

**HERONS GLEN RECREATION DISTRICT**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019 AND 2018**

**HERONS GLEN RECREATION DISTRICT**

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**SEPTEMBER 30, 2019 AND 2018**

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## INDEPENDENT AUDITOR'S REPORT

Nathan A. Phillips, CPA

Deborah L. Harvey, CPA

January 21, 2020

To the Board of Supervisors  
HERONS GLEN RECREATION DISTRICT  
North Fort Myers, Florida

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Stephanie J. Feldman, CPA

Michelle V. Schalmo, CPA

Shannon Huber, CPA

David N. Phillips, CPA, MBA

Courtney L. Cound, CPA

### **Report on the Financial Statements**

We have audited the accompanying financial statements of HERONS GLEN RECREATION DISTRICT ("the District") as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the 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 audits. We conducted our audits 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 District'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 District'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.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of HERONS GLEN RECREATION DISTRICT as of September 30, 2019 and 2018, and the respective changes in financial position and cash flows for the years 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 14 and 31 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 audits 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 January 21, 2020, on our consideration of the HERONS GLEN RECREATION DISTRICT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 HERONS GLEN RECREATION DISTRICT's internal control over financial reporting and compliance.

  
PHILLIPS HARVEY GROUP, P.A.  
Certified Public Accountants  
Naples, Florida

**HERONS GLEN RECREATION DISTRICT**

**SEPTEMBER 30, 2019**

**MANAGEMENT DISCUSSION AND ANALYSIS OVERVIEW AND HISTORY**

Herons Glen Recreation District's (The "District") Management Discussion and Analysis (MD&A) is designed to offer readers of The District's financial statements a narrative overview and analysis of the financial activities of The District for the fiscal year ended September 30, 2019, with selected comparative information for the years ending September 30, 2018 and 2017. All references to years in this discussion relate to the fiscal year ending September 30<sup>th</sup>.

The information presented in this MD&A should be considered in conjunction with the accompanying financial statements, notes to the financial statements, and supplemental information in this report. This information taken collectively is designed to provide readers with an understanding of The District's finances. All information is believed to be current and accurate.

**District's Activities and Highlights**

The District is an independent special district established in 1998, pursuant to Lee County Ordinance Number 98-08 and provisions of Chapter 418, Florida Statutes. The District owns and operates an 18-hole golf course and related practice facilities, a clubhouse, restaurant, pro shop, fitness center, and other recreation facilities located in North Fort Myers, Florida. The District is governed by an elected, five-member Board of Supervisors which establishes the operation, capital and deferred maintenance budgets each year for the estimated expenses for this period. The budget is adopted annually in September for the following fiscal year. The District assesses each homeowner for their portion of the required expenses based on a calculated homeowner base. For the year ending September 30, 2017, the base assessment divisor was 1300. For the years ending September 30, 2018 and 2019, the base assessment divisor was decreased to 1285 due to our acquisition of the unplatted land previously owned by Taylor Morison. This represented 15 of the 1300 lots. The annual budgeted fees are as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating Assessment	\$ 2,027,646	\$ 1,967,651	\$ 1,903,805
Capital Reserve	426,620	339,240	343,200
Capital Reserve – Fitness Center	1,285,000	0	0
Deferred Maintenance	221,020	205,600	187,200

**Budget vs Actual Summary**

According to the Schedule of Revenues and Expenses Non-GAAP Budgetary Basis and Actual, The District has a positive variance to budget of \$581,471. This variance can be attributed in part to the new owner capital fees in the amount of \$270,000 collected from new owners who purchased property in Herons Glen for the first time. We do not budget for the new owner capital fees. The fee was increased in 2019 from \$2,500 to \$3,000 and is collected from each new home buyer at the closing of their home. We had 90 new home buyers during 2019, down 8 from the previous year. The District realized a significant savings in salaries and wages primarily due to combining the positions of Director of Food and Beverage and Executive Chef. The remainder of the variance can be attributed to the interest income earned on District funds due to maintaining capital and deferred funds in the Florida Prime State Board of Administration (SBA) Fund to take advantage of higher interest rates. We budgeted \$17,000 in this line item and earned \$58,725 for a variance of \$41,725.

## HERONS GLEN RECREATION DISTRICT

SEPTEMBER 30, 2019

### MANAGEMENT DISCUSSION AND ANALYSIS OVERVIEW AND HISTORY

#### Financial Highlights and Summary

The District's 2019 operating loss increased \$52,300 from 2018. The following is a condensed summary of revenue, expenses, and changes in net assets at September 30:

	2019	2018	2017
Total operating revenues, net	\$ 4,707,178	\$ 4,604,476	\$ 4,525,120
Total non-operating revenues	3,134,596	1,929,448	1,960,038
Total revenues	<u>\$ 7,841,774</u>	<u>\$ 6,533,924</u>	<u>\$ 6,485,158</u>
Total operating expenses	\$ 5,790,689	\$ 5,635,687	\$ 5,432,559
Total non-operating expenses	1,120,873	1,009,082	1,274,550
Total expenses	<u>\$ 6,911,562</u>	<u>\$ 6,644,769</u>	<u>\$ 6,707,109</u>
Increase (decrease) in net assets	\$ 930,212	\$ (110,845)	\$ (221,951)
Beginning net assets	23,194,148	23,304,993	23,841,335
Prior period adjustment	0	0	(314,391)
Ending net assets	<u>\$ 24,124,360</u>	<u>\$ 23,194,148</u>	<u>\$ 23,304,993</u>

#### 2019

Total revenues increased from 2018 results by \$1,307,850. The 20% net increase is attributed primarily to a 62% increase in non-operating revenues, specifically the additional capital assessment for the construction of a new fitness center, as well as a 3% increase in operating assessments and a 6% increase in user fees. This was offset by a 15% decrease in restaurant operations. The total number of golf members stayed flat, ending 2019 with 585 down one member from 2018. Net assets increased overall by \$930,212 or 4%. The District's operating plan continues to reflect the economic conditions as well as the need to invest in the maintenance of the community. Each investment in capital assets is reviewed in terms of need and priority before an expenditure is approved. Management continues to review opportunities for non-assessment revenues for The District.

Total expenses increased from 2018 results by \$266,793. The 4% net increase is attributed primarily to non-operating expenses related to a write off of old fixed assets no longer on property. This write off was based on a physical inventory done collaboratively by the finance committee and department managers. Some fixed assets were not fully depreciated due to incorrectly recorded useful lives. Additionally, there was a 7% increase in insurance premiums and a 5% increase in professional fees. Older golf course maintenance equipment continues to be updated through a capital lease plan.

#### 2018

Total revenues increased from 2017 results by \$48,766. The .8% net increase is attributed primarily to a 4.4% increase in operating assessments and 7.7% in restaurant operations as well as a 5.4% decrease in user fees and 79.5% decrease in pro shop operations. The total number of golf memberships decreased from 613 in 2017 to 586 in 2018. The District's operating plan continues to reflect the economic conditions as well as the need to invest in the maintenance of the community. Each investment in capital assets is reviewed in terms of need and priority before an expenditure is approved. Management continues to review opportunities for non-assessment revenues for The District.

Total expenses decreased from 2017 results by \$62,340. The .9% net decrease is attributed primarily to a 20.8% decrease in non-operating expenses and 12.4% in professional fees as well as a 45.1% increase in repair and maintenance expenses and 16.9% in insurance costs. Older golf course maintenance equipment continues to be updated through a capital lease plan.

## HERONS GLEN RECREATION DISTRICT

SEPTEMBER 30, 2019

### MANAGEMENT DISCUSSION AND ANALYSIS OVERVIEW AND HISTORY

The following schedule shows the major sources of revenue, along with the percentage of each source to total revenues for the years ended September 30:

Operating revenues:	<u>2019</u>		<u>2018</u>		<u>2017</u>	
Operating assessments	\$ 2,030,135	43%	\$ 1,967,277	43%	\$ 1,884,141	42%
Golf membership	1,334,738	28%	1,291,096	28%	1,297,464	29%
Other use fees	410,622	9%	387,821	8%	409,744	9%
Pro shop operations, net	31,641	1%	8,003	1%	39,011	1%
Restaurant operations, net	655,877	14%	752,234	16%	698,680	15%
Rental and other, net	244,165	5%	198,045	4%	196,080	4%
Total operating revenues	<u>\$ 4,707,178</u>		<u>\$ 4,604,476</u>		<u>\$ 4,525,120</u>	

The following schedule shows the major operating expenses before depreciation and the percentage of each to total expenses before depreciation for the years ended September 30:

Operating expenses:	<u>2019</u>		<u>2018</u>		<u>2017</u>	
Salaries and wages	\$ 2,398,247	49%	\$ 2,425,681	51%	\$ 2,382,827	53%
Operating supplies	613,045	13%	615,516	13%	585,061	13%
General and administrative	341,169	7%	350,992	7%	368,397	8%
Utilities	297,952	6%	297,627	6%	287,545	6%
Repairs and maintenance	603,708	12%	508,814	11%	350,688	8%
Professional fees	124,644	3%	118,891	3%	135,725	3%
Insurance	158,681	3%	147,848	3%	126,472	3%
Other contractual services	193,742	4%	184,644	4%	172,497	4%
Rental and leases	98,049	2%	33,452	1%	31,579	1%
Office and other misc. exp.	50,342	1%	46,491	1%	49,548	1%
Total operating expenses before depreciation	<u>\$ 4,879,579</u>		<u>\$ 4,729,956</u>		<u>\$ 4,490,339</u>	

**HERONS GLEN RECREATION DISTRICT**

**SEPTEMBER 30, 2019**

**MANAGEMENT DISCUSSION AND ANALYSIS OVERVIEW AND HISTORY**

The following schedule shows restaurant sales and cost of sales on a comparative basis for the years ended September 30:

	<b>2019</b>		<b>2018</b>		<b>2017</b>	
Food sales:						
Dining room	\$ 285,039	39%	\$ 348,736	40%	\$ 354,096	42%
Lounge	307,769	42%	323,818	37%	301,779	36%
Catering	144,035	19%	197,243	23%	188,510	22%
Total food sales	<u>\$ 736,843</u>		<u>\$ 869,797</u>		<u>\$ 844,385</u>	
Cost of food sales	319,644	43%	366,704	42%	385,995	46%
Gross profit food sales	<u>\$ 417,199</u>	57%	<u>\$ 503,093</u>	58%	<u>\$ 458,390</u>	54%
Beverage sales:						
Dining room	\$ 88,383	28%	\$ 83,412	25%	\$ 87,588	27%
Lounge	208,501	65%	204,100	61%	189,570	58%
Catering	21,848	7%	45,666	14%	47,568	15%
Total beverage sales	<u>\$ 318,732</u>		<u>\$ 333,178</u>		<u>\$ 324,726</u>	
Cost of beverage sales	80,054	25%	84,037	25%	84,436	26%
Gross profit beverage sales	<u>\$ 238,678</u>	75%	<u>\$ 249,141</u>	75%	<u>\$ 240,290</u>	74%
Combined gross profit	\$ 655,877	62%	\$ 752,234	63%	\$ 698,680	60%
Other restaurant revenue:						
Catering, other income	\$ 2,048	100%	\$ 5,905	100%	\$ 8,244	100%
Total other restaurant revenue	<u>\$ 2,048</u>		<u>\$ 5,905</u>		<u>\$ 8,244</u>	

**HERONS GLEN RECREATION DISTRICT**

**SEPTEMBER 30, 2019**

**MANAGEMENT DISCUSSION AND ANALYSIS OVERVIEW AND HISTORY**

**Summary of net position**

The schedule presented below shows The District's comparative condensed summary of The District's net position for the years ended September 30:

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Current assets	\$ 1,415,020	\$ 1,164,931	\$ 1,170,428
Noncurrent assets	22,044,017	22,173,842	22,357,299
Capital assets, net	<u>20,854,769</u>	<u>20,496,799</u>	<u>20,937,945</u>
Total assets	<u>\$ 44,313,806</u>	<u>\$ 43,835,572</u>	<u>\$ 44,465,672</u>
Deferred outflows on refunding bond	<u>\$ 421,091</u>	<u>\$ 473,459</u>	<u>\$ 526,972</u>
Current liabilities	\$ 3,107,498	\$ 2,792,654	\$ 2,691,135
Noncurrent liabilities	<u>17,503,039</u>	<u>18,322,229</u>	<u>18,996,516</u>
Total liabilities	<u>\$ 20,610,537</u>	<u>\$ 21,114,883</u>	<u>\$ 21,687,651</u>
Net position:			
Net investment in capital assets	\$ 2,444,016	\$ 1,308,462	\$ 1,079,712
Restricted for debt service	18,504,951	19,223,971	19,933,129
Restricted for capital improvements and maint.	2,750,037	2,118,114	1,536,807
Unrestricted	<u>425,356</u>	<u>543,601</u>	<u>755,345</u>
Total net assets	<u>\$ 24,124,360</u>	<u>\$ 23,194,148</u>	<u>\$ 23,304,993</u>

**2019**

**Assets**

Current assets increased \$250,089 or 21% from 2018 to 2019 primarily due to a 22% increase in cash and cash equivalents and a 35% increase in prepaid expenses year-over-year due to paying the club insurance premium for 2020 prior to yearend.

Restricted cash and cash equivalents increased \$645,833 or 31%. We collected \$1,932,640 throughout the year for capital and deferred assessments, including \$1,285,000 for construction of the new fitness center, interest earned and \$270,000 collected from new home purchases for the new owner capital fee. We also transferred 2018 surplus operating funds into restricted funds. We spent \$1,763,738 on capital and deferred maintenance projects throughout the year. Special assessments receivable decreased by \$750,000 from 2018 as expected as the bonds are paid down. Net capital assets increased \$357,970 or 2% due to the acquisition of additional assets, as well as the construction in progress of the fitness center and other capital projects.

Total assets increased \$478,234 or 1%, attributed to the decrease in special assessments receivable and the increase in capital assets, net.

**HERONS GLEN RECREATION DISTRICT**

**SEPTEMBER 30, 2019**

**MANAGEMENT DISCUSSION AND ANALYSIS OVERVIEW AND HISTORY**

**2019 (Continued)**

**Deferred Outflows of Resources**

Deferred outflows of resources includes the resulting loss recorded when the special assessment bonds were defeased in prior years. The amount is recorded as a deferred outflow of resources to be recognized as a component of interest expense systematically over the term of the debt.

**Liabilities**

Current liabilities increased overall by \$314,844 or 11%. Of this amount, \$170,499 was collected specifically for the fitness center construction but not spent for the project in 2019. Deferred revenue increased by \$72,080 or 6% for annual golf memberships and maintenance assessments. Accrued expenses differed by \$30,969 or 13% and was primarily made up of the 5% retainage being held back for the construction of the fitness center. Accounts payables outstanding at year end increased \$12,971 or 14%.

Noncurrent liabilities decreased \$819,190 or 4% due to the annual repayment of the bonds. The special assessment bonds payable decreases annually as principal payments are made.

Total liabilities decreased \$504,346 or 2% primarily due to the special assessment bonds payable.

**Net Position**

The District's total assets plus deferred outflow of resources exceeded total liabilities by \$24,124,360 at September 30, 2019. Net investment in capital assets increased by \$1,135,554 or 87% due to a combination of a reduction in debt and acquisition of additional assets. Unrestricted net position decreased by \$118,245 or 22%, while restricted for capital improvements and maintenance increased by \$631,923 or 30%. The major component of net position is restricted for debt service for the 2006 Special Assessment Bonds.

**2018**

**Assets**

Current assets decreased \$5,497 or .5% from 2017 to 2018 primarily due to writing off a significant amount of obsolete pro shop inventory at the end of the fiscal year as well as a \$10,735 decrease in prepaid expenses due to expensing the remainder of an annual payment for a golf course maintenance equipment lease. Cash and cash equivalents increased by \$17,972 and accounts receivable by \$27,580, primarily due to a refund in the amount of \$11,206 expected for golf clubs returned in 2018 that was not received until October as well as a sizeable memorial service for a member and one delinquent member account that has been delinquent for a year and a half.

Restricted cash and cash equivalents increased \$581,307 or 38.2% due to collecting \$544,840 for capital and deferred assessments throughout the fiscal year as well as the \$37,783 earned in interest, \$245,000 collected from new home purchases for the new owner capital fee, the transfer of surplus funds from operating for 2017 and the final insurance proceeds from the GM Hall debacle minus the \$504,981 spent on capital and deferred maintenance projects throughout the fiscal year. Special assessments receivable decreased by \$725,000 from 2017, as expected as the bonds are paid down. Net capital assets decreased \$441,146 or 2.1% due in part to fewer capital assets being added and an increasing amount of depreciation on existing assets as well as writing off the costs previously capitalized for the dumpster capital project that was abandoned.

Total assets decreased \$630,100 or 1.4%, attributed to the special assessments receivable and the decrease in capital assets, net.

**HERONS GLEN RECREATION DISTRICT**

**SEPTEMBER 30, 2019**

**MANAGEMENT DISCUSSION AND ANALYSIS OVERVIEW AND HISTORY**

**2018 (Continued)**

**Deferred Outflows of Resources**

Deferred outflows of resources includes the resulting loss recorded when the special assessment bonds were defeased in prior years. The amount is recorded as a deferred outflow of resources to be recognized as a component of interest expense systematically over the term of the debt.

**Liabilities**

Current liabilities increased overall by \$101,519 or 3.8% for the most part due to the increase in annual golf memberships and maintenance assessments paid in 2018 for the new fiscal year recorded in deferred revenue for a difference of \$81,459 or 7.1%. Accounts payables decreased \$8,003 or 7.7% due to the timing of payments.

Noncurrent liabilities decreased \$674,287 or 3.5% due to the annual repayment of the bonds. The special assessment bonds payable decreases annually as principal payments are made.

Total Liabilities decreased \$572,768 or 2.6% primarily due to the special assessment bonds payable.

**Net Position**

The District's total assets exceeded total liabilities by \$23,194,148 at September 30, 2018. Unrestricted net position decreased by \$211,744, while restricted for capital improvements and maintenance net position increased by \$581,307. The major component of net position is restricted for debt service for the 2006 Special Assessment Bonds.

The following shows a summary of the major sources and uses of cash and cash equivalents for the years ended September 30:

Cash flows from:	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Operating activities	\$ (50,753)	\$ 144,895	\$ 222,591
Non-capital financing activities	221,794	205,388	183,692
Financing activities	598,510	214,217	288,662
Investment activities	97,149	37,783	17,361
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net increase in cash and cash equivalents	\$ 866,700	\$ 602,283	\$ 712,306
Cash and cash equivalents beginning of year	3,546,182	2,943,899	2,231,593
Cash and cash equivalents end of year	<u>\$ 4,412,882</u>	<u>\$ 3,546,182</u>	<u>\$ 2,943,899</u>

**2019**

Cash and cash equivalents increased \$866,700 from 2018 to 2019. This is primarily attributed to the collection of the one-time capital reserve assessment for the construction of the fitness center.

**2018**

Cash and cash equivalents increased \$602,283 from 2017 to 2018. This is primarily attributed to an increase in maintenance assessments, golf memberships and new owner capital fees collected.

**HERONS GLEN RECREATION DISTRICT**

**SEPTEMBER 30, 2019**

**MANAGEMENT DISCUSSION AND ANALYSIS OVERVIEW AND HISTORY**

**Capital Asset Acquisitions**

In 2019, The District completed work on several projects in addition to purchasing fixtures and equipment totaling \$222,871 spent during the fiscal year, as follows:

Golf course equipment on capital lease	\$ 96,655
Clubhouse brick pavers	29,965
2 Club Car Carryall utility carts	12,628
2011 Kia Sedona van	10,572
Double convection oven	1,416
Shure audio equipment (receivers, microphones, body packs)	6,052
Ballroom mens restroom upgrade	33,221
Ballroom womens restroom upgrade	13,843
Admin building restrooms upgrade	4,325
Pro shop carpet	14,194
	<u>\$ 222,871</u>

Work in process (WIP) – a number of capital projects were continued from 2018 and new ones started during 2019. The total amount spent on the following projects during 2019 was \$1,217,754:

Sports area restroom project	\$ 15,693
Northstar Technologies new website design project	7,000
DR Horton 15 unplatted lots project	48,798
Common lot irrigation system (CLIS) project	18,285
Restaurant project	5,950
Fitness center construction project	1,060,529
Storage building construction project	17,975
Golf course renovation project	43,524
	<u>\$ 1,217,754</u>

A number of old assets were written off after a physical inventory of fixed assets totaling \$1,366,039 in preparation for migration to a new fixed assets program. Timely physical inventories of fixed assets had not been done consistently over the past 20 years since the inception of the Recreation District in 1999. We expect to write off a number of old pumps on the golf course and CLIS as well as some old fitness equipment no longer in use during 2020. This will complete the process to make a clean migration into the new program.



# HERONS GLEN RECREATION DISTRICT

SEPTEMBER 30, 2019

## MANAGEMENT DISCUSSION AND ANALYSIS OVERVIEW AND HISTORY

The following shows a summary of the deferred maintenance expenditures for the year ended September 30, 2019:

### 2018-2019 deferred maintenance budget vs actual review

<b>Deferred maintenance carryover from 2018 To be collected in 2019 Accumulated interest on deferred funds Resident small request fund from 2018 Donations</b>	\$			
	386,440			
	221,020			
	9,037			
	7,500			
	1,100			
	<u>\$ 625,097</u>			
		<b>Carryfwd from FY18</b>	<b>2019 Budget</b>	<b>Spent through 09/30/19</b>
Tree trimming throughout property & golf course	\$ 1,066	\$ 30,000	\$ 26,305	
Landscape (all recreation district facilities)		2,000		
Trees throughout property (replacement/removal)	6,287	2,000	10,438	
Seal parking lot (clubhouse - main and pro shop)	1,602	13,000	19,433	
Seal parking lot (club rear, west lot, lot at Palo Duro)	5,525	7,000	8,021	
Seal parking lot (fitness area)		3,000	-	
Seal parking lot (sports area)	1,015	2,000	3,015	
Seal golf course maintenance/CLIS building	5,836	10,000	6,058	
Cart/multi-use path (Via La Quinta to Kaidon Ln)	9,000	3,000		
Bridge (cart/walking)	1,581	-		
Cart path - golf course (concrete)	-	7,500		
Maintain seawalls (holes #1, #4 & #7)	-	3,000		
Clean clubhouse roof	3,604	3,000	6,000	
Clubhouse roof checkup and cracked tile repair	4,227	4,500	1,950	
Conservation easement maintenance (exotic removal)	6,600	7,000	14,283	
Palmetto trimming (includes pinestraw and disposal)	500	30,000	30,472	
Tint windows in restaurant/lounge/admin hall/pro shop	5,500	-	1,215	
Clubhouse facility improvements	20,000	10,000	24,942	
Replace fire sprinkler heads	-	2,000		
Thorguard maintenance		1,000	1,163	
Ballroom mens restroom upgrade (moved to capital)	24,270	-	-	
Ballroom womens restroom upgrade (moved to capital)		25,000	-	
Admin building restrooms upgrade (moved to capital)	10,000	-	-	
Pro shop bathrooms upgrade		5,000		
Sports area bathroom painting		3,000		
Flat roof over restaurant - maintenance	-	3,000	3,141	
Freezer refrigeration (floor repair)	5,000		4,934	
Ballroom divider	5,000			
Lake erosion - property	1,190	50,000	44,400	
Replace bubblers (\$2500 each - we own two)	181	-		
Replace fountains (\$3000 each - we own four)		3,000	2,952	
Clean, repair and seal all pool area pavers		5,800		
Pool re-marcite		65,000	76,754	
Spa re-marcite		7,500	7,500	
Furniture - replace loungers and chairs with brown	3,550	1,000	1,170	
Pool pipe/leak maintenance	610	2,500		
Paint - clubhouse - exterior	10,000	40,000	68,500	
Clubhouse exterior awnings - used for clubhouse painting		13,000		
Pro shop carpet (moved to capital)		10,000	-	
Ballroom dance floor - wood	17,000	-		
Ballroom lobby floor and hallway tile	11,557	-	3,443	
Paint - restaurant	183	-		
Paint - lounge	750	-		
Lounge hardwood floor replacement	14,903	-		
Irrigation pump repairs	3,330	6,000	25,811	
Drainage	4,500	3,000	7,495	
Paint pumphouses		1,500		
Pumphouse building maintenance		1,000		
Tennis wind screen	2,000	1,000	1,566	
Tennis nets (six)	1,800	-		
Pickleball court maintenance	2,000	2,000		
	<u>\$ 190,167</u>	<u>\$ 388,300</u>	<u>\$ 400,961</u>	

**HERONS GLEN RECREATION DISTRICT**

**SEPTEMBER 30, 2019**

**MANAGEMENT DISCUSSION AND ANALYSIS OVERVIEW AND HISTORY**

Deferred maintenance expenditures for the year ended September 30, 2019 (Continued):

	<i>Carryfwd from FY18</i>	<b>2019 Budget</b>	<b>Spent through 09/30/19</b>
<b><u>Items not in original budget but approved by Board:</u></b>			
Well repairs to aqua range lake			14,085
Alligator signs			2,279
Interior painting of pro shop (budgeted for 2018 but not done)			3,274
<b><u>Resident small requests - \$7500 approved from 2018 surplus</u></b>		7,500	2,547
<b>Total deferred expenditures</b>	<b>190,167</b>	<b>\$ 395,800</b>	<b>\$ 423,146</b>

# HERONS GLEN RECREATION DISTRICT

SEPTEMBER 30, 2019

## MANAGEMENT DISCUSSION AND ANALYSIS OVERVIEW AND HISTORY

### **Special Assessment Bonds**

The District levies special assessments to be collected by the Lee County Tax Collector for the payment of the current principal and interest portion of the bonds. These payments are then remitted by the Tax Collector to The District's trustee who, in turn, pays the bondholder. These payments are made in May and November of each year. The total payment made in 2019 was \$1,615,188. More detailed information on the bonds payable is presented in Note 5 to the financial statements.

### **Economic Factors and Future Impacts**

The economy in Southwest Florida is continuing to improve and the housing market continues to remain active in the community, with a total of 107 Herons Glen homes sold during the year. Investment earnings of \$85,799 more than doubled 2018 earnings of \$37,783. We continue to invest capital and deferred funds in the Florida Prime SBA Fund to take advantage of higher interest rates. We saw a 12% decrease in food and beverage revenues over 2018. Over the past year, based on our analysis, we have determined the average guest spent less on food by purchasing the casual dining menu item options as opposed to the more expensive dinner options. Golf membership stayed flat with no significant overall attrition. We saw an increase in non-resident memberships from 32 in 2018 to 49 in 2019 for a membership total of 585 compared to a total of 586 in 2018. The increase of \$43,642 year-over-year in membership revenue was due to the mix of membership types as well as the 1.9% increase in annual membership fees. The value at Herons Glen is evident and continues to be a driving force in the decision-making process for those moving into the area.

With the new owner capital fee in its fourth full year, The District collected \$270,000 from 90 owners new to Herons Glen at an increase of \$500 each over the previous year, a \$25,000 increase over 2018. A portion of the new owner capital fees help to maintain our emergency fund which is equal to the amount of our insurance deductible.

The District's delinquent account balance continues to be less than \$3,100. The District currently charges the annual maintenance assessment on the tax roll for any owner who is at least two quarters delinquent in their quarterly maintenance assessments at the time the tax roll is prepared. Based on historical data and the design of The District, the Board decided to lower the allowance for bad debt from \$39,847 to \$1,000 in 2019. Management and outside counsel believe this is adequate for bad debt.

We carefully watch The District's performance compared with budget and make changes to alleviate potential problems before they arise.

### **Contacting The District's Controller**

The financial report is designed to provide a general overview of The District's finances and to demonstrate The District's accountability for the money it receives. If you have questions about this report or require additional financial information, please contact The District Controller at 2250 Herons Glen Blvd., N. Ft. Myers, FL 33917.

Sincerely,

*Lynn E. Garcia*

Lynn E. Garcia, Controller  
Herons Glen Recreation District

**PART I. FINANCIAL SECTION**

**HERONS GLEN RECREATION DISTRICT**

**STATEMENTS OF NET POSITION**

**SEPTEMBER 30, 2019 AND 2018**

<b>ASSETS</b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,112,543	\$ 909,375
Accounts receivable, net	53,624	37,976
Inventories	69,689	84,937
Prepaid expenses	179,164	132,643
<b>Total Current Assets</b>	<b><u>1,415,020</u></b>	<b><u>1,164,931</u></b>
<b>NONCURRENT ASSETS</b>		
Restricted assets		
Cash and cash equivalents	2,750,037	2,104,204
Cash equivalents with fiscal agent	550,302	532,603
Special assessments receivable	18,301,863	19,051,863
	<u>21,602,202</u>	<u>21,688,670</u>
Capital assets, net	20,854,769	20,496,799
Unamortized prepaid bond insurance costs, net	443,577	486,242
Deposits, net	(1,762)	(1,070)
<b>Total Noncurrent Assets</b>	<b><u>42,898,786</u></b>	<b><u>42,670,641</u></b>
<b>Total Assets</b>	<b><u>44,313,806</u></b>	<b><u>43,835,572</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows on refunding bond	421,091	473,459
<b>Total Deferred Outflows</b>	<b><u>421,091</u></b>	<b><u>473,459</u></b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	108,421	95,450
Accrued expenses	268,536	237,567
Unearned revenue	1,305,114	1,233,034
Unearned capital reserve assessment – fitness center	170,499	0
Accrued interest	347,214	360,495
Obligations under capital lease, current portion	117,714	116,108
Special assessment bonds payable, current portion	790,000	750,000
<b>Total Current Liabilities</b>	<b><u>3,107,498</u></b>	<b><u>2,792,654</u></b>
<b>NONCURRENT LIABILITIES</b>		
Obligations under capital lease, net of current portion	180,883	223,813
Special assessment bonds payable, net of unamortized discount	17,322,156	18,098,416
<b>Total Noncurrent Liabilities</b>	<b><u>17,503,039</u></b>	<b><u>18,322,229</u></b>
<b>Total Liabilities</b>	<b><u>20,610,537</u></b>	<b><u>21,114,883</u></b>
<b>NET POSITION</b>		
Net investment in capital assets	2,444,016	1,308,462
Restricted for debt service	18,504,951	19,223,971
Restricted for capital improvements and maintenance	2,750,037	2,118,114
Unrestricted	425,356	543,601
<b>Total Net Position</b>	<b><u>\$ 24,124,360</u></b>	<b><u>\$ 23,194,148</u></b>

The accompanying notes are an integral part of these financial statements.

**HERONS GLEN RECREATION DISTRICT**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUES</b>		
Operating assessments	\$ 2,030,135	\$ 1,967,277
Members fees	1,334,738	1,291,096
Other user fees	410,622	387,821
Pro shop operations, net	31,641	8,003
Restaurant operations, net	655,877	752,234
Rental and other, net	244,165	198,045
<b>Total operating revenues</b>	<u>4,707,178</u>	<u>4,604,476</u>
<b>OPERATING EXPENSES</b>		
Salaries and wages	2,398,247	2,425,681
Operating supplies	613,045	615,516
Depreciation	911,110	905,731
General and administration	341,169	350,992
Utilities	297,952	297,627
Repair and maintenance	603,708	508,814
Professional fees	124,644	118,891
Insurance	158,681	147,848
Other contractual services	193,742	184,644
Rental and leases	98,049	33,452
Office expense and other miscellaneous expenses	50,342	46,491
<b>Total operating expenses</b>	<u>5,790,689</u>	<u>5,635,687</u>
<b>Operating loss</b>	(1,083,511)	(1,031,211)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment earnings	85,799	37,783
Interest and amortization expense	(960,678)	(994,449)
Special assessments interest	930,380	952,949
Capital reserve assessments and new owner capital fees	696,618	584,186
Capital reserve assessment - fitness center	1,114,501	0
Deferred maintenance assessments	221,024	205,566
Net loss on disposal of capital assets	(160,195)	(14,633)
Insurance proceeds	0	71,825
Miscellaneous other non-operating income, net	86,274	77,139
<b>Total non-operating revenues (expenses)</b>	<u>2,013,723</u>	<u>920,366</u>
<b>Change in net position</b>	930,212	(110,845)
<b>Total net position, beginning</b>	<u>23,194,148</u>	<u>23,304,993</u>
<b>Total net position, ending</b>	<u>\$ 24,124,360</u>	<u>\$ 23,194,148</u>

The accompanying notes are an integral part of these financial statements.

# HERONS GLEN RECREATION DISTRICT

## STATEMENTS OF CASH FLOWS

### FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from operating assessments	\$ 2,006,319	\$ 1,943,482
Cash received from members	1,420,866	1,358,988
Cash received from other users	410,622	387,821
Cash received from pro shop and restaurant operations	1,157,355	1,318,154
Cash received from rents and contracted services	290,170	251,258
Cash received from insurance proceeds	0	71,825
Miscellaneous and other cash receipts	86,274	75,139
Cash payments to suppliers	(3,020,357)	(2,831,868)
Cash payments to employees for payroll	<u>(2,402,002)</u>	<u>(2,429,904)</u>
Net cash (used in) provided by operating activities	<u>(50,753)</u>	<u>144,895</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Collection of deferred maintenance assessments	<u>221,794</u>	<u>205,388</u>
Net cash provided by non-capital and financing activities	<u>221,794</u>	<u>205,388</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	(1,299,203)	(259,166)
Collection of special assessment principal and interest	1,680,380	1,677,949
Collection of capital reserve assessments	415,498	350,454
Collection of capital reserve assessment – fitness center	1,285,000	0
Collection of new owner capital fees	270,000	245,000
Interest paid on special assessment bonds	(865,186)	(895,999)
Principal paid on special assessment bonds	(750,000)	(725,000)
Interest paid on obligations under capital lease	(18,171)	(13,668)
Principal paid on obligation under capital lease	<u>(119,808)</u>	<u>(165,353)</u>
Net cash provided by capital and related financing activities	<u>598,510</u>	<u>214,217</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from the sale of capital assets	11,350	0
Investment earnings	<u>85,799</u>	<u>37,783</u>
Net cash provided by investing activities	<u>97,149</u>	<u>37,783</u>
Net increase in cash and cash equivalents	<u>866,700</u>	<u>602,283</u>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>3,546,182</u>	<u>2,943,899</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 4,412,882</u>	<u>\$ 3,546,182</u>

The accompanying notes are an integral part of these financial statements.

**HERONS GLEN RECREATION DISTRICT**

**STATEMENTS OF CASH FLOWS (Continued)**

**FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS:</b>		
Cash included in current assets:		
Cash and cash equivalents	\$ 1,112,543	\$ 909,375
Cash included in noncurrent assets:		
Restricted cash:		
Cash and cash equivalents	2,750,037	2,104,204
Cash equivalents with fiscal agent	<u>550,302</u>	<u>532,603</u>
Total cash and cash equivalents	<u>\$ 4,412,882</u>	<u>\$ 3,546,182</u>
<b>SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITY:</b>		
Purchase of capital assets through capital leases	<u>\$ 96,255</u>	<u>\$ 220,052</u>
Purchase of capital assets through accounts payable and accrued expenses	<u>\$ 44,767</u>	<u>\$ 0</u>
	<u>2019</u>	<u>2018</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (1,083,511)	\$ (1,031,211)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	911,110	905,731
Insurance proceeds	0	71,825
Miscellaneous other non-operating income, net	86,274	77,139
Changes in assets and liabilities:		
(Increase) in accounts receivable	(15,648)	(27,580)
Decrease in inventories	15,248	40,314
(Increase) decrease in prepaid expense	(46,521)	10,735
Decrease (increase) in deposits, net	692	(934)
(Decrease) increase in accounts payable and accrued expenses	(827)	28,507
Increase in unearned revenue	<u>82,430</u>	<u>70,369</u>
Total adjustments	<u>1,032,758</u>	<u>1,176,106</u>
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ (50,753)</u>	<u>\$ 144,895</u>

The accompanying notes are an integral part of these financial statements.

# **HERONS GLEN RECREATION DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019 AND 2018**

### **NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Reporting Entity**

Mission Statement: Herons Glen Recreation District is a Florida Special District, a community that provides quality recreation activities, and programs for all residents. We strive to provide excellent financial value and well-maintained facilities to satisfy residents' varied interests and promote healthy lifestyles.

Vision Statement: Continue to be one of the premier active adult communities in Southwest Florida providing an excellent value for our current and future residents.

The Lee County Board of County Commissioners, pursuant to Lee County Ordinance Number 98-08 and provisions of Chapter 418, Florida Statutes, established the District on April 28, 1998. The District owns and operates an 18-hole golf course and related practice facilities, a clubhouse, restaurant, pro shop, and other recreation facilities located in Lee County, Florida. The District acquired the recreation facilities on June 1, 1999. A five-member Board of Supervisors governs the District. The accounting policies of Herons Glen Recreation District conform with accounting principles generally accepted in the United States of America as applicable to governments.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District 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.

#### **Summary of Significant Accounting Policies**

The following is a summary of the more significant accounting policies used in the preparation of these financial statements.

#### **Basis of Accounting**

Basis of Accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The District uses the accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Fund Accounting*, the District has elected not to apply accounting standards issued after November 30, 1989, by the Financial Accounting Standards Board.

# **HERONS GLEN RECREATION DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019 AND 2018**

### **NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Bond Discount and Prepaid Bond Insurance Costs**

Bond discount and prepaid bond insurance costs are amortized over the life of the bonds using the effective interest method. Special assessment bonds payable are shown net of unamortized discount premium whereas prepaid bond insurance costs are recorded as other assets.

#### **Budgetary Process**

On September 5, 2018 and September 6, 2017, the Board of Supervisors adopted the annual operating budgets for fiscal years 2019 and 2018, respectively, for the District. These budgets cover the periods October 1, 2018 through September 30, 2019, and October 1, 2017 through September 30, 2018, respectively, and include the estimated operating expenses for these periods and the means of financing them. The budgets are prepared on a basis, which is consistent with modified accrual basis, not necessarily in accordance with generally accepted accounting principles. The budget amounts presented in the required supplementary information are as originally adopted, unless subsequently amended, by the District's Board of Supervisors. These amounts are reconciled from the modified accrual budget basis to a basis in accordance with generally accepted accounting principles. Budgetary control is established by the District through the appropriated budget.

#### **Cash and Investments**

For purposes of the statements of cash flows, the District considers all highly liquid investments (including restricted cash assets) with a maturity of three months or less when purchased to be cash equivalents. In addition, the District's investment in the Local Government Surplus Funds Trust Fund (labeled as "Florida PRIME") Investment Pool is considered a cash equivalent and is reported as such on the statement of net position. The investment in the Florida PRIME fund is recorded at a stable net asset value (NAV) per share, which approximates the fair value of the investment.

When both restricted and unrestricted resources are available, restricted resources will be used first for eligible incurred expenses, and then use unrestricted resources, as needed.

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair values of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

All investments held by the District at September 30, 2019 and 2018, respectively, are in First American Government Obligations Fund. Investments are recorded at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (Level 1 inputs). Money market funds and short-term investments in the First American Government Obligation Fund are recorded at the net asset value (NAV) per share. This method of determining fair value uses member units to which a proportionate share of net assets is attributed.

#### **Restricted Cash and Cash Equivalents**

Restricted cash and cash equivalents consist of amounts set aside by the District for capital improvements, deferred maintenance, emergencies and other projects.

#### **Concentration of Credit Risk**

The District places no limit on the amount it may invest in any one issuer. All the District's investments are held in the First American Government Obligations Fund.

**HERONS GLEN RECREATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019 AND 2018**

**NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounts Receivable**

Accounts receivable is carried at the original charge amount less an estimate made for doubtful receivables. An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days.

Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience, adjusted for the current economic climate. Accounts receivable are written off when deemed uncollectible.

**Inventories**

Inventories consist of restaurant food, beverage and pro shop merchandise and are valued at the lower of cost (using the last cost paid or average weighted cost method) or net realizable value.

**Capital Assets**

Property, plant, and equipment are recorded at costs or estimated historical cost. The threshold for capitalization is \$5,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. The ranges of the useful lives are as follows

<u>Assets</u>	<u>Years</u>
Clubhouse	30
Pool and related amenities	30
Golf course	30
Common lot irrigation system	15 - 30
Tennis and shuffleboard courts	30
Fixtures and equipment	3 - 15

The costs of normal maintenance and repairs which do not add to the value of the asset or materially extend assets lives are not capitalized. The District capitalized major expenditures for additions and improvements. Expenditures for maintenance and repairs are charged to expense as incurred.

**Deferred Inflows of Resources and Outflows of Resources Related to Refunding Bonds**

The difference between the reacquisition price (new debt) and the net carrying value of the old debt on refunded debt transactions is recorded as a deferred outflow of resources and recognized as a component of expense using the effective interest method over the shorter of the remaining life of the old debt or the new debt.

**Unearned Revenue**

Unearned revenue represents payments received by the District prior to September 30, 2019 or 2018, respectively, for amounts to be recognized as revenues during future periods. The unearned revenue consists primarily of prepaid maintenance fees and golf club dues and fees.

# **HERONS GLEN RECREATION DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019 AND 2018**

### **NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Measurement Focus**

The District's operations are accounted for on an "economic resources" measurement focus. Accordingly, all assets and liabilities are included on its statements of net position, and the reported net position (total reported assets plus deferred outflows of resources less total reported liabilities) provide an indication of the economic net worth of the District. The operating statement for the District reports increases (revenues) and decreases (expenses) in total economic net worth.

#### **Net Position**

Net position is categorized as net investment in capital assets, restricted and unrestricted. Restriction of net position indicates amounts that are limited for a specific purpose. Restricted for debt service indicates that portion which has been set aside for future debt service payments. Restricted for capital improvements and maintenance indicates that portion of net position which has been set aside for future capital improvements. Unrestricted net position indicates that portion which is available for budgeting in future periods.

#### **Revenue and Expenses**

##### **Operating Revenues and Expenses**

Operating revenues and expenses are those that result from providing and delivering goods and/or services. It also includes all revenue and expenses not related to financing or investing activities.

##### **Non-operating Revenues and Expenses**

Non-operating revenues and expenses represent revenue and expense items that are not incurred from the normal user activity of the District. This classification primarily includes revenue received from investments, interest, capital reserve assignments, capital assessments and deferred maintenance assessments.

#### **Risk Management**

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; and natural disasters. Insurance coverage for such losses is purchased from third-party carriers. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There was no such type of occurrence during fiscal 2019 or 2018, respectively.

#### **Use of Estimates**

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

#### **Reclassifications**

Certain reclassifications have been made to the 2018 financial statements in order for them to be in conformity with the 2019 financial statements. Such reclassifications did not result in any net changes to 2018 total net position or changes in net position.

#### **Subsequent Events**

The District has evaluated subsequent events through January 21, 2020, the date on which the financial statements were available to be issued. No matters requiring disclosure were identified.

**HERONS GLEN RECREATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019 AND 2018**

**NOTE 2 - CASH AND INVESTMENTS**

**Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. In accordance with its policy, all District depositories are banks designated by the Florida State Treasurer as qualified public depositories. Chapter 280 of the Florida Statutes, "Florida Security for Public Deposits Act," provides procedures for public depositories to ensure public monies in banks and saving and loans are collateralized with the Treasurer as agent for the public entities. Chapter 280 defines deposits as demand accounts, time deposit accounts, and nonnegotiable certificates of deposit.

Financial institutions qualifying as public depositories shall deposit with the Florida State Treasurer eligible collateral pursuant to the specific requirements provided in Chapter 280. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof, and therefore the District is not exposed to custodial credit risk.

The amounts covered under Chapter 280 for the fiscal years ended September 30, 2019 and September 30, 2018 were \$3,862,580 and \$3,013,579, respectively.

**Investments**

As of September 30, 2019, the District had the following investments:

<b><u>Investment Type</u></b>	<b><u>Fair Value</u></b>	<b><u>Investment Maturities</u></b>	
		<b><u>Less Than One Year</u></b>	<b><u>More Than One Year</u></b>
First American Government Obligation Fund CI Y	\$ 550,302	\$ 550,302	\$ 0
	\$ 550,302	\$ 550,302	\$ 0

As of September 30, 2018, the District had the following investments:

<b><u>Investment Type</u></b>	<b><u>Fair Value</u></b>	<b><u>Investment Maturities</u></b>	
		<b><u>Less Than One Year</u></b>	<b><u>More Than One Year</u></b>
First American Government Obligation Fund CI Y	\$ 532,603	\$ 532,603	\$ 0
	\$ 532,603	\$ 532,603	\$ 0

**HERONS GLEN RECREATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019 AND 2018**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

In accordance with its policy, the District is authorized to make investments in: direct obligations of the U.S. Treasury; interest-bearing time deposits or savings accounts in qualified public depositories; Certificate of Deposit Account Registry Service (CDARS); and Securities and Exchange Commission registered money market funds with the Local Government Surplus Funds Trust Fund administered by the Florida State Board of Administration. The District's bond resolutions provide similar limitations on authorized investment securities.

Cash and cash equivalent balances may include investments in short term United States Treasury Bills. United States Treasury Bills are guaranteed by the U.S. government, as such, the disclosures for credit risk, custodial credit risk, concentration of credit risk and foreign currency risk are not applicable. The District does not have a formal policy limiting investment interest rates.

Cash and cash equivalents with fiscal agent are comprised of Securities and Exchange Commission registered money market funds that are not evidenced by securities that exist in physical or book form and, therefore, disclosures for concentration of credit risk, custodial credit risk and interest rate risk are not applicable. As for credit risk, the fund is rated AAA by Moody's Investors Service.

The District was a participant in the Local Government Surplus Funds Trust Fund (labeled as "Florida PRIME") Investment Pool totaling \$2,489,783 and \$972,827 as of September 30, 2019 and 2018, respectively, whereby the District owned a share of the respective pool, not the underlying securities. Information regarding the investment policies of the Florida PRIME fund is available at the Florida State Board of Administration's website at [www.sbafla.com](http://www.sbafla.com). Florida PRIME is rated by Standard and Poor's and the rating as of June 30, 2019 (the most recent available financial statements for Florida PRIME) was AAAM. As of June 30, 2019, there were no redemption fees or maximum transaction amounts, or any other requirements which would limit the District's daily access to one hundred percent of its account balance with Florida PRIME.

**NOTE 3 - RESTRICTED ASSETS**

Assets were restricted for the following purposes at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Debt service – special assessment bonds	\$ 18,301,863	\$ 19,051,863
Restricted for interest and principal	550,302	518,693
Renewal and replacement	0	13,910
Capital improvements	1,262,421	410,536
Intermediate capital fund	519,651	0
Capital improvements – fitness center	222,342	0
Deferred maintenance	187,136	446,168
Emergency fund	300,569	985,109
Projects and other	<u>257,918</u>	<u>262,391</u>
	<u>\$ 21,602,202</u>	<u>\$ 21,688,670</u>

**HERONS GLEN RECREATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019 AND 2018**

**NOTE 4 - CAPITAL ASSETS, NET**

Capital asset activity for the years ended September 30, 2019 and 2018 was as follows:

	<b><u>BALANCE SEPT. 30, 2018</u></b>	<b><u>ADDITIONS</u></b>	<b><u>OTHER</u></b>	<b><u>BALANCE SEPT. 30, 2019</u></b>
Capital assets, not being depreciated:				
Land and site improvements	\$ 13,930,722	\$ 0	\$ 0	\$ 13,930,722
Small equipment not capitalized	83,860	0	(7,107)	76,753
Work in progress	<u>129,558</u>	<u>1,217,754</u>	<u>(67,385)</u>	<u>1,279,927</u>
Total capital assets, not being depreciated	<u>14,144,140</u>	<u>1,217,754</u>	<u>(74,492)</u>	<u>15,287,402</u>
Capital assets, being depreciated:				
Equipment on capital lease	2,059,423	96,655	(450,635)	1,705,443
Original purchase	2,562,418	0	(2,484)	2,559,934
Equipment	2,844,574	30,668	(538,823)	2,336,419
Common lot irrigation system	1,899,669	0	(4,437)	1,895,232
Property and improvements	8,496,086	95,548	(445,425)	8,146,209
Computer software	<u>36,123</u>	<u>0</u>	<u>(18,496)</u>	<u>17,627</u>
Total capital assets being depreciated	<u>17,898,293</u>	<u>222,871</u>	<u>(1,460,300)</u>	<u>16,660,864</u>
Less accumulated depreciation for:				
Equipment on capital lease	1,656,296	136,705	(454,939)	1,338,062
Original purchase	1,727,318	78,614	(2,484)	1,803,448
Equipment	1,837,106	150,425	(519,601)	1,467,930
Common lot irrigation system	1,074,076	73,969	(3,785)	1,144,260
Property and improvements	5,232,342	471,397	(363,942)	5,339,797
Computer software	<u>18,496</u>	<u>0</u>	<u>(18,496)</u>	<u>0</u>
Total accumulated depreciation	<u>11,545,634</u>	<u>911,110</u>	<u>(1,363,247)</u>	<u>11,093,497</u>
Total capital assets, being depreciated, net	<u>6,352,659</u>	<u>(688,239)</u>	<u>(97,053)</u>	<u>5,567,367</u>
Total capital assets, net	<u>\$ 20,496,799</u>	<u>\$ 529,515</u>	<u>\$ (171,545)</u>	<u>\$ 20,854,769</u>

Work in progress totaling \$1,279,927 as of September 30, 2019 primarily included spending for the District's new fitness facility which will be completed in the District's 2020 fiscal year.

**HERONS GLEN RECREATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019 AND 2018**

**NOTE 4 - CAPITAL ASSETS, NET (Continued)**

	<u>BALANCE</u> <u>SEPT. 30,</u> <u>2017</u>	<u>ADDITIONS</u>	<u>OTHER</u>	<u>BALANCE</u> <u>SEPT. 30,</u> <u>2018</u>
Capital assets, not being depreciated:				
Land and site improvements	\$ 13,908,373	\$ 22,349	\$ 0	\$ 13,930,722
Small equipment not capitalized	83,860	0	0	83,860
Work in progress	<u>14,627</u>	<u>129,558</u>	<u>(14,627)</u>	<u>129,558</u>
Total capital assets, not being depreciated	<u>14,006,860</u>	<u>151,907</u>	<u>(14,627)</u>	<u>14,144,140</u>
Capital assets, being depreciated:				
Equipment on capital lease	1,848,412	220,052	(9,041)	2,059,423
Original purchase	2,562,418	0	0	2,562,418
Equipment	2,771,856	107,259	(34,541)	2,844,574
Common lot irrigation system	1,899,669	0	0	1,899,669
Property and improvements	8,496,086	0	0	8,496,086
Computer software	<u>36,123</u>	<u>0</u>	<u>0</u>	<u>36,123</u>
Total capital assets being depreciated	<u>17,614,564</u>	<u>327,311</u>	<u>(43,582)</u>	<u>17,898,293</u>
Less accumulated depreciation for:				
Equipment on capital lease	1,525,103	140,234	(9,041)	1,656,296
Original purchase	1,648,692	78,626	0	1,727,318
Equipment	1,722,466	149,175	(34,535)	1,837,106
Common lot irrigation system	999,881	74,195	0	1,074,076
Property and improvements	4,768,841	463,501	0	5,232,342
Computer software	<u>18,496</u>	<u>0</u>	<u>0</u>	<u>18,496</u>
Total accumulated depreciation	<u>10,683,479</u>	<u>905,731</u>	<u>(43,576)</u>	<u>11,545,634</u>
Total capital assets, being depreciated, net	<u>6,931,085</u>	<u>(578,420)</u>	<u>(6)</u>	<u>6,352,659</u>
Total capital assets, net	<u>\$ 20,937,945</u>	<u>\$ (426,513)</u>	<u>\$ (14,633)</u>	<u>\$ 20,496,799</u>

**NOTE 5 - SPECIAL ASSESSMENT BONDS**

Bonds payable consisted of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Special Assessment Bonds:		
\$26,040,000 Series 2006 bonds, maturing serially through 2036, interest at 4.25% to 4.625%, collateralized by the pledged revenues of special assessments levied against benefited property owners, payable November 1 and May 1, respectively.	<u>\$ 18,255,000</u>	<u>\$ 19,005,000</u>

**HERONS GLEN RECREATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019 AND 2018**

**NOTE 5 - SPECIAL ASSESSMENT BONDS (Continued)**

The following is a summary of changes in bond payable for the fiscal years ended September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Bonds payable at October 1	\$ 19,005,000	\$ 19,730,000
Principal retired	<u>(750,000)</u>	<u>(725,000)</u>
Bonds payable at September 30	18,255,000	19,005,000
Less: unamortized discount	<u>(142,844)</u>	<u>(156,584)</u>
Bonds payable at September 30, net	18,112,156	18,848,416
Less: amount recorded as current liability	<u>(790,000)</u>	<u>(750,000)</u>
	<u>\$ 17,322,156</u>	<u>\$ 18,098,416</u>

At September 30, 2019, the scheduled future debt service requirements on the District's outstanding Bonds are as follows:

<u>YEAR ENDING SEPTEMBER 30</u>	<u>BONDS</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2020	\$ 790,000	\$ 833,313	\$ 1,623,313
2021	825,000	798,750	1,623,750
2022	860,000	762,656	1,622,656
2023	895,000	725,031	1,620,031
2024	940,000	684,756	1,624,756
2025	975,000	642,456	1,617,456
2026-2030	5,470,000	2,500,844	7,970,844
2031-2035	6,105,000	1,195,100	7,300,100
2036	<u>1,395,000</u>	<u>64,519</u>	<u>1,459,519</u>
Total	18,255,000	<u>\$ 8,207,425</u>	<u>\$ 26,462,425</u>
Less: Unamortized discount	<u>(142,844)</u>		
	<u>\$ 18,112,156</u>		

**Significant Bond Provisions**

The District is to levy special assessments, pursuant to Section 197.3632 of the Florida Statutes, to the assessment rolls approved by resolutions of the District. The collections of such assessments are to be accounted for and applied to the debt service of the bond series for which they were levied. The District covenants permit it to levy special assessments in annual amounts adequate to provide for payment of principal and interest on the bonds. However, payment of principal and interest on the bonds is dependent on the money available in the Debt Service Accounts and the District's ability to collect special assessments levied.

**HERONS GLEN RECREATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019 AND 2018**

**NOTE 5 - SPECIAL ASSESSMENT BONDS (Continued)**

**Significant Bond Provisions (Continued)**

The Bonds are subject to mandatory redemption at par on a schedule of annual redemptions. The District may redeem the Bonds at par prior to scheduled maturity from the proceeds of any assessments prepaid in full or monies received as a result of condemnation or destruction of the project. The Indenture provides for a Bond Revenue Fund, which shall be held by the Trustee, separate and apart from all other funds for the purpose of depositing special assessment collections.

**NOTE 6 - PRIOR-YEAR DEFEASANCE OF DEBT**

In prior years, the District defeased certain special assessments bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the District's financial statements. At September 30, 2019, \$16,395,000 of bonds outstanding are considered defeased.

**NOTE 7 - SPECIAL ASSESSMENTS**

The District levied an operating special assessment for the fiscal years ended September 30, 2019 and 2018. The assessment levied upon the taxable property for the fiscal years ended September 30, 2019 and 2018, was \$1,294 each year per unit.

In August 2006, the District levied debt service special assessments in the amount of \$26,040,000, relating to the Series 2006 Bonds. The Series 2006 Bond special assessments outstanding as of September 30, 2019 and 2018 totaled \$18,255,000 and \$19,005,000, respectively.

The annual installment of special assessment for debt service are levied on October 1 of each year, after formal adoption of the District's budget, and are due and payable upon receipt of the notice of levy. The Lee County, Florida Tax Collector's office bills and collects debt service special assessments on behalf of the District.

**NOTE 8 - CAPITAL RESERVE ASSESSMENT - FITNESS CENTER**

During the year ended September 30, 2019, the District levied and collected an additional capital reserve assessment of \$1,000 from each unit, totaling \$1,285,000, to be specifically used for the construction of a new fitness center for the community. As of September 30, 2019, the District had spent \$1,114,501 for the new fitness center, which is expected to be completed in 2020. This amount was included in work in progress (see Note 4) as of September 30, 2019. The portion of the additional capital reserve assessment spent for the fitness center through September 30, 2019 was recorded as non-operating revenue in the statement of revenues, expenses and changes in net position for the year ended September 30, 2019. The remaining to be spent for the project totaling \$170,499 is recorded as unearned capital reserve assessment – fitness center in the statement of net position as of September 30, 2019, to be recognized by the District in 2020.

**HERONS GLEN RECREATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019 AND 2018**

**NOTE 9 - OTHER OPERATING REVENUES, NET**

The District's "Other Operating Revenues, Net" are comprised of the following three segments for the fiscal years ended September 30, 2019 and 2018:

	<u>Pro Shop Operations</u>	<u>Restaurant Operations</u>	<u>Rental and Other Operations</u>	<u>Total</u>
September 30, 2019:				
Sales	\$ 97,310	\$ 1,055,575	\$ 290,170	\$ 1,443,055
Cost of Sales	<u>65,669</u>	<u>399,698</u>	<u>46,005</u>	<u>511,372</u>
Gross Profit	<u>\$ 31,641</u>	<u>\$ 655,877</u>	<u>\$ 244,165</u>	<u>\$ 931,683</u>
	<u>Pro Shop Operations</u>	<u>Restaurant Operations</u>	<u>Rental and Other Operations</u>	<u>Total</u>
September 30, 2018:				
Sales	\$ 114,487	\$ 1,202,975	\$ 251,258	\$ 1,568,720
Cost of Sales	<u>106,484</u>	<u>450,741</u>	<u>53,213</u>	<u>610,438</u>
Gross Profit	<u>\$ 8,003</u>	<u>\$ 752,234</u>	<u>\$ 198,045</u>	<u>\$ 958,282</u>

**NOTE 10 - LEASES**

The District is committed under various capital leases. Equipment capitalized under such leases had an original cost of \$1,705,443 and accumulated depreciation of \$1,338,062 at September 30, 2019. The minimum annual lease payments for these capital leases are as follows:

Fiscal Years Ending <u>September 30,</u>	
2020	\$ 132,544
2021	98,777
2022	69,792
2023	<u>26,132</u>
	327,245
Less interest	<u>(28,648)</u>
Principal balance of capital leases (current portion of \$117,714)	<u>\$ 298,597</u>

The District leases equipment under non-cancelable operating leases, which expire through June 2024. Total expenses for these operating leases were approximately \$59,000 and \$56,000 for the years ended September 30, 2019 and 2018, respectively. The minimum rental commitment for these leases is as follows:

Fiscal Years Ending <u>September 30,</u>	
2020	\$ 59,611
2021	49,757
2022	30,860
2023	16,842
2024	<u>6,120</u>
Total	<u>\$ 163,190</u>

**HERONS GLEN RECREATION DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019 AND 2018**

**NOTE 11 - EMPLOYEE BENEFIT PLAN**

Effective October 1, 2004 the District implemented the Herons Glen Recreation District Retirement Savings Plan, a defined contribution pension plan, for the benefit of its employees. The plan is for all employees who meet certain eligibility provisions and is administered through the Professional Employment Organization. District contributions to the plan are discretionary. The employer contributions to the Plan for the fiscal years ended September 30, 2019 and 2018, were \$24,135 and \$23,288, respectively. Employee contributions were \$38,004 and \$34,395, for the fiscal years ended September 30, 2019 and 2018, respectively. The District has reserved the right to establish and amend all plan provisions. The contribution requirements of plan members and the District are established and may be amended by the District.

**NOTE 12 - CONSTRUCTION COMMITMENTS**

There were no outstanding construction commitments as of September 30, 2019 or 2018, respectively, except for the ongoing construction contract, originally totaling approximately \$1.1 million with approximately \$100,000 remaining as of September 30, 2019, to construct a new fitness facility. The fitness center is anticipated to be completed during 2020.

**NOTE 13 - OTHER POST EMPLOYMENT BENEFITS**

In accordance with Section 112.0801, Florida Statutes, if the District provides any insurance plans to employees of the District and their eligible dependents, the District is also required to provide retirees the opportunity to participate in the group employee health plan. However, employees do not participate in any retirement plan while employed with the District and therefore are not eligible to continue on the District's insurance plans upon retirement. Consequently, there is no OPEB liability for the District at September 30, 2019 or 2018, respectively.

**PART II. REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**

**HERONS GLEN RECREATION DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**NON-GAAP BUDGETARY BASIS AND ACTUAL**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
<b>REVENUES</b>				
<b>OPERATING REVENUES</b>				
Operating assessments	\$ 2,027,646	\$ 2,027,646	\$ 2,030,135	\$ 2,489
Members fees	1,301,909	1,301,909	1,334,738	32,829
Other users fees	407,728	407,728	410,622	2,894
Other	<u>1,704,029</u>	<u>1,704,029</u>	<u>1,443,055</u>	<u>(260,974)</u>
Net operating revenues	5,441,312	5,441,312	5,218,550	(222,762)
<b>NON-OPERATING REVENUES</b>				
Investment earnings	23,374	23,374	85,799	62,425
Capital reserve assessment & new owner capital fees	426,620	426,620	696,618	269,998
Special capital reserve assessment - fitness center	1,285,000	1,285,000	1,114,501	(170,499)
Deferred maintenance assessment	<u>221,020</u>	<u>221,020</u>	<u>221,024</u>	<u>4</u>
Total non-operating revenues	<u>1,956,014</u>	<u>1,956,014</u>	<u>2,117,942</u>	<u>161,928</u>
<b>TOTAL REVENUES</b>	<u>7,397,326</u>	<u>7,397,326</u>	<u>7,336,492</u>	<u>(60,834)</u>
<b>EXPENSES</b>				
<b>OPERATING EXPENSES</b>				
Salaries and wages	2,713,382	2,713,382	2,398,247	315,135
Operating supplies	604,353	604,353	613,045	(8,692)
Cost of sales	587,545	587,545	511,372	76,173
General and administrative	308,174	308,174	276,358	31,816
Utilities	310,337	310,337	297,952	12,385
Repair and maintenance	184,615	184,615	180,564	4,051
Professional fees	116,885	116,885	124,644	(7,759)
Insurance	168,477	168,477	158,681	9,796
Other contractual services	194,344	194,344	193,742	602
Rentals and leases	230,459	230,459	98,049	132,410
Office expense and other miscellaneous	<u>46,100</u>	<u>46,100</u>	<u>50,342</u>	<u>(4,242)</u>
Operating expenses	5,464,671	5,464,671	4,902,996	561,675
Capital outlay	<u>192,732</u>	<u>1,521,255</u>	<u>1,440,625</u>	<u>80,630</u>
<b>TOTAL EXPENSES</b>	<u>5,657,403</u>	<u>6,985,926</u>	<u>6,343,621</u>	<u>642,305</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 1,739,923</u>	<u>\$ 411,400</u>	<u>\$ 992,871</u>	<u>\$ 581,471</u>

**RECONCILIATION OF BUDGETARY BASIS TO GAAP:**

<b>CHANGE IN NET POSITION – BUDGETARY BASIS</b>	\$ 992,871
Add: Capital expenditures	1,440,625
Special assessment interest	930,380
Miscellaneous other non-operating income	86,274
Less: Depreciation and amortization	(1,019,882)
Interest expense	(851,906)
Loss on disposal of capital assets	(160,195)
Deferred maintenance expenditures	(423,144)
Tax collector commissions and discounts	<u>(64,811)</u>
<b>CHANGE IN NET POSITION – GAAP</b>	<u>\$ 930,212</u>

**PART III. OTHER REPORTS**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Nathan A. Phillips, CPA

Deborah L. Harvey, CPA

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Stephanie J. Feldman, CPA

Michelle V. Schalmo, CPA

Shannon Huber, CPA

David N. Phillips, CPA, MBA

Courtney L. Cound, CPA

January 21, 2020

To the Board of Supervisors  
HERONS GLEN RECREATION DISTRICT  
North Fort Myers, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of HERONS GLEN RECREATION DISTRICT ("the District"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise HERONS GLEN RECREATION DISTRICT'S basic financial statements, and have issued our report thereon dated January 21, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered HERONS GLEN RECREATION DISTRICT'S internal control over financial reporting (internal control) to determine the auditing 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 HERONS GLEN RECREATION DISTRICT'S internal control. Accordingly, we do not express an opinion on the effectiveness of HERONS GLEN RECREATION 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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Supervisors  
HERONS GLEN RECREATION DISTRICT  
January 21, 2020

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether HERONS GLEN RECREATION 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
PHILLIPS HARVEY GROUP, P.A.  
Certified Public Accountants  
Naples, Florida



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH SECTION 218.415, FLORIDA STATUTES**

Nathan A. Phillips, CPA  
Deborah L. Harvey, CPA

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Stephanie J. Feldman, CPA  
Michelle V. Schalmo, CPA  
Shannon Huber, CPA  
David N. Phillips, CPA, MBA  
Courtney L. Cound, CPA

January 21, 2020

To the Board of Supervisors  
HERONS GLEN RECREATION DISTRICT  
North Fort Myers, Florida

We have examined HERONS GLEN RECREATION DISTRICT's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2019. HERONS GLEN RECREATION DISTRICT's management is responsible for compliance with those requirements. Our responsibility is to express an opinion on HERONS GLEN RECREATION 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether HERONS GLEN RECREATION DISTRICT complied, in all material respects, with those requirements. An examination involves performing procedures to obtain evidence about whether HERONS GLEN RECREATION DISTRICT complied with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on HERONS GLEN RECREATION DISTRICT's compliance with specified requirements.

In our opinion, HERONS GLEN RECREATION DISTRICT complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

This report is intended solely for the information and use of the HERONS GLEN RECREATION DISTRICT and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

  
PHILLIPS HARVEY GROUP, P.A.  
Certified Public Accountants  
Naples, Florida



## **MANAGEMENT LETTER - LOCAL GOVERNMENT ENTITIES**

Nathan A. Phillips, CPA

Deborah L. Harvey, CPA

January 21, 2020

Stephanie J. Feldman, CPA

Michelle V. Schalmo, CPA

Shannon Huber, CPA

David N. Phillips, CPA, MBA

Courtney L. Cound, CPA

To the Board of Supervisors  
HERONS GLEN RECREATION DISTRICT  
North Fort Myers, Florida

Board of Supervisors:

### **Report on the Financial Statements**

We have audited the financial statements of HERONS GLEN RECREATION DISTRICT, Florida, as of and for the fiscal years ended September 30, 2019 and 2018 and have issued our report thereon dated January 21, 2020.

### **Auditor's Responsibility**

We conducted our audits 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 Florida Auditor General.

### **Other Reporting Requirements**

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 Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated January 21, 2020, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the preceding annual financial audit report for the District to address.

### **Official Title and Legal Authority**

Section 10.554(1)(i)4., Rule 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. The District discloses this information in the notes to the financial statements. There were no component units related to the District.

To the Board of Supervisors  
HERONS GLEN RECREATION DISTRICT  
January 21, 2020

### **Financial Condition and Management**

Sections 10.554(1)(i)5.a and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not HERONS GLEN RECREATION DISTRICT met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that HERONS GLEN RECREATION DISTRICT did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the HERONS GLEN RECREATION DISTRICT. It is management's responsibility to monitor the HERONS GLEN RECREATION 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.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

### **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, Federal and other granting agencies, the Board of Supervisors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

  
PHILLIPS HARVEY GROUP, P.A.  
Certified Public Accountants  
Naples, Florida