

**PINE TREE
WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2012**

**PINE TREE WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Pine Tree Water Control District
Palm Beach County, Florida

We have audited the accompanying financial statements of the governmental activities and the major fund of Pine Tree Water Control District, Palm Beach County, Florida (the "District") as of and for the fiscal year ended September 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of September 30, 2012, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


June 20, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Pine Tree Water Control District, Palm Beach County, Florida's ("District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2012. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year resulting in a total net asset balance of \$170,184.
- The change in the District's total net assets in comparison with the prior fiscal year was (\$1,464), a decrease. The key components of the District's net assets and change in net assets are reflected in the table in the government-wide financial statement analysis section.
- At September 30, 2012, the District's governmental fund reported ending fund balances of \$129,487, an increase of \$3,058 in comparison with the prior fiscal year. A portion of the fund balance is assigned operating reserves, emergency reserves, and subsequent year expenditures, and the remainder is unassigned fund balance which is available for spending at the District's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

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

The government-wide financial statements include all governmental activities that are principally supported by special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include general government and maintenance functions for water control activities.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund category: governmental funds.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District currently maintains one individual governmental fund for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance for the special revenue fund, which is a major fund.

The District adopts an annual appropriated budget for its special revenue fund. A budgetary comparison schedule has been provided for the special revenue fund to demonstrate compliance with the budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities at the close of the most recent fiscal year.

A portion of the District's net assets reflects its investment in capital assets (e.g. land, land improvements and infrastructure). These assets are used to provide services to residents; consequently, these assets are not available for future spending. The remaining balance of unrestricted net assets may be used to meet the District's other obligations.

FINANCIAL ANALYSIS OF GOVERNMENT-WIDE INFORMATION (Continued)

Key components of the District's net assets were as follows:

NET ASSETS SEPTEMBER 30,		
	2012	2011
Assets, excluding capital assets	\$ 189,322	\$ 236,469
Capital assets, net of depreciation	40,697	45,219
Total assets	230,019	281,688
Liabilities, excluding long-term liabilities	59,835	110,040
Total liabilities	59,835	110,040
Net assets		
Invested in capital assets	40,697	45,219
Unrestricted	129,487	126,429
Total net assets	\$ 170,184	\$ 171,648

The District's net assets decreased during the most recent fiscal year. The majority of the decrease represents the extent to which the cost of operations and depreciation expense exceeded ongoing program revenues.

Key elements of the change in net assets are reflected in the following table:

CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED SEPTEMBER 30,		
	2012	2011
Revenues:		
Program revenues	\$ 112,155	\$ 139,144
General revenues	89	110
Total revenues	112,244	139,254
Expenses:		
General government	26,280	30,580
Physical environment	87,428	72,844
Total expenses	113,708	103,424
Change in net assets	(1,464)	35,830
Net assets, beginning	171,648	135,818
Net assets, ending	\$ 170,184	\$ 171,648

As noted above and in the statement of statement of activities, the cost of all governmental activities during the fiscal years ended September 30, 2012 was \$113,708. Program revenues are comprised primarily of assessments.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual special revenue fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2012.

The variance between budgeted and actual special revenue fund revenues for the current fiscal year was not considered significant. The actual special revenue fund expenditures for the current fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.

CAPITAL ASSETS

At September 30, 2012, the District had \$45,219 invested in infrastructure for its governmental activities. In the government-wide financial statements depreciation of \$4,522 has been taken, which resulted in a net book value of \$40,697. More detailed information about the District's capital assets is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND OTHER EVENTS

The District does not anticipate any major projects or significant changes to its infrastructure maintenance program for the subsequent fiscal year. In addition, it is anticipated that the general operations of the District will remain fairly constant.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the District Administrator at Pine Tree Water Control District, 12300 Forest Hill Boulevard, Wellington, FL 33414.

**PINE TREE WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 188,635
Assessments receivable	687
Capital assets:	
Depreciable, net	40,697
Total assets	<u>230,019</u>
 LIABILITIES	
Accounts payable	20,153
Due to other governments	39,682
Total liabilities	<u>59,835</u>
 NET ASSETS	
Invested in capital assets	40,697
Unrestricted	129,487
Total net assets	<u>\$ 170,184</u>

See notes to the financial statements

**PINE TREE WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
			<u>Governmental Activities</u>
Primary government:			
Governmental activities:			
General government	\$ 26,280	\$ 26,280	\$ -
Physical environment	87,428	85,875	(1,553)
Total governmental activities	113,708	112,155	(1,553)
General revenues:			
Unrestricted investment earnings			89
Total general revenues			89
Change in net assets			(1,464)
Net assets - beginning			171,648
Net assets - ending			\$ 170,184

See notes to the financial statements

**PINE TREE WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2012**

	<u>Major Fund Special Revenue Fund</u>	<u>Total Governmental Fund</u>
ASSETS		
Cash and cash equivalents	\$ 188,635	\$ 188,635
Assessments receivable	687	687
Total assets	<u>\$ 189,322</u>	<u>\$ 189,322</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 20,153	\$ 20,153
Due to other governments	39,682	39,682
Total liabilities	<u>59,835</u>	<u>59,835</u>
 Fund balance:		
Assigned to:		
Operating reserves	31,000	31,000
Emergency reserves	30,000	30,000
Subsequent year expenditures	11,560	11,560
Unassigned	56,927	56,927
Total fund balance	<u>129,487</u>	<u>129,487</u>
 Total liabilities and fund balance	<u>\$ 189,322</u>	<u>\$ 189,322</u>

See notes to the financial statements

**PINE TREE WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

Fund balance - governmental fund	\$ 129,487
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund financial statements. The statement of net assets includes those capital assets, net of any accumulated depreciation, in the net assets of the government as a whole.

Cost of capital assets	45,219	
Accumulated depreciation	<u>(4,522)</u>	<u>40,697</u>
Net assets of governmental activities		<u><u>\$ 170,184</u></u>

See notes to the financial statements

**PINE TREE WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>Major Fund</u>		<u>Total</u>
	Special Revenue Fund		Governmental Fund
REVENUES			
Assessments	\$ 112,155	\$	112,155
Interest income	89		89
Total revenues	<u>112,244</u>		<u>112,244</u>
EXPENDITURES			
Current:			
General government	26,280		26,280
Physical environment	82,906		82,906
Total expenditures	<u>109,186</u>		<u>109,186</u>
Excess (deficiency) of revenues over (under) expenditures	3,058		3,058
Fund balance - beginning	<u>126,429</u>		<u>126,429</u>
Fund balance - ending	<u><u>\$ 129,487</u></u>		<u><u>\$ 129,487</u></u>

See notes to the financial statements

**PINE TREE WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Net change in fund balances - total governmental fund	\$ 3,058
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation of capital assets is not recognized in the governmental fund statements but is recorded as an expense in the statement of activities.	<u>(4,522)</u>
Change in net assets of governmental activities	<u><u>\$ (1,464)</u></u>

See notes to the financial statements

**PINE TREE WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

Pine Tree Water Control District ("District") was incorporated in 1974 pursuant to Chapter 298, Florida Statutes. The Act provides, among other things, the power to levy and assess ad valorem and benefit taxes and special assessments for the financing and maintenance of improvements. The District was created for the purpose of reclaiming the lands within its boundaries for water control and water supply purposes, and to protect the land from the effects of water by means of the construction and maintenance of a surface water management system. The District's boundaries include approximately 4,622 taxable acres within Palm Beach County.

The District is governed by the Board of Supervisors ("Board"), which is composed of three members. The Board members are elected by the landowners of the District.

The Board has the responsibility for:

1. Assessing and levying assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement 14, and Statement 39, an amendment of GASB Statement 14. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 assets and the statement of activities) report information on all of the non-fiduciary activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment. Operating-type special assessments for maintenance and debt service are treated as charges for services. and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not included among program revenues are reported instead as *general revenues*.

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

Assessments

Assessments are non-ad valorem assessments on benefited lands within the District. Assessments are levied to pay for the operations and maintenance of the District. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. The District's annual assessments for operations are billed and collected by the County Tax Collector. The amounts remitted to the District are net of applicable discounts or fees and include interest on monies held from the day of collection to the day of distribution.

Assessments and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

Special Revenue Fund

The special revenue fund is the primary operating fund of the District and is used to account for all its financial resources.

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

Assets, Liabilities and Net Assets or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to third party restrictions.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

Securities listed in paragraphs c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured.

Investments are reported at fair value.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	10

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Fund Equity/Net Assets

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change. The District can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Assignments are established by the Board of Supervisors of the District and are generally temporary.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets or Equity (Continued)

Fund Equity/Net Assets (Continued)

Net assets in the government-wide financial statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. The net assets of the District are categorized as invested in capital assets (the District has no current outstanding debt) and unrestricted.

Other Disclosures

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 - BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the special revenue fund. All annual appropriations lapse at fiscal year end.

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

- a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain public comments.
- c) Prior to October 1, the budget is legally adopted by the District Board.
- d) All budget changes must be approved by the District Board.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriations for annually budgeted funds lapse at the end of the year.

NOTE 4 - DEPOSITS

The District's cash balances, were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Construction in progress	\$ 45,219	\$ -	\$ (45,219)	\$ -
Total capital assets, not being depreciated	45,219	-	(45,219)	-
Capital assets, being depreciated				
Infrastructure		45,219	-	45,219
Total capital assets, being depreciated	-	45,219	-	45,219
Less accumulated depreciation for:				
Infrastructure		(4,522)	-	(4,522)
Total accumulated depreciation	-	(4,522)	-	(4,522)
Total capital assets, being depreciated, net	-	40,697	-	40,697
Governmental activities capital assets, net	\$ 45,219	\$ 40,697	\$ (45,219)	\$ 40,697

Depreciation expense was charged to the physical environment function/program.

NOTE 6 – INTERLOCAL AGREEMENT

All the lands within the District are with the incorporated boundaries of the Village of Wellington (the "Village"). The District and the Village have executed an interlocal agreement under which the Village provide the administration and operation of the District. During the current year, the District incurred administrative fees of \$17,500 relating to this agreement, of which \$4,375 is due at September 30, 2012. In addition, at September 30, 2012, an additional \$35,307 in reimbursement is due to the Village for expenses paid on behalf of the District.

NOTE 7 - 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. The District has not obtained commercial insurance to mitigate the costs of these risks.

**PINE TREE WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts Original & Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Assessments	\$ 111,440	\$ 112,155	\$ 715
Interest income	-	89	89
Total revenues	<u>111,440</u>	<u>112,244</u>	<u>804</u>
EXPENDITURES			
Current:			
General government	40,400	26,280	14,120
Physical environment	97,900	82,906	14,994
Total expenditures	<u>138,300</u>	<u>109,186</u>	<u>29,114</u>
Excess (deficiency) of revenues over (under) expenditures	(26,860)	3,058	29,918
OTHER FINANCING SOURCES			
Carryforward surplus	26,860	-	(26,860)
Total other financing sources (uses)	<u>26,860</u>	<u>-</u>	<u>(26,860)</u>
Net change in fund balance	<u>\$ -</u>	3,058	<u>\$ 3,058</u>
Fund balance - beginning		<u>126,429</u>	
Fund balance - ending		<u>\$ 129,487</u>	

See notes to required supplementary information

**PINE TREE WATER CONTROL DISTRICT
PALM BEACH COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The District is required to establish a budgetary system and an approved Annual Budget for the special revenue fund. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. Actual special revenue fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2012.

The variance between budgeted and actual special revenue fund revenues for the current fiscal year was not considered significant. The actual special revenue fund expenditures for the current fiscal year were lower than budgeted amounts due primarily to anticipated costs which were not incurred in the current fiscal year.



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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**

To the Board of Supervisors
Pine Tree Water Control District
Palm Beach County, Florida

We have audited the financial statements of the governmental activities and the major fund of Pine Tree Water Control District, Palm Beach County, Florida ("District") as of and for the fiscal year ended September 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 20, 2013. 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.

Internal Control Over Financial Reporting

Management of the district is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

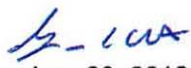
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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.

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

Compliance and Other Matters

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

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


June 20, 2013



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**MANAGEMENT LETTER PURSUANT TO THE RULES OF
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

To the Board of Supervisors
Pine Tree Water Control District
Palm Beach County, Florida

We have audited the accompanying basic financial statements of Pine Tree Water Control District, Palm Beach County, Florida ("District") as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated June 20, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, rules of the Florida Auditor General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In addition, we have issued our 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* dated June 20, 2013. Disclosures in that report should be considered in conjunction with this management letter.

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. This letter is intended for the information and use of the management, Board of Supervisors of Pine Tree Water Control District, Palm Beach County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Pine Tree Water Control District, Palm Beach County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.


June 20, 2013

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2011.

2. A statement as to whether or not the local governmental entity complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

The District complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

3. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2012.

4. Violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2012.

5. For matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors, the following may be reported based on professional judgment:

- a. Violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse.
- b. Deficiencies in internal control that are not significant deficiencies.

There were no such matters discovered by, or that came to the attention of, the auditor, that, in our judgment, are required to be reported, for the fiscal year ended September 30, 2012.

6. Pursuant to Section 10.554(1)(i)9, the District provided monthly financial statements to its governing board.

REPORT TO MANAGEMENT (Continued)

7. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
8. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2012 financial audit report.
9. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
10. We applied financial condition assessment procedures pursuant to Rule 10.556(7) and no deteriorating financial conditions were noted. It is management's responsibility to monitor 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.