

**NORTH PALM BEACH HEIGHTS
WATER CONTROL DISTRICT**

**FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORT THEREON**

SEPTEMBER 30, 2019

NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT

September 30, 2019

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NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
FAX (561) 835-0628
WWW.NHMCOPA.COM

EVERETT B. NOWLEN (1930-1984), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, RETIRED
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, RETIRED, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CVA, ABV, CFF, CPA
ALEXIA G. VARGA, CFE, CPA
EDWARD T. HOLT, JR., PFS, CPA
BRIAN J. BRESCIA, CFP®, CPA

MARK J. BYMASTER, CFE, CPA
RYAN M. SHORE, CFP®, CPA
WEI PAN, CPA
WILLIAM C. KISKER, CPA
RICHARD E. BOTTS, CPA

INDEPENDENT AUDITOR'S REPORT

The Board of Supervisors
North Palm Beach Heights Water Control District
Jupiter, Florida

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of North Palm Beach Heights Water Control District as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the North Palm Beach Heights Water Control District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of North Palm Beach Heights Water Control District, as of September 30, 2019, 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 and budgetary comparison information on pages 3 through 7 and 22 through 23 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2020, on our consideration of the North Palm Beach Heights Water Control District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 North Palm Beach Heights Water Control 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 the North Palm Beach Heights Water Control District's internal control over financial reporting and compliance.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
May 22, 2020

NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT
Management's Discussion and Analysis

Our discussion and analysis of North Palm Beach Heights Water Control District ("District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the information provided in this entire report.

FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the fiscal year ended September 30, 2019.

- ◆ The District's total assets exceeded its liabilities at September 30, 2019 by \$989,805 (net position), \$243,795 of which is unrestricted and may be used to meet the District's ongoing obligations.
- ◆ The District's total net position decreased by \$163,997. The decrease is due to depreciation expense and increased maintenance costs from Hurricane Irma.
- ◆ At September 30, 2019, the District's general fund reported an ending fund balance of \$236,417, a decrease of \$189,329 in comparison with the prior year. Of the total amount, \$26,204 is unassigned and available for spending at the District's discretion.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 8 and 9) provide information about the activities of the District as a whole and present a long-term view of the District's finances. Fund financial statements begin on page 10. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The notes to the financial statements (on pages 14-21) provide additional information that is essential to a full understanding of data provided in the government-wide and fund financial statements and is required by the Accounting Principles Generally Accepted in the United States of America. This report also contains other supplementary information in addition to the basic financial statements starting on page 22.

NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

For financial reporting purposes, the District is considered a special-purpose government engaged in a single governmental program. As such, the Statement of Activities is presented utilizing the alternative format presenting a single column that reports expenses first followed by revenues.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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 (e.g., uncollected taxes).

These two statements report the District's net position and changes in them. You can think of the District's net position—the difference between assets and liabilities—as one way to measure the District's financial health, or financial position.

Fund Financial Statements

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are categorized as governmental funds. The District's only fund is the General Fund, which is classified as a governmental fund.

Governmental funds — All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides.

NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT
Management's Discussion and Analysis

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's needs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the end of the related fund financial statement.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for and can be found on page 22 of the report.

Notes to the Financial Statements

The *Notes to the Financial Statements* 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 on pages 14 to 21 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of the District, generating tax revenue has kept the District with positive operational inflows. Assets exceeded liabilities by \$989,805 at the close of the fiscal year.

Net Position

	2019	2018
Current and other assets	\$ 286,978	\$ 433,524
Capital assets	746,010	728,056
Total Assets	\$ 1,032,988	\$ 1,161,580
Total liabilities	\$ 43,183	\$ 7,778
Net investment in capital assets	\$ 746,010	\$ 728,056
Unrestricted	243,795	425,746
Total net position	\$ 989,805	\$ 1,153,802

NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT
Management's Discussion and Analysis

Governmental Activities

The change in net position from last fiscal year to this fiscal year was a decrease of \$106,408. Key elements of the District's changes in net position are as follows:

	<u>2019</u>	<u>2018</u>
Revenues		
Assessments	\$ 233,825	\$ 224,947
Grants	90,503	10,015
Other	29,553	28,594
Total Revenues	<u>\$ 353,881</u>	<u>\$ 263,556</u>
Expenditures		
General government	\$ 130,489	\$ 101,975
Physical environment	387,389	265,336
Total expenditures	<u>517,878</u>	<u>367,311</u>
Increase (decrease) in net position	<u>(163,997)</u>	<u>(103,755)</u>
Net position – beginning of the year	1,153,802	1,257,557
Net position – end of the year	<u>\$ 989,805</u>	<u>\$ 1,153,802</u>

Special Assessments are the District's main source of revenue and represent approximately 66 percent of the revenue for governmental activities. The grant income was FEMA funds received due to Hurricane Irma. The increase in expenses was primarily due to increased maintenance required to the District's canals from Hurricane Irma.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

Governmental Funds - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the 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.

At September 30, 2019, the District's governmental funds reported ending fund balances of \$236,417, a decrease of \$189,329 in comparison with the prior year. This was primarily due to increases in capital expenditures and canal maintenance.

NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT
Management's Discussion and Analysis

Budgetary Highlights

The budget to actual comparison statement for the general fund is presented on page 22. The budget and actual schedules show the original budgets, the final budget, actual results, and the variance between the final budget and actual results. Total expenditures were \$96,332 more than budgeted.

CAPITAL ASSETS

At the end of fiscal year 2019, the District had \$746,010 invested in capital assets. These assets are primarily canals and improvements. More detailed information about the District's policies concerning capital assets is presented in Note 1 and Note 4 of the Notes to the Financial Statements.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND TAX RATES

The District Members considered many factors when setting the fiscal year 2020 budget and assessment rates. The District Members continue to be very cautious in raising rates, weighing their desire to meet the need for services against the service provider capacity to deliver quality services. The District is also mindful of the present fund balance.

A snapshot of the local economy presents a more stable picture and has reversed from the downward trends of the past few years. Unfortunately, this economic trend does not translate into a decline in the need for services. The District however, maintains a consistent level of service and sees no need for any major adjustments in the near future.

At present, the supervisors shape District goals and objectives and the budget is developed around those identified service needs.

Special Assessments are the main source of revenues for governmental activities and represent approximately 66% of the General Fund budgeted revenues. Assessments are expected to remain stable in FY 2019/2020.

REQUESTS FOR INFORMATION

This financial report has been designed to provide taxpayers with a general overview of District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Chairman at: 601 Heritage Dr. #130A Jupiter, Florida 33458.

NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT
Statement of Net Position
September 30, 2019

	<u>Total Governmental Activities</u>
Assets	
Current assets:	
Cash	\$ 72,943
Investments	201,444
Grants receivable	7,378
Prepays	<u>5,213</u>
Total current assets	<u>286,978</u>
Noncurrent assets:	
Capital assets	
Non-depreciable	410
Depreciable (net of depreciation)	<u>745,600</u>
Total noncurrent assets	<u>746,010</u>
Total assets	<u>1,032,988</u>
Liabilities	
Current liabilities:	
Accounts payable	35,168
Accrued liabilities	<u>8,015</u>
Total liabilities	<u>43,183</u>
Net position	
Net investment in capital assets	746,010
Unrestricted	<u>243,795</u>
Total net position	<u><u>\$ 989,805</u></u>

See notes to the financial statements

NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT
Statement of Activities
For the Year Ended September 30, 2019

Expenses:	
General government	\$ 130,489
Physical environment	387,389
Total expenses	<u>517,878</u>
General Revenues:	
Property assessments	233,825
Investment earnings	439
Grants	90,503
Miscellaneous	29,114
Total general revenues	<u>353,881</u>
Change in net position	(163,997)
Net position - beginning of the year	<u>1,153,802</u>
Net position - end of the year	<u><u>\$ 989,805</u></u>

See notes to the financial statements

NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT
Balance Sheet
Governmental Funds
September 30, 2019

	<u>General Fund</u>
Assets	
Cash	\$ 72,943
Investments	201,444
Accounts receivable	7,378
Prepays	<u>5,213</u>
Total assets	<u><u>\$ 286,978</u></u>
Liabilities deferred inflows of resources, and fund balances	
Liabilities	
Accounts payable	\$ 35,168
Deferred revenue	<u>8,015</u>
Total liabilities	<u>43,183</u>
Deferred inflows of resources	
Unavailable revenue	<u>7,378</u>
Fund balances	
Nonspendable:	
Prepays	5,213
Assigned for	
Subsequent year's expenditures	205,000
Unassigned	<u>26,204</u>
Total fund balances	<u>236,417</u>
Total liabilities and fund balances	<u><u>\$ 286,978</u></u>

See notes to the financial statements

NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
Governmental Funds
September 30, 2019

Fund balances total governmental funds	\$	236,417
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets		746,010
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Revenues earned but not collected within 60 days are not current financial resources and therefore, are not reported in the governmental fund.

Current year unavailable grant revenue		<u>7,378</u>
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Net position of governmental activities	\$	<u><u>989,805</u></u>
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See notes to the financial statements

NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2019

	<u>General Fund</u>
Revenues	
Assessments	\$ 233,825
Investment earnings	439
Grants	83,125
Miscellaneous	<u>29,114</u>
Total revenues	<u>346,503</u>
Expenditures	
Current	
General government	130,489
Physical environment	248,355
Capital outlay	<u>156,988</u>
Total expenditures	<u>535,832</u>
Excess of revenues over (under) expenditures	(189,329)
Fund balances - beginning of year	<u>425,746</u>
Fund balances - end of year	<u><u>\$ 236,417</u></u>

See notes to the financial statements

NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of the Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2019

Net change in fund balances	\$	(189,329)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is depreciated over their estimated useful life.

Expenditures for capital assets	\$	156,988	
Less current year depreciation		<u>(139,034)</u>	17,954

Revenues earned but not collected within 60 days are not current financial resources and therefore, are not reported in the governmental fund.

Current year unavailable grant revenue		<u>7,378</u>
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Change in net position	\$	<u><u>(163,997)</u></u>
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See notes to the financial statements

NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT
Notes to Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the North Palm Beach Heights Water Control District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District’s significant accounting policies are described below.

Reporting Entity

The District is an independent water control district that was created September 12, 1958 by a 15th Judicial Circuit Court Decree pursuant to the provisions of Chapter 298, Florida Statutes, 1957, commonly known as the General Drainage Law.

As required by generally accepted accounting principles, these financial statements include the District (the primary government) and its component units. Component units are legally separate entities for which the District is financially accountable. The District is financially accountable if:

- a) the District appoints a voting majority of the organization’s governing board and (1) the District is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the District, or
- b) the organization is fiscally dependent on the District and (1) there is a potential for the organization to provide specific financial benefits to the District or (2) impose specific financial burdens on the District.

Organizations for which the District is not financially accountable are also included when doing so is necessary in order to prevent the District’s financial statements from being misleading.

Based upon application of the above criteria, management of the District has determined that no component units exist which would require inclusion in this report. Further, the District is not aware of any entity that would consider the District to be a component unit.

Government-wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by assessments and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT
Notes to Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Assessments and other items not included among program revenues are reported instead as general revenues.

Fund financial statements are provided for governmental funds. The District has no fund types other than governmental funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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. The District does not accrue property assessment revenues since the collection of these assessments coincides with the fiscal year in which they are levied, and since the District consistently has no material uncollected property assessments at year end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Funds

Governmental funds 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 afterwards to pay liabilities of the current period. The District considers revenues collected within 60 days of the year end to be available to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments, are recorded only when payment is due.

Fines and permit revenues are not susceptible to accrual because, generally, they are not measurable until received in cash. Property assessments, franchise assessments, licenses, interest revenue, intergovernmental revenues, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT
Notes to Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. It is used to account for all financial resources applicable to the general operations of the District government except those required to be accounted for in another fund.

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit in demand accounts, money market accounts, and certificates of deposit with original maturities of three months or less.

Investments

Investments include certificates of deposit with original maturities greater than three months at the date of purchase. Investments are reported at fair value as required by generally accepted accounting principles. The fair value of an investment is the amount that the Authority could reasonably expect to receive for it in a current sale between a willing buyer and a willing seller, other than in a forced or liquidation sale. The District categorizes investments reported at fair value in accordance with the fair value hierarchy established by GASB Statement No. 72, Fair Value Measurement and Application.

Capital Assets

Capital assets, which include plant, property, equipment, and infrastructure assets (e.g. roads, bridges, and sidewalks) are reported in the applicable governmental columns in the governmental-wide financial statements. Capital assets are defined by the District as assets with an initial cost of more than \$500. Depreciation has been provided over the useful lives using the straight line method. The estimated useful life of canal improvements is 5-10 years. Purchased capital assets are recorded at fair value on the acquisition date. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

Deferred Outflow of Resources

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

NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT
Notes to Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflow of Resources

In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the District reports grant receivables collected after 60 days of the fiscal year end, unavailable revenue, as a deferred inflow in the general fund. This is reported as revenue in the Government-wide statements.

Compensated Absences

The District has only contract employees and has no policies accruing vacation or sick leave; therefore, there is no accrual for compensated absences.

Other Postemployment Benefits

The District has only contract employees and does not provide any postemployment benefits; therefore, there is no accrual for OPEB liability.

Fund Balance

Fund balance is assets less liabilities and deferred inflows reported in governmental funds. There are five possible components of fund balance:

- Nonspendable fund balance represents amounts that are not spendable form or are legally or contractually required to be maintained intact.
- Restricted fund balance represents amounts that can be spent only for specific purposes stipulated by external providers (e.g. creditors, grantors, contributor, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance represents amounts that can be used only for the specific purposes determined by formal action (resolution) of the District Board. Commitments may be changed or lifted only by the Board taking the same formal action that imposed the constraint originally.
- Assigned fund balance includes spendable fund balance amounts that are intended to be used for specific purposes, as expressed by the District Board, that are neither considered restricted or committed. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.
- Unassigned fund balance is the residual fund balance classification for the general fund.

NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT
Notes to Financial Statements
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the District's policy to reduce restricted amounts first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the District's policy to reduce committed amounts first, followed by assigned amounts, and then unassigned amounts.

Net Position

Equity in the government-wide statement of net position is displayed in three categories: 1) net investment in capital assets, 2) restricted, 3) unrestricted. Net investment in capital assets consist of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets. Net position is reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by outside parties. Unrestricted net position consists of all net position that does not meet the definition of either of the other two components.

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 needed.

Revenue Recognition

Assessments

The general operating assessments are assessed and liened as of January 1 and billed the following October. They are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. These assessments are usually included on the ad valorem tax bills and collected by the Tax Collector. All unpaid assessments become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The assessments paid in March are without discount.

Other Revenues

Other revenues are recognized when received in cash because they generally are not measurable until then. Investment income is recognized when earned, at which time it is considered measurable and available.

NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT
Notes to Financial Statements
September 30, 2019

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

State of Florida statutes require that all municipal governments establish budgetary systems and approve balanced annual operating budgets. The District annually adopts an operating budget and appropriates funds for the General Fund.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the regular monthly meeting in June, the Treasurer and Chairman of the Board submit to the Board of Supervisors a proposed operating budget for the fiscal year commencing the following October 1.
2. Public hearings are conducted to obtain taxpayers' comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The Board of Supervisors approves any transfers or amendments to the budget.

Appropriations, neither expended, encumbered nor specifically designed to be carried over, lapse at the end of the fiscal year. Appropriations are controlled at the fund level and expenditures may not exceed budgeted appropriations at that level.

Changes or amendments to the budgeted expenditures of the District must be approved by the Board of Supervisors. However, in order to make the most effective use of the budgetary process, it is the policy of the District to make as few budget adjustments as possible. There were no budget amendments made during the year. The General Fund was \$96,332 over budget for the year, primarily due to increased expenses from Hurricane Irma most of which were reimbursed by FEMA.

NOTE 3 – CASH AND INVESTMENTS

Deposits

As of September 30, 2019, the bank balance of the District's deposits totaled \$276,703 and the carrying amount was \$274,387, which includes a certificate of deposit of \$201,444 reported as investments. Deposits are either covered by insurance provided by the Federal Depository Insurance Corporation or are qualified public depositories held in banking institutions approved by the Treasurer of the State of Florida. Under Florida Statutes, Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or other banking institution eligible collateral. In the event of failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The District's deposits at year end are considered insured for custodial credit risk purposes.

NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT
Notes to Financial Statements
September 30, 2019

NOTE 3 – CASH AND INVESTMENTS (Continued)

Investments

Florida statutes authorize the District to invest in the Local Government Surplus Funds Trust Fund administered by the State Treasurer; negotiable direct obligations of or obligations unconditionally guaranteed by the U.S. Government; interest-bearing time deposits in financial institutions located in Florida and organized under Federal or Florida laws; obligations of the Federal Farm Credit Banks, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank or its district banks, or obligations guaranteed by the Government National Mortgage Association and obligations of the Federal National Mortgage Association.

In 2016, the District implemented GASB Statement No. 72, Fair Value Measurement and Application issued in February 2015. The District categorizes its investments according to the fair value hierarchy established by this Statement. The hierarchy is based on valuation inputs used to measure the fair value of the asset as follows: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs to include quoted prices for similar assets in active and non-active markets; Level 3 inputs are significant unobservable inputs.

The certificate of deposit is exempt from reporting under the fair value hierarchy and the fair value is measured at cost.

As of September 30, 2019, the District had the following certificate of deposit that is reported as an investment in the balance sheet and statement of net position:

	<u>Maturity</u>	<u>Fair Value</u>
Certificate of Deposit	488 days	<u>\$201,444</u>

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The District's investment policies limit its investments to high quality investments to control credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT
Notes to Financial Statements
September 30, 2019

NOTE 4 – CAPITAL ASSETS

<u>Capital assets, not being depreciated:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Canals	\$ 410	\$	\$	\$ 410
Construction in progress	410			410
<u>Capital assets, being depreciated:</u>				
Canal improvements	1,325,795	156,988		1,482,783
Office Equipment	2,060			2,060
	<u>1,327,855</u>	<u>156,988</u>		<u>1,484,843</u>
<u>Less accumulated depreciation:</u>				
Canal improvements	599,110	138,622		737,732
Office Equipment	1,099	412		1,511
	<u>600,209</u>	<u>139,034</u>		<u>739,243</u>
Total capital assets, being depreciated, net	<u>727,646</u>	<u>17,954</u>		<u>745,600</u>
Capital assets, net	<u>\$ 728,056</u>	<u>\$ 17,954</u>	<u>\$</u>	<u>\$ 746,010</u>

Depreciation expense of \$139,034 was charged to Physical Environment.

NOTE 5 – 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 has not significantly reduced insurance coverage from the prior year, and there were no settled claims which exceeded insurance coverage during the past three fiscal years.

Florida Statutes limit the District's maximum loss for most liability claims to \$200,000 per person and \$300,000 per occurrence under the Doctrine of Sovereign Immunity. However, under certain circumstances, a plaintiff can seek to recover damages in excess of statutory limits by introducing a claims bill to the Florida Legislature. The limits addressed in Florida Statutes do not apply to claims filed in Federal courts.

**REQUIRED SUPPLEMENTAL INFORMATION
OTHER THAN MD&A**

NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual - General Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance - Positive (Negative)
	Original	Final		
Revenues				
Assessments	\$ 215,340	\$ 215,340	\$ 233,825	\$ 18,485
Interest	500	500	439	(61)
Grants			83,125	83,125
Miscellaneous	23,660	23,660	29,114	5,454
Total revenues	<u>239,500</u>	<u>239,500</u>	<u>346,503</u>	<u>107,003</u>
General government				
Legislative				
Supervisor payroll and fees	20,000	20,000	21,050	(1,050)
Financial and administrative				
Payroll assessments	2,500	2,500	2,264	236
Tax roll preparation and collection	10,000	10,000	3,128	6,872
Utilities	3,500	3,500	3,073	427
Office rent and expenses	23,500	23,500	25,679	(2,179)
Contractual services	11,500	11,500	11,500	-
Insurance	4,500	4,500	6,675	(2,175)
Total financial and administrative	<u>55,500</u>	<u>55,500</u>	<u>52,319</u>	<u>3,181</u>
Legal				
Attorney fees	40,000	40,000	57,120	(17,120)
Total general government	<u>115,500</u>	<u>115,500</u>	<u>130,489</u>	<u>(14,989)</u>
Physical environment				
Canal maintenance	69,500	69,500	175,911	(106,411)
Canal engineering supervision	20,000	20,000	72,444	(52,444)
Total physical environment	<u>89,500</u>	<u>89,500</u>	<u>248,355</u>	<u>(158,855)</u>
Capital outlay	<u>234,500</u>	<u>234,500</u>	<u>156,988</u>	<u>77,512</u>
Total expenditures	<u>439,500</u>	<u>439,500</u>	<u>535,832</u>	<u>(96,332)</u>
Excess of revenues over (under) expenditures	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>	<u>(189,329)</u>	<u>\$ 10,671</u>
Fund balance, beginning of the year			<u>425,746</u>	
Fund balance, end of the year			<u>\$ 236,417</u>	

NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT
Notes to the Budgetary
Required Supplementary Information (RSI)
September 30, 2019

Note 1 - Basis of Accounting

Generally Accepted Accounting Principles (GAAP) serve as the budgetary basis of accounting.

Note 2 - Excess of expenditures over appropriations

The budgetary level of control is at the fund level, which was \$96,332 over budget due to increased expenditures from Hurricane Irma most of which were reimbursed by FEMA.

OTHER REPORTS



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
FAX (561) 835-0628
WWW.NHMCPCA.COM

EVERETT B. NOWLEN (1930-1984), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, RETIRED
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, RETIRED, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CVA, ABV, CFF, CPA
ALEXIA G. VARGA, CFE, CPA
EDWARD T. HOLT, JR., PFS, CPA
BRIAN J. BRESCIA, CFP®, CPA

MARK J. BYMASTER, CFE, CPA
RYAN M. SHORE, CFP®, CPA
WEI PAN, CPA
WILLIAM C. KISKER, CPA
RICHARD E. BOTTS, CPA

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*

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

The Board of Supervisors
North Palm Beach Heights Water Control District
Jupiter, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of North Palm Beach Heights Water Control District, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the North Palm Beach Heights Water Control District's basic financial statements and have issued our report thereon dated May 22, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the North Palm Beach Heights Water Control 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 North Palm Beach Heights Water Control District's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Palm Beach Heights Water Control 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. 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 North Palm Beach Heights Water Control District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

West Palm Beach, Florida
May 22, 2020

Nowlen, Holt & Mimes, P.A.



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
FAX (561) 835-0628
WWW.NHMCPA.COM

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RYAN M. SHORE, CFP®, CPA
WEI PAN, CPA
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RICHARD E. BOTTS, CPA

MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

The Board of Supervisors
North Palm Beach Heights Water Control District
Jupiter, Florida

Report on the Financial Statements

We have audited the financial statements of the North Palm Beach Heights Water Control District, as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated May 22, 2020.

Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 22, 2020, 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 financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

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. This information is disclosed in Note 1 to the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the North Palm Beach Heights Water Control District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the North Palm Beach Heights Water Control District did not meet any of the conditions described in Section 218.503(1), Florida Statutes, during the fiscal year ended September 30, 2019.

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 North Palm Beach Heights Water Control District's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same. Our assessment was done as of the fiscal year end. The results of our procedures did not disclose any matters that are required to be reported.

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.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes.

Based on the application of criteria in publications cited in Section 10.553, Rules of the Auditor General, there are no special district component units of the North Palm Beach Heights Water Control District.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we noted the following item.

Finding: 2019-01 Excess of Expenditures Over Appropriations

Condition: As indicated on page 24 in Note 2 to the Budgetary Required Supplementary Information for the year ended September 30, 2019, the General Fund had expenditures in excess of appropriations contrary to Section 166.241(2) Florida Statutes.

Managements Response: Budgets are prepared by the District's CPA based on previous year's spending and projected needs. The budget was reviewed mid-year and it was an oversight not increasing the canal maintenance for the additional costs due to Hurricane Irma.

Single Audits

The North Palm Beach Heights Water Control District expended less than \$750,000 of federal awards and less than \$750,000 of state financial assistance for the fiscal year ended September 30, 2019, and was not required to have a federal single audit or a state single audit.

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 Chairman and Members of the District Board, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

West Palm Beach, Florida
May 22, 2020

Nowlen, Holt & Mimer, P.A.



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
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WEI PAN, CPA
WILLIAM C. KISKER, CPA
RICHARD E. BOTTS, CPA

**INDEPENDENT ACCOUNTANT’S REPORT
ON COMPLIANCE WITH SECTION 218.415,
FLORIDA STATUTES**

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

The Board of Supervisors
North Palm Beach Heights Water Control District
Jupiter, Florida

We have examined the North Palm Beach Heights Water Control District’s compliance with Section 218.415, Florida Statutes during the year ended September 30, 2019. Management of the North Palm Beach Heights Water Control District is responsible for the North Palm Beach Heights Water Control District’s compliance with the specified requirements. Our responsibility is to express an opinion on the North Palm Beach Heights Water Control District’s compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the North Palm Beach Heights Water Control District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the North Palm Beach Heights Water Control District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risk of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the North Palm Beach Heights Water Control District’s compliance with the specified requirements.

In our opinion, the North Palm Beach Heights Water Control District complied, in all material respects, with Section 218.415, Florida Statutes for the year ended September 30, 2019.

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

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
May 22, 2020