

**NORTH PALM BEACH HEIGHTS  
WATER CONTROL DISTRICT**

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

**SEPTEMBER 30, 2014**

**NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT**

**September 30, 2014**

**TABLE OF CONTENTS**

	<u>Pages</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis (required supplementary information)	3-7
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements	
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet – Governmental Funds to The Statement of Net Position	11
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of the Governmental Funds to the Statement of Activities	13
Notes to the Financial Statements	14-22
Required Supplemental Information Other Than MD&A	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund	23
Notes to the Budgetary Required Supplemental Information	24
Other Reports	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25-26
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	27-30
Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes	31



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## INDEPENDENT AUDITOR'S REPORT

The Board of Supervisors  
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### 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, 2014, 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, 2014, 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 23 through 24 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 June 4, 2015, 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 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* 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  
June 4, 2015

## **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, 2014. 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, 2014.

- ◆ The District's total assets exceeded its liabilities at September 30, 2014 by \$1,638,615 (net position), \$886,565 of which is unrestricted and may be used to meet the District's ongoing obligations.
- ◆ The District's total net position increased by \$60,567. The increase is due to the District receiving a grant to offset some of the canal maintenance costs incurred during the year.
- ◆ At September 30, 2014, the District's general fund reported an ending fund balance of \$895,290, a decrease of \$512,659 in comparison with the prior year. Of the total amount, \$886,565 is unassigned and available for spending at the District's discretion.
- ◆ At September 30, 2014, unassigned fund balances for the general fund was \$886,565, or approximately 95% of total general fund expenditures.

#### **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 14-22) 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 23.

# 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 23 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 22 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 \$1,638,615 at the close of the fiscal year.

Net Position

	2014	2013
Current and other assets	\$ 915,699	\$ 1,456,543
Capital assets	743,325	170,099
Total Assets	\$ 1,659,024	\$ 1,626,642
Total liabilities	\$ 20,409	\$ 48,594
Net investment in capital assets	\$ 743,325	\$ 170,099
Restricted	8,725	575,006
Unrestricted	886,565	832,943
Total net position	\$ 1,638,615	\$ 1,578,048

**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 an increase of \$60,567. Key elements of the District's changes in net position are as follows:

<u>Changes in Net Position</u>		
	2014	2013
<b>Revenues</b>		
Assessments	\$ 236,463	\$ 239,991
Grants	157,257	
Other	29,831	34,943
<b>Total Revenues</b>	<b>\$ 423,551</b>	<b>\$ 274,934</b>
<b>Expenditures</b>		
General government	\$ 131,292	\$ 110,331
Physical environment	231,692	188,005
<b>Total expenditures</b>	<b>362,984</b>	<b>298,336</b>
<b>Increase (decrease) in net position</b>	<b>60,567</b>	<b>(23,402)</b>
<b>Net position – beginning of the year</b>	1,578,048	1,601,450
<b>Net position – end of the year</b>	<b>\$ 1,638,615</b>	<b>\$ 1,578,048</b>

Special Assessments are the District's main source of revenue and represent approximately 56 percent of the revenue for governmental activities. The increase in expenses was primarily due to increased maintenance required to the District's canals.

**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, 2014, the District's governmental funds reported ending fund balances of \$895,290, a decrease of \$512,659 in comparison with the prior year. This was primarily due to an increase in canal maintenance and capital outlay.



**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 23. The budget and actual schedules show the original budgets, the final budget, actual results, and the variance between the final budget and actual results. During the year there were several significant negative variances.

**CAPITAL ASSETS**

At the end of fiscal year 2014, the District had \$743,325 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 2015 budget and tax rates. The District Members continue to be very cautious in raising tax 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 56% of the General Fund budgeted revenues. Property taxes have decreased approximately \$52,000 in FY 2014/2015.

**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, 2014**

	<u>Total Governmental Activities</u>
<b>Assets</b>	
<b>Current assets:</b>	
Cash	\$ 710,894
Investments	200,400
Accounts receivable	<u>4,405</u>
<b>Total current assets</b>	<u>915,699</u>
<b>Noncurrent assets:</b>	
<b>Capital assets</b>	
Non-depreciable	103,147
Depreciable (net of depreciation)	<u>640,178</u>
<b>Total noncurrent assets</b>	<u>743,325</u>
<b>Total assets</b>	<u>1,659,024</u>
<b>Liabilities</b>	
<b>Current liabilities:</b>	
Accounts payable	17,786
Accrued liabilities	<u>2,623</u>
<b>Total liabilities</b>	<u>20,409</u>
<b>Net position</b>	
Net investment in capital assets	743,325
Restricted for capital improvement	8,725
Unrestricted	<u>886,565</u>
<b>Total net position</b>	<u><u>\$ 1,638,615</u></u>

See notes to the financial statements

**NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT**  
**Statement of Activities**  
**For the Year Ended September 30, 2014**

Expenses:	
General government	\$ 131,292
Physical environment	231,692
Total expenses	<u>362,984</u>
General Revenues:	
Property assessments	236,463
Investment earnings	557
Grants	157,257
Miscellaneous	29,274
Total general revenues	<u>423,551</u>
Change in net position	60,567
Net position - beginning of the year	<u>1,578,048</u>
Net position - end of the year	<u><u>\$ 1,638,615</u></u>

See notes to the financial statements

**NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2014**

	<u>General Fund</u>
Assets	
Cash	\$ 710,894
Investments	200,400
Accounts receivable	<u>4,405</u>
Total assets	<u><u>\$ 915,699</u></u>
 Liabilities and fund balances	
Liabilities	
Accounts payable	\$ 17,786
Accrued liabilities	<u>2,623</u>
Total liabilities	<u>20,409</u>
 Fund balances	
Restricted	
Capital improvement	8,725
Unassigned	<u>886,565</u>
Total fund balances	<u>895,290</u>
Total liabilities and fund balances	<u><u>\$ 915,699</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, 2014**

Fund balances total governmental funds	\$ 895,290
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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	<u>743,325</u>
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Net position of governmental activities	<u><u>\$ 1,638,615</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, 2014**

	<u>General Fund</u>
Revenues	
Assessments	\$ 236,463
Investment earnings	557
Grants	157,257
Miscellaneous	<u>29,274</u>
Total revenues	<u>423,551</u>
Expenditures	
Current	
General government	131,292
Physical environment	81,380
Capital outlay	<u>723,538</u>
Total expenditures	<u>936,210</u>
Excess of revenues over (under) expenditures	(512,659)
Fund balances - beginning of year	<u>1,407,949</u>
Fund balances - end of year	<u><u>\$ 895,290</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, 2014**

Net change in fund balances	\$	(512,659)
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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	\$	634,786	
Less current year depreciation		(61,560)	573,226

Change in net position	\$	<u>60,567</u>
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See notes to the financial statements

**NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2014**

**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, 2014**

**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, 2014**

**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, and money market.

*Investments*

Investments include certificates of deposit with original maturities greater than three months. Investments are stated at fair value.

*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.

*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.

*Deferred Inflow of Resources*

In addition to liabilities, the statement of net position 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 does not report any Deferred Inflows of Resources.

**NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*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 the difference between assets and liabilities 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. The District's nonspendable fund balance is for inventories and prepaid items.
- 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. The District has no committed fund balance.
- 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. The District has no assigned fund balance.
- Unassigned fund balance is the residual fund balance classification for the general fund.

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.

**NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*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.

**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.

**NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY** (Continued)

*Budgetary Data* (Continued)

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 account 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. No budget amendments were made during the year. Budgeted amounts presented are as originally adopted. See Note 5 for the departments with excess expenditures over appropriations.

**NOTE 3 – CASH AND INVESTMENTS**

*Deposits*

As of September 30, 2014, the bank balance of the District's deposits totaled \$919,845 and the carrying amount was \$911,294, which includes a certificate of deposit of \$200,400 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, 2014**

**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.

As of September 30, 2014, the District had the following certificates of deposit that are reported as investments in the balance sheet and statement of net position:

	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
Certificate of Deposit	122 days	<u>\$200,400</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, 2014**

**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		102,737		102,737
	<u>410</u>	<u>102,737</u>		<u>103,147</u>
<u>Capital assets, being depreciated:</u>				
Canal improvements	169,689	532,049		701,738
	<u>169,689</u>	<u>532,049</u>		<u>701,738</u>
<u>Less accumulated depreciation:</u>				
Canal improvements		61,560		61,560
		<u>61,560</u>		<u>61,560</u>
Total capital assets, being depreciated, net		<u>470,489</u>		<u>640,178</u>
Capital assets, net	<u>\$ 170,099</u>	<u>\$ 573,226</u>	<u>\$</u>	<u>\$ 743,325</u>

**NOTE 5 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

There were excess expenditures over appropriations in the following accounts:

<u>General Fund</u>	
Capital outlay	\$ 723,538
Office rent and expenses	16,562
Attorney fees	13,243
Tax roll preparation and collection	2,641
Utilities	1,545
Insurance	948
Supervisor payroll and fees	812
Bank fees	127

Majority of Canal Maintenance expense is Capital Improvement. In order to clarify this item and not distort canal maintenance actuals, the District will modify the budget document to segregate Capital Improvement expenses as a separate budget item as not to be co-mingled with operations and maintenance.

**NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT**  
**Notes to Financial Statements**  
**September 30, 2014**

**NOTE 6 – 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.

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

As of September 30, 2014, the District had commitments on outstanding construction contracts for canal improvements of approximately \$70,000.

**NOTE 8 – ACCOUNTING CHANGE**

The District implemented GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

The District implemented GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. GASB 66 improves accounting and financial reporting for a governmental reporting entity by resolving conflicting guidance that resulted from the issuance to two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.



**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, 2014**

	Budgeted Amounts		Actual Amounts	Variance - Positive (Negative)
	Original	Final		
Revenues				
Assessments	\$ 218,850	\$ 218,850	\$ 236,463	\$ 17,613
Interest	2,225	2,225	557	(1,668)
Grants			157,257	157,257
Miscellaneous	15,000	15,000	29,274	14,274
Total revenues	<u>236,075</u>	<u>236,075</u>	<u>423,551</u>	<u>187,476</u>
General government				
Legislative				
Supervisor payroll and fees	12,125	12,125	12,937	(812)
Financial and administrative				
Secretary payroll and fees	7,325	7,325	4,200	3,125
Payroll assessments	1,625	1,625	1,589	36
Tax roll preparation and collection			2,641	(2,641)
Utilities	4,500	4,500	6,045	(1,545)
Office rent and expenses	16,000	16,000	32,562	(16,562)
Contractual services	14,000	14,000	11,500	2,500
Bank fees			127	(127)
Insurance	5,500	5,500	6,448	(948)
Total financial and administrative	<u>48,950</u>	<u>48,950</u>	<u>65,112</u>	<u>(16,162)</u>
Legal				
Attorney fees	40,000	40,000	53,243	(13,243)
Total general government	<u>101,075</u>	<u>101,075</u>	<u>131,292</u>	<u>(30,217)</u>
Physical environment				
Canal maintenance	85,000	85,000	45,460	39,540
Canal engineering supervision	60,000	60,000	35,920	24,080
Total physical environment	<u>145,000</u>	<u>145,000</u>	<u>81,380</u>	<u>63,620</u>
Capital outlay			723,538	(723,538)
Total expenditures	<u>246,075</u>	<u>246,075</u>	<u>936,210</u>	<u>(690,135)</u>
Excess of revenues over (under) expenditures	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	<u>(512,659)</u>	<u>\$ (502,659)</u>
Fund balance, beginning of the year			<u>1,407,949</u>	
Fund balance, end of the year			<u>\$ 895,290</u>	

**NORTH PALM BEACH HEIGHTS WATER CONTROL DISTRICT**  
**Notes to the Budgetary**  
**Required Supplementary Information (RSI)**  
**September 30, 2014**

**Note 1 - Basis of Accounting**

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

**Note 2 - Excess of expenditures over appropriations**

General Fund	
Supervisor payroll and fees	\$ 812
Tax roll preparation and collection	2,641
Utilities	1,545
Office rent and expenses	16,562
Bank fees	127
Insurance	948
Attorney fees	13,243
Capital outlay	723,538

## **OTHER REPORTS**



# NOWLEN, HOLT & MINER, P.A.

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## 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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of North Palm Beach Heights Water Control District, as of and for the year ended September 30, 2014, 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 June 4, 2015.

### 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 to 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 of 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.

*Nowlen, Holt & Mimer, P.A.*

West Palm Beach, Florida  
June 4, 2015



# NOWLEN, HOLT & MINER, P.A.

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

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

### Report on the Financial Statements

We have audited the basic financial statements of the North Palm Beach Heights Water Control District, as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated June 4, 2015.

### 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 Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and 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 Processional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 4, 2015, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below.

The following prior year comments were in the prior two years report and still apply in the current year.

***Finding 2009-01: Segregation of Duties***

**Condition:** There is insufficient segregation of duties in the accounting department. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Although the limited number of personnel in the District's accounting staff limits the extent of separation of duties, procedures can be performed to compensate for this weakness. A responsible official or employee not involved in the accounting functions should periodically perform tests on a sample basis to determine if the accounting procedures of the various control cycles are being carried out in compliance with prescribed standards.

**Management Response:** The District does not have any employees. The District does have procedures to mitigate some of the inherent risk that exists when one individual has access to both physical assets and the related accounting records, or to all phases of a transaction. The District has implemented procedures, such as all Board members have on line access to all District accounts and review the accounts. Board members monitor transactions as they feel the need, all checks require two signatures, and there is an outside CPA that maintains the District's books on a quarterly basis. Another Board supervisor will assume the Secretarial position from the Chairman commencing with the June 2015 Board meeting.

***Finding: 2012-01 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, 2014, there were accounts that 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. Budget will be reviewed and revised at mid-year commencing with fiscal year 2014-2015. The majority of Canal Maintenance expense is Capital Improvement. In order to clarify this item and not distort canal maintenance actuals, the District will modify the budget document to segregate Capital Improvement expenses as a separate budget item as not to be co-mingled with operations and maintenance.

**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**

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report 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 identification of 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, 2014.

Pursuant to Sections 10.554(1)(i)5.c. 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 the 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.

## **Annual Financial Report**

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the North Palm Beach Heights Water Control District for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

## **Special District Component Units**

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided 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.

## **Other Matters**

Section 10.554(1)(i)2., 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.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

### **Single Audits**

The North Palm Beach Heights Water Control District expended less than \$500,000 of federal awards and less than \$500,000 of state financial assistance for the year ended September 30, 2014, and was not required to have a federal single audit or a state single audit.

### **Response to Management Letter**

We did not audit management's response to the Management Letter presented herein and express no opinion on it.

### **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.

*Nowlen, Holt & Mimer, P.A.*

West Palm Beach, Florida  
June 4, 2015



NOWLEN, HOLT & MINER, P.A.

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INDEPENDENT ACCOUNTANT’S REPORT

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, 2014. Management is responsible for the North Palm Beach Heights Water Control District’s compliance with those requirements. Our responsibility is to express an opinion on the North Palm Beach Heights Water Control District’s compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the North Palm Beach Heights Water Control District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the North Palm Beach Heights Water Control District’s compliance with specified requirements.

In our opinion, the North Palm Beach Heights Water Control District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representative, 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
June 4, 2015