Beach County.

The District is administered by a three-member board of supervisors (the "Board") composed of owners of land in the District and residents of Palm Beach County.

Financial Reporting Entity: The financial statements were prepared in accordance with *Government Accounting Standards*, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the District, organizations for which the District is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. Based upon the application of these criteria, there were no organizations that met the criteria described above.

Government-wide and Governmental Fund Financial Statements: The District is a special purpose government engaged in one primary governmental activity, to protect the land within its boundaries from the effects of water. The District accounts for all financial resources in one fund, the Special Revenue Fund, which includes all governmental activities of the District, which are supported primarily by non-ad valorem assessments. Accordingly, the Government-wide and the Governmental Fund financial statements of the District are combined using a columnar format that reconciles individual line items of the Special Revenue Fund financial data to Government-wide data in separate columns on the face of the financial statements. The Governmental Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for the Special Revenue Fund. The Government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities. The only adjustments consist of the reclassification of the fund equity, capital assets and program revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The financial statements of the District have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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 related cash flows. Non-ad valorem assessments are

PINE TREE WATER CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 imposed by the provider have been met.

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 become measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers 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, as under accrual accounting.

Non-ad valorem assessments and interest on investments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items, if any, are considered to be measurable and available only when cash is received by the District.

The District reports one major governmental fund, a Special Revenue Fund, which is the District's primary operating fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Deposits and Investments: The District's cash and cash equivalents consist of cash on hand, time and demand deposits and short-term investments with original maturities of less than three months from the date of acquisition.

The District's investments are governed by the provisions of Florida Statutes Section 218. Under this statute, authorized investments are limited, unless otherwise authorized by law or ordinance, to the Florida Prime fund, money market funds, direct or unconditionally guaranteed obligations of the United States Government, obligations of certain governmental agencies, interest bearing time deposits or savings accounts and certificates of deposit. At September 30, 2011, the District had no investments.

Capital Assets: The District reports all capital assets to which it has title to in the government-wide statement of net assets. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Capital assets are recorded at cost or, if donated, fair value at the date of donation. Certain costs for professional services associated with the acquisition and construction of capital assets have been capitalized. The cost of capital assets sold or retired is removed from the appropriate accounts and any resulting gain or loss is included in the change in net assets. Depreciation is computed using the straight-line method over the estimated useful lives of all reported capital assets, except land and construction in progress. At September 30, 2011, capital assets consisted entirely of construction in progress.

PINE TREE WATER CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-Ad Valorem Assessments: The collection of non-ad valorem assessments is consolidated in the office of the County Tax Collector. Assessments are levied on November 1st of each year or as soon thereafter as the tax roll is certified by the County Property Appraiser and delivered to the Tax Collector. All unpaid assessments levied become delinquent April 1st of the following year. Discounts are allowed for early payment at a maximum rate of 4%. At September 30, 2011, unpaid delinquent assessments are not material and have not been recorded by the District.

Net Assets/Fund Balances: The government-wide financial statements utilize a net asset presentation. Net assets are categorized as follows:

Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets consists of constraints placed on the use of net assets by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, if any.

Unrestricted – This component of net assets consists of net assets that do not meet the definition of *Invested in Capital Assets, Net of Related Debt* or *Restricted*.

The Governmental Accounting Standards Board issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes accounting and financial reporting requirements for all governmental funds and establishes criteria for classifying fund balances. The District adopted GASB No. 54 for the fiscal year ended September 30, 2011. Accordingly, the special revenue fund financial statements report fund equity classifications that comprise a hierarchy based primarily on the extent to which the District is legally bound to honor the specific purposes for which amounts in fund balance may be spent. The fund balance classifications are summarized as follows:

Nonspendable – Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to remain intact.

Restricted – Restricted fund balances include amounts that are restricted to specific purposes either by (a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or through enabling legislation.

PINE TREE WATER CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed – Committed fund balances include amounts that can only be used for specific purposes pursuant to constraints imposed by the District’s Board of Supervisors through an ordinance or resolution.

Assigned – Assigned fund balances include amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. Assignments of fund balances are made by District management based upon direction by the District’s Board of Supervisors.

Unassigned – Unassigned fund balances include amounts that are not assigned to other funds and have not been restricted, committed or assigned to specific purposes.

The District considers restricted fund balances to be spent when an expenditure is incurred for the restricted purpose. The District considers committed, assigned or unassigned fund balances to be spent when an expenditure is incurred for purposes for which amounts in any of those fund balance classifications could be used.

Minimum Fund Balance Policy – Generally, the District strives to maintain 25% to 28% of expenditures in unassigned fund balance to provide for first quarter cash flow and other emergency purposes. In the event that the unassigned fund balance exceeds the minimum amount, the excess may be utilized for any lawful purpose of the District or for one-time costs including the establishment of or increase in commitments or assignments of fund balance.

Recent Accounting Pronouncement: The GASB has issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements 14 and 34*, which modifies certain requirements for including of component units in the financial reporting entity. The requirements of this statement will be effective for the District for the fiscal year ending September 30, 2013.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into GASB authoritative literature certain accounting and financial reporting guidance included in pronouncements of the Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA). The requirements of this statement will be effective for the District for the fiscal year ending September 30, 2013.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows and deferred inflows of resources, which relate to the consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. The requirements of this statement will be effective for the District for the fiscal year ending September 30, 2013.

Management has not completed its analysis of the effects, if any, of these GASB statements on the financial statements of the District.

PINE TREE WATER CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates: The preparation of financial statements in conformity with U.S. 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. Estimates also affect the reported amounts of revenue and expenditures during the reported period. Actual results could differ from those estimates.

NOTE B - INTERLOCAL AGREEMENT

All the lands within the District are within the incorporated boundaries of the Village of Wellington (the "Village"). The District and the Village have executed an interlocal agreement under Chapter 163.01, Florida Statutes, to have the Village provide the administration and the operations of the District. During the year, the District paid the Village \$40,038 for these services. At September 30, 2011, the District had a payable to the Village in the amount of \$108,059, which is included in due to other governments in the accompanying financial statements.

NOTE C - DEPOSITS

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved as a qualified public depository by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit eligible collateral with the Treasurer or another banking institution. In the event of failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are considered fully insured.

NOTE D - CAPITAL ASSETS

The District's capital asset activity for the year ended September 30, 2011 was as follows:

<u><i>Governmental Activities</i></u>	<u>Balance at Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at End of Year</u>
Capital assets not being depreciated	\$ -	\$ 45,219	\$ -	\$ 45,219
Construction in progress	\$ -	\$ -	\$ -	\$ -

NOTE E - 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.

PINE TREE WATER CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE E - RISK MANAGEMENT (Continued)

The District is also covered by Florida Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of the District to individual claims of \$100,000/\$200,000 for all claims relating to the same accident. There were no changes in insurance coverage from the prior year and there were no settlements that exceeded insurance coverage.

NOTE F - EXPLANATION OF ADJUSTMENTS BETWEEN GOVERNMENTAL FUND AND GOVERNMENT-WIDE FINANCIAL STATEMENT AMOUNTS

There are two adjustments between the Governmental Fund Balance Sheet and the Governmental Activities Statement of Net Assets: (1) Capital assets used in governmental activities are not financial resources and are not reported in the fund balance sheet, but are capitalized as assets in the Statement of Activities and (2) *Fund Balance* in the Governmental Fund Balance Sheet are reclassified into the *Net Assets* categories reported for Governmental Activities in the Statement of Net Assets.

There are two adjustments between the Governmental Fund Revenues, Expenditures, and Changes in Fund Balance and the Governmental Activities Statement of Activities: (1) The fund statement reports capital outlays as expenditures, however, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives and (2) Non-ad valorem assessments in the fund financial statement are reclassified as program revenues (charges for services) in the Statement of Activities.

REQUIRED SUPPLEMENTARY INFORMATION

PINE TREE WATER CONTROL DISTRICT

BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE FUND

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Non-ad valorem assessments	\$ 145,480	\$ 145,480	\$ 139,144	\$ (6,336)
Interest income	-	-	110	110
Total revenues	145,480	145,480	139,254	(6,226)
EXPENDITURES				
Current				
General government	28,000	27,850	30,580	(2,730)
Physical environment	109,000	134,092	118,063	16,029
Contingency	25,080	138	-	138
Total expenditures	162,080	162,080	148,643	13,437
Expenditures in excess of revenues - Budgetary basis	<u>\$ (16,600)</u>	<u>\$ (16,600)</u>	<u>\$ (9,389)</u>	<u>\$ 7,211</u>

See note to budgetary comparison schedule.

PINE TREE WATER CONTROL DISTRICT

NOTE TO BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2011

NOTE A - BUDGET AND BUDGETARY ACCOUNTING

State of Florida Statutes require that, for each fiscal year, a special district make appropriations which will not exceed the amount to be received from taxation and other available sources. The District annually adopts an operating budget for the special revenue fund. The District has complied with the Florida Statute requirement that budgets be in balance. The budgeted expenditures reflected in the accompanying financial statements exceed revenues by the amount budgeted from beginning fund balance. The procedures for establishing budgetary data are as follows:

- In July of each year, a proposed operating budget is submitted to the Board for the next fiscal year commencing the following October 1. The proposed budget includes expenditures and the means of financing them.
- Public hearings are conducted to obtain landowner comments.
- In August of each year, the budget is legally adopted by the Board.

Budgets are adopted on the modified accrual basis of accounting, consistent with U.S. generally accepted accounting principles. All appropriations lapse at fiscal year end unless encumbered or specifically designated to be carried forward to the subsequent year. Changes or amendments to the total budgeted expenditures of the District must be approved by the Board. Accordingly, the legal level of control is at the fund level. During the year, the District Board of Supervisors made an amendment to the original budget to reallocate budgeted expenditures to various budget line items. Budgeted expenditures did not change in total.

**COMPLIANCE REPORT AND
MANAGEMENT LETTER**



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Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing Standards*

Board of Supervisors
Pine Tree Water Control District
Village of Wellington, Florida

We have audited the accompanying financial statements of the governmental activities and major fund of Pine Tree Water Control District, as of and for the year ended September 30, 2011, which collectively comprise the basic financial statements of Pine Tree Water Control District, and have issued our report thereon dated June 29, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the internal control over financial reporting of Pine Tree Water Control District, as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting of Pine Tree Water Control District. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting of Pine Tree Water Control District.

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 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of Pine Tree Water Control District, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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*.

This report is intended solely for the information and use of the Board of Supervisors and management of Pine Tree Water Control District, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Cale, Douten, Levine,
Cohen, Porter & Veil, P.A.*

June 29, 2012



CALER, DONTEN, LEVINE,
COHEN, PORTER & VEIL, P.A.

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Management Letter

Board of Supervisors
Pine Tree Water Control District
Village of Wellington, Florida

We have audited the financial statements of Pine Tree Water Control District (the "District"), as of and for the year ended September 30, 2011, and have issued our report thereon dated June 29, 2012.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated June 29, 2012, should be considered in assessing the results of our audit. Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

1. 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 findings and recommendations made in the preceding annual financial audit report.
2. Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.
3. Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
4. Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
5. Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in

internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

6. Section 10.554(1)(i)6., 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. This information is disclosed in Note A to the financial statements.
7. Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, *Determination of Financial Emergency*, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes, as of and for the year ended September 30, 2011.
8. Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended September 30, 2011, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports were in substantial agreement.
9. Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures as of September 30, 2011. It is management's responsibility to monitor the 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. The results of our procedures disclosed no matters that are required to be reported.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. U.S. generally accepted auditing standards require us to indicate that this letter is intended solely for the information and use of the Board of Supervisors and management of Pine Tree Water Control District, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Caleb, Dauter, Levine,
Cohen, Porter & Veil, P.A.*

June 29, 2012