

HERONS GLEN RECREATION DISTRICT
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED SEPTEMBER 30, 2021 AND 2020



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**HERONS GLEN RECREATION DISTRICT
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INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Herons Glen Recreation District
North Fort Myers, Florida

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, 2021 and 2020, 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 audits 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 auditors' 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 financial position of the District as of September 30, 2021 and 2020, and the respective changes in its financial position and its 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 on pages 4 through 13 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 Information

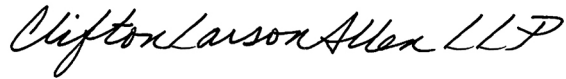
Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison information on page 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Supervisors
Herons Glen Recreation District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2022, 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audits performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Fort Myers, Florida
February 2, 2022

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

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, 2021 and 2020, with selected comparative information for the years ending September 30, 2021, 2020 and 2019. All references to years in this discussion relate to the fiscal year ending September 30.

The information presented in this MD&A should be considered in conjunction with the accompanying financial statements, notes to the financial statements, and required 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 years ending September 30, 2020, 2021 and 2019, the base assessment divisor was 1285 due to our acquisition of land previously owned by Taylor Morison. The land represented 15 of the 1300 lots. The annual budgeted fees are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Assessment	\$ 2,186,902	\$ 2,032,096	\$ 2,027,646
Capital Reserve	348,235	426,620	426,620
Capital Reserve - Fitness Center	-	-	1,285,000
Deferred Maintenance	344,380	339,240	221,020

BASIC FINANCIAL STATEMENTS

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

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

The statement of revenues, expenses, and changes in net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in other fiscal periods (e.g., unearned revenue).

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

FINANCIAL HIGHLIGHTS AND SUMMARY

As noted previously, the change in net position over time should serve as a useful indicator of the District's financial position. For the fiscal year ended September 30, 2021, the assets and deferred outflows of the District exceeded its liabilities and deferred inflows by \$35,811,242 as compared to \$35,682,152 at the close of fiscal year ended September 30, 2020. For the fiscal year ended September 30, 2020, the assets and deferred outflows of the District exceeded its liabilities and deferred inflows by \$35,682,152 as compared to \$24,124,360 at the close of fiscal year ended September 30, 2019. This increase was primarily due to our Non-Ad Valorem Assessment and Refunding Bonds, Series 2020 Bond Issuance in August in the amount of \$29,495,000.

For fiscal year September 30, 2021 net position consists of \$2,171,371 net investment in capital assets; \$29,154,357 restricted for debt service, \$4,511,059 restricted for capital improvements and maintenance, and (\$25,545) (net deficit) of unrestricted net position. For fiscal year September 30, 2020 net position consists of \$2,285,983 net investment in capital assets; \$30,026,514 restricted for debt service, \$16,441,577 restricted for capital improvements and maintenance, and (\$13,071,921) (net deficit) of unrestricted net position.

The District's total debt decreased by \$1,052,722 for the year ended September 30, 2021 and Increased by \$13,445,382 during the year ended September 30, 2020.

Hérons Glen Recreation District's 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:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current Assets	\$ 1,169,080	\$ 879,883	\$ 1,415,020
Noncurrent Assets	41,657,592	46,814,585	22,044,017
Capital Assets, Net	<u>25,092,316</u>	<u>20,563,288</u>	<u>20,854,769</u>
Total Assets	67,918,988	68,257,756	44,313,806
Deferred Outflows on Refunding Bond	844,069	901,948	421,091
Current Liabilities	3,157,320	2,607,106	3,107,498
Noncurrent Liabilities	<u>29,794,495</u>	<u>30,870,446</u>	<u>17,503,039</u>
Total Liabilities	<u>32,951,815</u>	<u>33,477,552</u>	<u>20,610,537</u>
Net Position:			
Net Investment in Capital Assets	2,171,371	2,285,983	2,865,107
Restricted for Debt Service	29,154,357	30,026,514	18,504,951
Restricted for Capital Improvements and Maint.	4,511,059	3,668,310	2,750,037
Unrestricted	<u>(25,545)</u>	<u>(298,655)</u>	<u>4,265</u>
Total Net Position	<u>\$ 35,811,242</u>	<u>\$ 35,682,152</u>	<u>\$ 24,124,360</u>

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

Assets

Year Ended September 30, 2021

Current assets Increased by \$289,197 or 33% from 2020 to 2021 primarily due to a 60% increase in cash and cash equivalents derived from a combination of the 7.6% increase in operating assessments, a decrease in accounts receivables and not having to expend the funds to pay the FY22 annual insurance premium until October when the invoice was received. There was also a 62% decrease in prepaid expenses year-over-year due to the timing of the FY22 annual insurance premium payment.

Restricted cash and cash equivalents decreased \$4,272,935 or 25%. for the most part due to the utilization of 2020 Series Bonds Funds for capital bond projects during the year. We collected \$683,600 throughout the year for capital reserve assessments and new owner capital fees, \$345,100 for deferred maintenance assessments and \$13,029 in interest earned from investments. Special assessments receivable decreased by \$875,000 from 2020 as expected as the 2020 Series Bonds are paid down each year.

Net capital assets increased \$4,529,028 or 25% due to the amount invested in new capital assets, including work in progress on bond projects exceeding the amount of depreciation. The District currently has \$6,029,845 invested in a variety of bond projects that are expected to be completed over the next few years, with the golf course renovation being the largest of these projects at \$5,627,307 spent as of yearend.

Total assets decreased \$338,768 or .5%, attributed to utilizing \$5,115,686 of the 2020 Series Bonds Funds for capital bond projects throughout the year together with a \$4,529,028 increase in Capital Assets, Net, combined with a decrease in Special Assessments Receivable as the debt is paid down each year.

Year Ended September 30, 2020

Current assets decreased \$535,137 or 38% from 2019 to 2020 primarily due to a 43% decrease in cash and cash equivalents primarily due to the impact of the pandemic. The District temporarily restricted outside golf play and access to the restaurant from the public. There was also a 23% decrease in prepaid expenses year-over-year due to one of our annual golf course maintenance equipment leases ending, a restructuring of annual to quarterly software payments and the changeover from Hoover Pumping to Rainbird golf course pump equipment.

Restricted cash and cash equivalents increased \$13,761,269 or 417%. for the most part due to the Construction and Acquisition Funds held with the Trustee of the 2020 Series Bonds. We collected \$765,860 throughout the year for capital and deferred assessments, \$890,324 interest from special assessments, \$54,556 interest earned from investments and \$228,750 collected from new home purchases for the new owner capital fee. Fiscal 2019 surplus operating funds in the amount of \$358,185 were transferred into restricted funds for long term capital. We spent \$800,370 on capital and deferred maintenance projects throughout the year. Special assessments receivable increased by \$11,983,137 from 2019 as expected with the issuance of the new Series 2020 Bonds.

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

Net capital assets decreased \$291,481 or 1% due to the amount of depreciation exceeding the amount invested in new capital assets that were put into service. The District currently has \$379,241 invested in a variety of new projects that are expected to be completed over the next few years.

Total assets increased \$23,943,950 or 54%, attributed to the increase in special assessments receivable and the increase in restricted cash and cash equivalents as a result of the 2020 Series Bond issuance.

Deferred Outflows of Resources

Deferred outflows of resources include the unamortized deferred outflows, unamortized discount and unamortized prepaid bond insurance from previous bonds that were defeased. 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

Year Ended September 30, 2021

Current liabilities increased overall by \$550,214 or 21%. Account payable outstanding at year-end increased \$392,324 or 249% due to high dollar invoices outstanding for capital bond projects. Unearned revenue decreased by \$64,654 or 6%. Accrued Interest increased by 281,732 or 318% including a full five months of interest on Special Assessments Bonds as opposed to only a little over a month the previous year, as the new bonds were issued in August 2020. Unearned revenue decreased by \$64,654 or 6%. primarily due to less members joining the golf course. Accrued expenses decreased by \$82,417 or 27%. Since the golf course renovation was ongoing, there was no outstanding lake bank work being done that was not invoiced at that time as there was in FY20. With sales being down in both the pro shop and the restaurant, sales tax collected to be paid to the Department of Revenue were down 21% relative to the decrease in sales. Accrued vacation was also down 18% from the previous year with employees using more of their vacation time than the previous year.

Noncurrent liabilities decreased \$1,075,951 or 3% primarily due to the annual repayment of the bonds as well as a decrease of \$7,591 or 5% in capital lease obligations. The special assessment bonds payable decreases annually as principal payments are made.

Total liabilities decreased \$525,737 or 2%.

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

Year Ended September 30, 2020

Current liabilities increased overall by \$500,392 or 16%. Unearned revenue for annual golf memberships and maintenance assessments decreased by \$230,515 or 18%. Accrued expenses increased by \$32,338 or 12%. Due to concerns of a possible fiscal year-end deficit forecasted based on revenue shortfalls from the pandemic, management made a concerted effort to preserve cash due to unknowns about the effects of the pandemic. The final payment for completion of the fitness center was accrued due to last minute negotiations. Accounts payables outstanding at year-end increased \$49,005 or 45% due to holding payments until the due date as part of an effort to preserve cash.

Noncurrent liabilities increased \$13,367,407 or 76% due to issuance of the new Series 2020 Bonds. The Special Assessment Bonds Payable generally decreases annually as principal payments are made and will resume this trend in future fiscal years.

Total liabilities increased \$12,867,015 or 62% primarily due to the Special Assessment Bonds Payable. Excluding the Special Assessment Bonds Payable, total liabilities decreased \$522,758 or 16%.

Net Position

Year Ended September 30, 2021

The District's total assets plus deferred outflow of resources exceeded total liabilities by \$35,811,242 at September 30, 2021. Net investment in capital assets decreased by \$114,612 or 5% primarily due to depreciation exceeding the new capital assets purchased with non-debt funding. Unrestricted net position increased by \$273,110 or 91%, while restricted for debt service and capital improvements and maintenance decreased by \$29,408 or 0%. The major component of net position is restricted for debt service for the 2020 Special Assessment Bonds.

Year Ended September 30, 2020

The District's total assets plus deferred outflow of resources exceeded total liabilities by \$35,682,152 at September 30, 2020. Net investment in capital assets decreased by \$579,124 or 20% primarily due to depreciation exceeding additions resulting in a decrease in net capital assets combined with an increase in capital related debt (net of unspent proceeds) related to the Series 2020 Bonds. Unrestricted net position decreased by \$13,076,186 or 306,593%, while restricted for capital improvements and maintenance increased by \$25,213,102 or 119%. The major component of net position is restricted for debt service for the 2020 Special Assessment Bonds.

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

Hérons Glen Recreation District's Changes in Net Position

The District's 2021 operating loss decreased \$368,284 from 2020. The District's 2020 operating loss increased \$30,735 from 2019. The following is a summary of revenues, expenses, and changes in net position at September 30:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues:			
Operating Revenues, Net:			
Operating Assessments	\$ 2,186,916	\$ 2,035,264	\$ 2,030,135
Members Fees	1,186,205	1,419,750	1,334,738
Other User Fees	175,067	346,369	410,622
Pro Shop Operations	73,836	77,814	97,310
Restaurant Operations	626,447	840,676	1,055,575
Rental and Other	201,585	254,271	290,170
Total Operating Revenues	<u>4,450,056</u>	<u>4,974,144</u>	<u>5,218,550</u>
Nonoperating Revenues:			
Investment Earnings	13,029	54,556	85,799
Special Assessments Interest	975,925	890,324	930,380
Capital Reserve Assessments and New Owner Capital Fees	683,600	655,370	696,618
Capital Reserve Assessment - Fitness Center	-	170,499	1,114,501
Deferred Maintenance Assessments	345,100	339,240	221,024
Miscellaneous Other Nonoperating Income, Net	77,330	102,633	86,274
Total Nonoperating Revenues	<u>2,094,984</u>	<u>2,212,622</u>	<u>3,134,596</u>
Total Revenues	<u>6,545,040</u>	<u>7,186,766</u>	<u>8,353,146</u>
Expenses:			
Operating Expenses:			
Salaries and Wages	2,099,055	2,444,711	2,398,247
Cost of Sales	319,002	466,134	511,372
Operating Supplies	376,849	650,248	613,045
Depreciation	914,068	932,600	911,110
General and Administration	299,043	314,283	341,169
Utilities	279,563	298,402	297,952
Repair and Maintenance	309,811	343,022	603,708
Professional Fees	124,553	147,770	124,644
Insurance	163,910	164,922	158,681
Other Contractual Services	182,713	195,377	193,742
Rental and Leases	64,317	69,757	98,049
Office Expense and Other Miscellaneous Expenses	47,550	45,580	50,342
Total Operating Expenses	<u>5,180,434</u>	<u>6,072,806</u>	<u>6,302,061</u>
Nonoperating Expenses:			
Interest Expense and Fiscal Costs	809,204	859,153	960,678
Bond Issuance Costs	-	683,463	-
Net Gain (Loss) on Disposal of Capital Assets	426,312	(3,311)	160,195
Total Nonoperating Expenses	<u>1,235,516</u>	<u>1,539,305</u>	<u>1,120,873</u>
Total Expenses	<u>6,415,950</u>	<u>7,612,111</u>	<u>7,422,934</u>
Capital Contributions	-	11,983,137	
Increase in Net Position	<u>129,090</u>	<u>11,557,792</u>	<u>930,212</u>
Beginning Net Position	<u>35,682,152</u>	<u>24,124,360</u>	<u>23,194,148</u>
Ending Net Position	<u>\$ 35,811,242</u>	<u>\$ 35,682,152</u>	<u>\$ 24,124,360</u>

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

Fiscal year ending September 30, 2021

Total revenues decreased from 2020 results by \$641,726. The 9% net decrease is attributed primarily to a 11% decrease in operating revenues, as well as a 25% decrease in restaurant operations, 21% decrease in rentals and a 23% decrease in user fees. This was offset by a 7% increase in operating assessments. The total number of golf memberships decreased from 599 at the end of FY20 to 504, a decrease of 16% due to the golf course renovation starting in April. The change in net position decreased overall by \$11,428,702 or 99%. This decrease was directly related to capital contributions of \$11,983,137 from the 2020 Series Bonds Issuance in FY20. 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 2020 results by \$1,196,161. The 16% net decrease is comprised of a variety of things, as every expense line-item decreased from 2020 results except two. The major factors were Salaries and Wages with a decrease of \$345,656, Operating Supplies of \$273,399, Cost of Sales of \$147,132 and the 2020 Series Bond issuance costs of \$683,463 from FY20.

Fiscal year ending September 30, 2020

Total revenues decreased from 2019 results by \$1,166,379. The 14% net decrease is attributed primarily to a 29% decrease in nonoperating revenues, specifically the additional capital assessment collected for the construction of the new fitness center in FY2019, as well as a 0% increase in operating assessments and a 1% increase in user fees. This was offset by a 20% decrease in restaurant revenues and a 20% decrease in pro shop revenues. The total number of golf memberships increased from 585 at the end of FY2019 to 599, an increase of 2%. Net position increased overall by \$10,627,137 or 1142%. 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 2019 results by \$189,178. The 3% net decrease is attributed primarily to the 2020 Series Bond issuance costs, offset by a decrease in cost of sales due to a 20% reduction in sales as well as a decrease in repairs and maintenance.

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

CAPITAL ASSETS

The District's net investment in capital assets as of September 30, 2021 and 2020 amounts to \$25,092,316 and 20,563,288, respectively (net of depreciation). Capital assets, such as an 18-hole golf course and related practice facilities, a clubhouse, restaurant, pro shop, and other recreation facilities, utilized by the District for the provision and maintenance of recreational facilities to residents.

HERONS GLEN RECREATION DISTRICT'S CAPITAL ASSETS

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Land and Site Improvements	\$ 13,465,491	\$ 13,572,264	\$ 13,930,722
Work in Progress	6,029,845	379,241	1,279,927
Equipment on Capital Lease	616,003	715,109	1,705,443
Original Purchase	2,549,232	2,549,232	2,559,934
Equipment	2,846,662	2,887,589	2,430,799
Common Lot Irrigation System	2,382,328	2,382,047	1,895,232
Property and Improvements	<u>9,609,479</u>	<u>9,897,987</u>	<u>8,146,209</u>
Total Property and Equipment	37,499,040	32,383,469	31,948,266
Less: Accumulated Depreciation	<u>(12,406,724)</u>	<u>(11,820,181)</u>	<u>(11,093,497)</u>
Total, Net Depreciation	<u>\$ 25,092,316</u>	<u>\$ 20,563,288</u>	<u>\$ 20,854,769</u>

Additional information on the District's capital assets can be found in Note 4, of the notes to the financial statements.

In 2021, the District completed work on several projects in addition to purchasing equipment and putting the final touches on the new fitness center building totaling \$81,757 spent during the fiscal year, as follows:

Peerless 7000 Reel Grinder and all Attachments on Capital Lease	\$ 42,263
Fitness Equipment on Capital Lease	13,370
Dell PowerEdge T440 Tower Server	14,229
Fitness Center Bldg and Infrastructure	1,315
HVAC HOA Office	10,580
Total	<u>\$ 81,757</u>

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

Work in process (WIP) – a number of capital projects were continued from 2020 and new ones started during 2021. The total amount spent on the following projects during 2021 was \$5,774,837, most of which was funded from the 2020 Series Bonds::

Northstar Technologies New Website Design Project	\$ 8,050
DR Horton 15 Unplatted Lots Project	2,192
Restaurant Project	939
Storage Building Construction Project	12,945
Golf Course Renovation Project	5,520,335
Dumpster Enclosure	6,437
Driving Range Restroom	13,195
Clubhouse Improvements	82,337
CLIS Irrigation Project	77,487
Bocce Courts	16,690
Pool Deck	15,865
Pickleball Courts	18,365
Total	\$ 5,774,837

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 Series 2020 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. As of September 30, 2021 and 2020, the District had special assessment bonds plus unamortized premium outstanding totaling \$30.5 and \$31.6 million, respectively. More detailed information on the bonds payable is presented in Note 5 to the financial statements.

During the year ended September 30, 2020 the District refunded the 2006 Series special assessment bonds with principal balance totaling \$18,255,000 by issuing new 2020 Series special assessment bonds totaling \$29,495,000 at a \$2,091,929 premium.

ECONOMIC FACTORS AND FUTURE IMPACTS

The economy in Southwest Florida has been and continues to be suffering from the pandemic, contributing to the significant decrease in restaurant and pro shop sales at Herons Glen throughout the year. We saw a 25% decrease in food and beverage revenues over 2020. Due to the golf course renovation to begin in April, several of our golf members decided not to join for the year and our membership numbers dropped from 599 at the end of 2020 to 504. This caused a decrease in membership revenue of \$233,545 or 16%. The Board decided not to allow outside play due to the pandemic, causing the District a decrease of \$171,302 or 49% in Other User Fees over 2020. We look forward to the opening of the newly renovated golf course in FY22 and to having our membership return.

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020**

Despite the state of the economy, the housing market continues to remain active in the community, with a total of 120 homes sold during the year in Herons Glen. Investment earnings were down significantly with interest rates still lagging since the beginning of the pandemic. Interest earned over the fiscal year was down \$41,527 or 76% from 2020. We continue to invest capital and deferred maintenance funds in the Florida PRIME SBA Fund to take advantage of higher interest rates. 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 sixth full year, the District collected \$334,800 from 108 owners new to Herons Glen, a \$106,050 decrease over 2020 with an increase of \$50 each over the previous year. The new owner capital fee goes into our long-term capital reserves for future needs.

The District's delinquent account balance continues to decrease each year and was less than \$2,500 ending the fiscal year. 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. Management and outside counsel believe the District has an adequate allocation 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, Florida 33917.

**HERONS GLEN RECREATION DISTRICT
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2021 AND 2020**

	2021	2020
ASSETS AND DEFERRED OUTFLOWS OR RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,018,326	\$ 634,829
Accounts Receivable, Net	39,326	40,740
Inventories	59,271	65,571
Prepaid Expenses	52,157	138,743
Total Current Assets	1,169,080	879,883
NONCURRENT ASSETS		
Restricted Assets:		
Cash and Cash Equivalents	4,511,060	3,668,309
Cash Equivalents with Fiscal Agent	8,277,613	13,393,299
Special Assessments Receivable	28,620,000	29,495,000
Total Restricted Assets	41,408,673	46,556,608
Capital Assets, Net	25,092,316	20,563,288
Unamortized Prepaid Bond Insurance Costs, Net	248,919	257,628
Deposits, Net	-	349
Total Noncurrent Assets	66,749,908	67,377,873
Total Assets	67,918,988	68,257,756
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows on Refunding Bond	844,069	901,948
Total Deferred Outflows	844,069	901,948
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	549,750	157,426
Accrued Expenses	218,457	300,874
Unearned Revenue	1,009,945	1,074,599
Accrued Interest	370,250	88,518
Obligations Under Capital Lease, Current Portion	113,918	110,689
Special Assessment Bonds Payable, Current Portion	895,000	875,000
Total Current Liabilities	3,157,320	2,607,106
NONCURRENT LIABILITIES		
Obligations Under Capital Lease, Net of Current Portion	150,926	158,517
Special Assessment Bonds Payable, Including Unamortized Premium	29,643,569	30,711,929
Total Noncurrent Liabilities	29,794,495	30,870,446
Total Liabilities	32,951,815	33,477,552
NET POSITION		
Net Investment in Capital Assets	2,171,371	2,285,983
Restricted for Debt Service	29,154,357	30,026,514
Restricted for Capital Improvements and Maintenance	4,511,059	3,668,310
Unrestricted	(25,545)	(298,655)
Total Net Position	\$ 35,811,242	\$ 35,682,152

See accompanying Notes to Financial Statements.

**HERONS GLEN RECREATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Operating Assessments	\$ 2,186,916	\$ 2,035,264
Members Fees	1,186,205	1,419,750
Other User Fees	175,067	346,369
Pro Shop Operations	73,836	77,814
Restaurant Operations	626,447	840,676
Rental and Other	<u>201,585</u>	<u>254,271</u>
Total Operating Revenues	4,450,056	4,974,144
OPERATING EXPENSES		
Salaries and Wages	2,099,055	2,444,711
Cost of Sales	319,002	466,134
Operating Supplies	376,849	650,248
Depreciation	914,068	932,600
General and Administration	299,043	314,283
Utilities	279,563	298,402
Repair and Maintenance	309,811	343,022
Professional Fees	124,553	147,770
Insurance	163,910	164,922
Other Contractual Services	182,713	195,377
Rental and Leases	64,317	69,757
Office Expense and Other Miscellaneous Expenses	<u>47,550</u>	<u>45,580</u>
Total Operating Expenses	<u>5,180,434</u>	<u>6,072,806</u>
OPERATING LOSS	(730,378)	(1,098,662)
NONOPERATING REVENUES (EXPENSES)		
Investment Earnings	13,029	54,556
Interest Expense and Fiscal Costs	(809,204)	(859,153)
Bond Issuance Costs	-	(683,463)
Special Assessments Interest	975,925	890,324
Capital Reserve Assessments and New Owner Capital Fees	683,600	655,370
Capital Reserve Assessment - Fitness Center	-	170,499
Deferred Maintenance Assessments	345,100	339,240
Net Gain (Loss) on Disposal of Capital Assets	(426,312)	3,311
Miscellaneous Other Nonoperating Income, Net	<u>77,330</u>	<u>102,633</u>
Total Nonoperating Revenues	<u>859,468</u>	<u>673,317</u>
CAPITAL CONTRIBUTIONS	<u>-</u>	<u>11,983,137</u>
CHANGE IN NET POSITION	129,090	11,557,792
Total Net Position - Beginning of Year	<u>35,682,152</u>	<u>24,124,360</u>
TOTAL NET POSITION - END OF YEAR	<u><u>\$ 35,811,242</u></u>	<u><u>\$ 35,682,152</u></u>

See accompanying Notes to Financial Statements.

**HERONS GLEN RECREATION DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Operating Assessments	\$ 2,177,483	\$ 2,053,481
Cash Received from Members	1,133,141	1,182,523
Cash Received from Other Users	175,067	346,369
Cash Received from Pro Shop and Restaurant Operations	700,283	918,490
Cash Received from Rents and Contracted Services	201,585	254,271
Miscellaneous and Other Cash Receipts	77,330	102,633
Cash Payments to Suppliers	(2,008,021)	(2,958,656)
Cash Payments to Employees for Payroll	(2,093,425)	(2,413,243)
Net Cash Provided (Used) by Operating Activities	363,443	(514,132)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Collection of Deferred Maintenance Assessments	344,597	340,139
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(5,575,563)	(436,709)
Proceeds from the Sale of Capital Assets	10	6,602
Collection of Special Assessment Principal and Interest	1,850,925	1,680,324
Collection of Capital Reserve Assessments	348,560	427,098
Collection of New Owner Capital Fees	334,800	228,752
Proceeds from Issuance of Special Assessment Bonds	-	30,996,685
Interest Paid on Special Assessment Bonds	(619,627)	(1,088,469)
Principal Paid on Special Assessment Bonds	(875,000)	(18,255,000)
Interest Paid on Obligations Under Capital Lease	(14,616)	(15,583)
Principal Paid on Obligation Under Capital Lease	(59,996)	(140,708)
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,610,507)	13,402,992
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	13,029	54,556
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,889,438)	13,283,555
Cash and Cash Equivalents - Beginning of Year	17,696,437	4,412,882
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 13,806,999	\$ 17,696,437

See accompanying Notes to Financial Statements.

**HERONS GLEN RECREATION DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021	2020
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash Included in Current Assets:		
Cash and Cash Equivalents	\$ 1,018,326	\$ 634,829
Cash Included in Noncurrent Assets:		
Restricted Cash:		
Cash and Cash Equivalents	4,511,060	3,668,309
Cash Equivalents with Fiscal Agent	8,277,613	13,393,299
Total Cash and Cash Equivalents	\$ 13,806,999	\$ 17,696,437
 SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITY		
Purchase of Capital Assets Through Capital Leases	\$ 55,633	\$ 111,316
 RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Loss	\$ (730,378)	\$ (1,098,662)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	914,068	932,600
Miscellaneous Other Nonoperating Income, Net	77,330	102,633
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable	1,414	12,884
Decrease in Inventories	6,300	4,118
Decrease in Prepaid Expense	86,586	(218,658)
Increase in Deposits, Net	(2,297)	(2,111)
Increase in Accounts Payable and Accrued Expenses	74,331	(15,042)
Decrease in Unearned Revenue	(63,911)	(231,894)
Total Adjustments	1,093,821	584,530
Net Cash Provided (Used) by Operating Activities	\$ 363,443	\$ (514,132)

See accompanying Notes to Financial Statements.

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Mission Statement: Herons Glen Recreation District (the 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 determines when transactions are reported in the financial statements. The basic 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 at the time liabilities are incurred, regardless of when the related cash flows take place.

Measurement Focus

The District is accounted for on the flow of economic resources measurement focus. This means that all assets, all deferred outflows of resources, all liabilities and all deferred inflows of resources (whether current or noncurrent) associated with its activity are included on the statements of net position. The District's operating statement presents increases (revenues) and decreases (expenses) in net total position.

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

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

Summary of Significant Accounting Policies (Continued)

Measurement Focus (Continued)

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with an enterprise fund's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

Budgetary Process

On September 2, 2020, the Board of Supervisors adopted the annual operating budget for fiscal year 2021 for the District. The budget covers the periods October 1, 2020 through September 30, 2021 and include the estimated operating expenses for the period and the means of financing them. On September 4, 2019, the Board of Supervisors adopted the annual operating budget for fiscal year 2020 for the District. The budget covers the periods October 1, 2019 through September 30, 2020 and include the estimated operating expenses for the period and the means of financing them. The budget is 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 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 statements 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.

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.

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

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

Summary of Significant Accounting Policies (Continued)

Cash and Investments (Continued)

Investments held by the District at September 30, 2021 and 2020 in First American Government Obligations Fund is considered a cash equivalent and is reported as such on the statements of net position. Investments in Money market funds and short-term investments in the First American Government Obligation Fund are recorded at the amortized cost.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of amounts restricted for debt service, capital improvements, deferred maintenance, emergencies, and other projects as required by bonds or the District's charter.

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 fuel, 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>
Equipment on Capital Lease	5
Original Purchase	6 to 30
Equipment	3 to 15
Common Lot Irrigation System	5 to 25
Property and Improvements	5 to 30

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.

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

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

Summary of Significant Accounting Policies (Continued)

Deferred 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.

Bond Premium, Discount and Prepaid Bond Insurance Costs

Bond premium, 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 premium or discount whereas prepaid bond insurance costs are recorded as other assets.

Unearned Revenue

Unearned revenue represents payments received by the District prior to September 30, 2021 and 2020, for amounts to be recognized as revenues during future periods. The unearned revenue consists primarily of prepaid assessments and golf club dues and fees.

Net Position

Net position is categorized as net investment in capital assets, restricted and unrestricted. Net investment in capital assets represents the difference between the cost of capital assets, less accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Restriction of net position indicates amounts that are restricted for a specific purpose based on the District's charter or bonds. 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.

Nonoperating Revenues and Expenses

Nonoperating 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 received on special assessments, capital reserve assessments, new owner capital fees, deferred maintenance assessments and interest expense and fiscal costs.

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

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

Summary of Significant Accounting Policies (Continued)

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 2021 and 2020. There have been no significant reductions in insurance coverage from the prior year and the amount of settlements, if any, have not exceeded insurance coverage in any of the past three fiscal years.

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.

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

As of September 30, the District's cash and investments were as follows:

	<u>2021</u>	<u>2020</u>
Deposits with Financial Institutions	\$ 2,046,296	\$ 648,161
Investments Considered as Cash Equivalents	11,760,503	17,048,076
Cash on Hand	200	200
Total	<u>\$ 13,806,999</u>	<u>17,696,437</u>
Cash and Cash Equivalents	\$ 1,018,326	\$ 634,829
Restricted Cash and Cash Equivalents	4,511,060	3,668,309
Restricted Cash Equivalents with Fiscal Agent	8,277,613	13,393,299
Total	<u>\$ 13,806,999</u>	<u>17,696,437</u>

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.

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Deposits (Continued)

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 year ended September 30, 2021 was \$758 and amount not covered was \$2,033,306. The amounts covered under Chapter 280 for the fiscal year ended September 30, 2020 was \$757 and amount not covered was \$631,394.

The District participates in a deposit placement agreement in which balances are placed with participating banks in deposit accounts up to the maximum Federal Deposit Insurance Corporation (FDIC) coverage of \$250,000. At times there are balances waiting to be allocated to participating banks, these amounts are subject to a single FDIC maximum of \$250,000. As of September 30, 2021, the District had \$2,033,306 of deposits in this program of which \$345,466 was in excess of FDIC coverage. As of September 30, 2020, the District had \$631,394 of deposits in this program which were covered by FDIC.

Investments

The District's investment policy is to follow Florida Statute 218.415(17), the District is authorized to make investments in: Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Florida Statute 280.02; Direct obligations of the U.S. Treasury. The District's bond resolutions provide limitations on authorized investment securities.

The Florida State Board of Administration Local Government Surplus Funds Trust Fund (Florida PRIME) is not a registrant with the Securities and Exchange Commission (SEC); however, it meets all of the necessary criteria to elect to measure all of the investments at amortized cost. In accordance with these requirements, the method used to determine the participants' shares sold and redeemed is the amortized cost method. Amortized cost includes accrued income and is a method of calculating an investment's value by adjusting its acquisition cost for the amortization of discount or premium over the period from purchase to maturity. Florida PRIME is governed by Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of Florida PRIME. Additionally, the Office of the Auditor General of the State of Florida performs the operational audit of the activities and investment of Florida PRIME.

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District's investment policy limits investment maturities to 18 months as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations of its debt type investments using the segmented time distribution model is as follows:

As of September 30, 2021:

Investment Type	Amortized Cost	Investment Maturities	
		Less Than One Year	More Than One Year
First American Government Obligation			
Fund CI D	\$ 8,277,613	\$ 8,277,613	\$ -
Florida PRIME	3,482,890	3,482,890	-
Total	<u>\$ 11,760,503</u>	<u>\$ 11,760,503</u>	<u>\$ -</u>

As of September 30, 2020:

Investment Type	Amortized Cost	Investment Maturities	
		Less Than One Year	More Than One Year
First American Government Obligation			
Fund CI D	\$ 13,393,298	\$ 13,393,298	\$ -
Florida PRIME	3,654,778	3,654,778	-
Total	<u>\$ 17,048,076</u>	<u>\$ 17,048,076</u>	<u>\$ -</u>

Credit Risk

Generally, credit risk is the risk that an insurer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law limits investments in commercial paper to the top two ratings used by nationally recognized statistical rating organizations (NRSROs). The District's policy would not further limit its investment choices.

As of September 30, 2021 and 2020 investments were rated as follows:

Investment Type	Moody's Investor's Services	Standard & Poor's
First American Government Obligation		
Fund CI D	Aaa-mf	AAAm
Florida PRIME	N/A	AAAm

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's investment policy does not limit investments in any one issuer.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District's investment policy does not limit investment with any one counterparty.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, Florida PRIME currently meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost. Therefore, the District's participant account balance should also be considered the fair value of its investment and exempt from the GASB Statement No. 72, *Fair Value Measurement and Application*.

With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days."

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made. As of September 30, 2021 and 2020, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100% of their account value.

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 3 RESTRICTED ASSETS

Assets were restricted for the following purposes at September 30:

	2021	2020
Debt Service - Special Assessments Receivable	\$ 28,620,000	\$ 29,495,000
Restricted for Interest and Principal	904,607	620,031
Capital Improvements	8,580,560	14,465,993
Intermediate Capital Fund	1,963,104	753,662
Golf Course Special Improvement	425,238	424,577
Deferred Maintenance	563,845	365,136
Emergency Fund	350,561	431,452
Projects and Other	758	757
Total Restricted Assets	<u>41,408,673</u>	<u>46,556,608</u>
Less: Accrued Interest	(370,250)	(88,518)
Less: Unspent Debt Proceeds	<u>(7,373,007)</u>	<u>(12,773,266)</u>
Total Restricted Net Position	<u>\$ 33,665,416</u>	<u>\$ 33,694,824</u>

NOTE 4 CAPITAL ASSETS, NET

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

	Balance September 30, 2020	Additions	Deletions and Transfers	Balance September 30, 2021
Capital Assets, Not Being Depreciated:				
Land and Site Improvements	\$ 13,572,264	\$ 12,814	\$ (119,587)	\$ 13,465,491
Work in Progress	379,241	5,774,837	(124,233)	6,029,845
Total Capital Assets, Not Being Depreciated	<u>13,951,505</u>	<u>5,787,651</u>	<u>(243,820)</u>	<u>19,495,336</u>
Capital Assets, Being Depreciated:				
Equipment on Capital Lease	715,109	55,633	(154,739)	616,003
Original Purchase	2,549,232	-	-	2,549,232
Equipment	2,887,589	24,809	(65,736)	2,846,662
Common Lot Irrigation System	2,382,047	-	281	2,382,328
Property and Improvements	9,897,987	1,315	(289,823)	9,609,479
Total Capital Assets Being Depreciated	<u>18,431,964</u>	<u>81,757</u>	<u>(510,017)</u>	<u>18,003,704</u>
Less Accumulated Depreciation for:				
Equipment on Capital Lease	373,219	115,452	(154,738)	333,933
Original Purchase	1,872,103	78,614	(1)	1,950,716
Equipment	2,274,603	100,993	61,813	2,437,409
Common Lot Irrigation System	1,457,755	107,887	281	1,565,923
Property and Improvements	5,842,501	511,122	(234,880)	6,118,743
Total Accumulated Depreciation	<u>11,820,181</u>	<u>914,068</u>	<u>(327,525)</u>	<u>12,406,724</u>
Total Capital Assets, Being Depreciated, Net	<u>6,611,783</u>	<u>(832,311)</u>	<u>(182,492)</u>	<u>5,596,980</u>
Total Capital Assets, Net	<u>\$ 20,563,288</u>	<u>\$ 4,955,340</u>	<u>\$ (426,312)</u>	<u>\$ 25,092,316</u>

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 4 CAPITAL ASSETS, NET (CONTINUED)

	Balance September 30, 2019	Additions	Other	Balance September 30, 2020
Capital Assets, Not Being Depreciated:				
Land and Site Improvements	\$ 13,930,722	\$ -	\$ (358,458)	\$ 13,572,264
Work in Progress	<u>1,279,927</u>	<u>465,501</u>	<u>(1,366,187)</u>	<u>379,241</u>
Total Capital Assets, Not Being Depreciated	<u>15,210,649</u>	<u>465,501</u>	<u>(1,724,645)</u>	<u>13,951,505</u>
Capital Assets, Being Depreciated:				
Equipment on Capital Lease	1,705,443	111,316	(1,101,650)	715,109
Original Purchase	2,559,934	-	(10,702)	2,549,232
Equipment	2,430,799	38,369	418,421	2,887,589
Common Lot Irrigation System	1,895,232	18,589	468,226	2,382,047
Property and Improvements	<u>8,146,209</u>	<u>10,635</u>	<u>1,741,143</u>	<u>9,897,987</u>
Total Capital Assets Being Depreciated	<u>16,737,617</u>	<u>178,909</u>	<u>1,515,438</u>	<u>18,431,964</u>
Less Accumulated Depreciation for:				
Equipment on Capital Lease	1,338,062	130,034	(1,094,877)	373,219
Original Purchase	1,803,448	78,614	(9,959)	1,872,103
Equipment	1,467,930	117,565	689,108	2,274,603
Common Lot Irrigation System	1,144,260	110,514	202,981	1,457,755
Property and Improvements	<u>5,339,797</u>	<u>495,873</u>	<u>6,831</u>	<u>5,842,501</u>
Total Accumulated Depreciation	<u>11,093,497</u>	<u>932,600</u>	<u>(205,916)</u>	<u>11,820,181</u>
Total Capital Assets, Being Depreciated, Net	<u>5,644,120</u>	<u>(753,691)</u>	<u>1,721,354</u>	<u>6,611,783</u>
Total Capital Assets, Net	<u>\$ 20,854,769</u>	<u>\$ (288,190)</u>	<u>\$ (3,291)</u>	<u>\$ 20,563,288</u>

Work in progress totaling \$6,029,845 as of September 30, 2021 primarily included spending for the District's golf course renovation. Work in progress totaling \$379,241 as of September 30, 2020 primarily included spending for the District's golf course renovation 15 unplatted land development project and restaurant project.

NOTE 5 SPECIAL ASSESSMENT BONDS

Bonds payable consisted of the following at September 30:

<u>Description</u>	<u>2021</u>	<u>2020</u>
\$29,495,000 Series 2020 bonds, maturing serially through 2050, interest at 2.50% to 3.00%, collateralized by the pledged revenues of special assessments levied against benefited property owners, payable November 1 and May 1, respectively.	<u>\$ 28,620,000</u>	<u>\$ 29,495,000</u>

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 5 SPECIAL ASSESSMENT BONDS (CONTINUED)

The following is a summary of changes in bond payable for the fiscal year ended September 30:

	2021	2020
Bonds Payable at October 1,	\$ 29,495,000	\$ 18,255,000
Principal Retired	(875,000)	(18,255,000)
Debt Issues	-	29,495,000
Bonds Payable at September 30,	28,620,000	29,495,000
Add: Unamortized Premium	1,918,569	2,091,929
Bonds Payable at September 30, Net	30,538,569	31,586,929
Less: Amount Recorded as Current Liability	(895,000)	(875,000)
Total	<u>\$ 29,643,569</u>	<u>\$ 30,711,929</u>

At September 30, 2021, 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>
2022	\$ 895,000	\$ 888,600	\$ 1,783,600
2023	920,000	866,225	1,786,225
2024	940,000	843,225	1,783,225
2025	965,000	819,725	1,784,725
2026	990,000	795,600	1,785,600
2027-2031	5,345,000	3,593,875	8,938,875
2032-2036	6,135,000	2,828,975	8,963,975
2037-2041	3,725,000	2,084,750	5,809,750
2042-2046	4,450,000	1,399,000	5,849,000
2047-2051	4,255,000	434,200	4,689,200
Total	28,620,000	<u>\$ 14,554,175</u>	<u>\$ 43,174,175</u>
Less: Unamortized Premium	1,918,569		
Total	<u>\$ 30,538,569</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.

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.

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 6 SPECIAL ASSESSMENTS

In August 2020, the District levied debt service special assessments in the amount of \$29,495,000, relating to the Series 2020 Bonds. The Series 2020 Bond special assessments outstanding as of September 30, 2021 and 2020 totaled \$28,620,000 and \$29,495,000, 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 7 LEASES

The District has entered into lease agreements as lessee for financing the acquisition of various equipment. The lease agreements qualify as capital leases for accounting purposes and have been recorded at the present values of the future minimum lease payments as of the date of their inception. Equipment capitalized under such leases had an original cost of \$616,003 and accumulated depreciation of \$333,934 at September 30, 2021. The minimum annual lease payments for these capital leases are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ 123,359
2023	86,753
2024	52,099
2025	12,338
Thereafter	6,917
Total Minimum Lease Payments	<u>281,466</u>
Less: Amount Representing Interest	<u>(16,622)</u>
Present Value of Future Lease Payments	<u><u>\$ 264,844</u></u>

The District leases equipment under noncancelable operating leases, which expire through December 2027. Total expenses for these operating leases of \$72,274 and \$67,00 for the year ended September 30, 2021 and 2020, respectively. The minimum rental commitment for these leases is as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ 42,731
2023	35,163
2024	25,655
2025	11,960
Thereafter	5,692
Total	<u><u>\$ 121,202</u></u>

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 8 EMPLOYEE BENEFIT PLAN

Effective October 1, 2004, the District implemented a 401(k) retirement plan, 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 year ended September 30, 2021 and 2020 were \$30,532 and \$28,409, respectively. Employee contributions were \$70,119 and \$64,159 for the fiscal year ended September 30, 2021 and 2020, 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 9 CONSTRUCTION COMMITMENTS

The District's outstanding construction commitments as of September 30, 2021, are as follows:

<u>Project</u>	<u>Total Contract</u>	<u>Spent to Date</u>	<u>Remaining</u>
Storage Building Bond Project #2	\$ 58,600	\$ 32,820	\$ 25,780
CLIS Bond Project #3	46,339	42,074	4,265
Golf Course Renovation Bond Project #5	5,504,841	4,690,570	814,271
Driving Range Restroom Bond Project #10	17,100	13,020	4,080
Pickleball Court Addition Bond Project #13	25,100	18,345	6,755
Bocce Ball Courts Bond Project #16	26,100	16,670	9,430
Pool Deck Expansion & Partial Awning Bond Project #17	21,100	15,845	5,255
Total	<u>\$ 5,699,180</u>	<u>\$ 4,829,344</u>	<u>\$ 869,836</u>

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

In accordance with Section 112.0801, Florida Statutes, if the District provides 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. For purposes of Section 112.0801, "retiree" means any officer or employee who retires under a state retirement system or a state optional annuity or retirement program or is placed on disability retirement and who begins receiving retirement benefits immediately after retirement from employment. The District does not offer a retirement plan under a state retirement system or a state optional annuity or retirement program. Therefore, the District is not required to allow retired employees to continue to participate in the District's insurance plans upon retirement. Consequently, there is no OPEB liability for the District at September 30, 2021.

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 11 SUBSEQUENT EVENT

In October 2021, the District entered into an agreement with Golf Ball Warehouse, Inc., a Florida Corporation d/b/a Golf Guys (Golf Guys) to provide merchandise and equipment for the pro shop. Monthly the District will remit the amount of gross sales to Golf Guys who will return a 10% commission to the District. The agreement is for a term of one year with automatic one-year renewals until terminated by either party with 30 days written notice.

The pro shop inventory on hand will be purchased by Golf Guys for an agreed upon amount of 60% of cost (\$0.60 per \$1 of cost).

**HERONS GLEN RECREATION DISTRICT
SCHEDULE OF REVENUES AND EXPENSES
NON-GAAP BUDGETARY BASIS AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2021**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Operating Revenues:				
Operating Assessments	\$ 2,186,902	\$ 2,186,902	\$ 2,186,916	\$ 14
Members Fees	1,265,942	1,265,942	1,186,205	(79,737)
Other users Fees	305,511	305,511	175,067	(130,444)
Other	1,183,120	1,183,120	901,868	(281,252)
Net Operating Revenues	<u>4,941,475</u>	<u>4,941,475</u>	<u>4,450,056</u>	<u>(491,419)</u>
Nonoperating Revenues:				
Investment Earnings	31,400	31,400	13,029	(18,371)
Capital Reserve Assessment and New Owner Capital Fees	348,235	348,235	683,600	335,365
Deferred Maintenance Assessment	344,380	344,380	345,100	720
Miscellaneous Other Nonoperating Income	70,087	70,087	77,330	7,243
Total Nonoperating Revenues	<u>794,102</u>	<u>794,102</u>	<u>1,119,059</u>	<u>324,957</u>
Total Revenues	5,735,577	5,735,577	5,569,115	(166,462)
EXPENSES				
Operating Expenses:				
Salaries and Wages	2,284,982	2,284,982	2,099,055	(185,927)
Operating Supplies	438,982	438,982	376,849	(62,133)
Cost of Sales	423,787	423,787	319,002	(104,785)
General and Administrative	685,447	685,447	227,900	(457,547)
Utilities	301,233	301,233	279,563	(21,670)
Repair and Maintenance	399,707	399,707	309,811	(89,896)
Professional Fees	130,349	130,349	124,553	(5,796)
Insurance	186,404	186,404	163,910	(22,494)
Other Contractual Services	195,290	195,290	182,713	(12,577)
Rentals and Leases	184,293	184,293	64,317	(119,976)
Office Expense and Other Miscellaneous	45,642	45,642	47,550	1,908
Total Operating Expenses	<u>5,276,116</u>	<u>5,276,116</u>	<u>4,195,223</u>	<u>(1,080,893)</u>
Capital Outlay	8,961,140	8,961,140	5,869,408	(3,091,732)
Bond Issuance Costs	-	-	-	-
Total Expenses	<u>14,237,256</u>	<u>14,237,256</u>	<u>10,064,631</u>	<u>(4,172,625)</u>
CHANGE IN NET POSITION	<u>\$ (8,501,679)</u>	<u>\$ (8,501,679)</u>	<u>\$ (4,495,516)</u>	<u>\$ 4,006,163</u>
RECONCILIATION OF BUDGETARY BASIS TO GAAP				
Change in Net Position - Budgetary Basis	\$ (4,495,516)			
Add: Capital Expenditures	5,869,408			
Special Assessment Interest	975,925			
Less: Depreciation	(914,068)			
Interest Expense and Bond Related Amortization	(809,204)			
Loss on Disposal of Capital Assets	(426,312)			
Tax Collector Commissions and Discounts	(71,143)			
CHANGE IN NET POSITION – GAAP	<u>\$ 129,090</u>			



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

Board of Supervisors
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 the Herons Glen Recreation District (the District), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 2, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

The District’s Responses to Findings

The District’s responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



CliftonLarsonAllen LLP

Fort Myers, Florida
February 2, 2022

**HERONS GLEN RECREATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2021**

2021-001 – Accounting for Leases

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Criteria

When a lease is a capital lease, GASBS No. 62, paragraph 216, requires the transaction to be treated as if the government purchased the asset and is financing it over the term of the lease. Capital lease treatment is required if the lease has at least one of the following characteristics described in GASBS No. 62, paragraph 213:

1. It passes title to the lessee by the end of the lease term.
2. It contains a bargain purchase option.
3. The lease term is at least 75% of the asset's estimated economic life.
4. The present value of the minimum lease payments at the beginning of the lease term is at least 90% of the asset's fair value.

Condition

During our review of the operating lease schedule provided we noticed ice machine leases that met the requirement for treatment as a capital lease due to the present value of minimum lease payments exceeding 90% of the asset's fair value.

Cause

The District has not been assessing all new leases for proper treatment as capital vs. operating.

Effect

Balances of capital assets are understated; liabilities are understated, and expenses are overstated.

Repeat Finding

Yes, 2020-002.

Recommendation

We recommend the District assign an employee to review all new leases to determine if the lease meets the criteria to be recorded as a capital lease.

Views of Responsible Officials and Planned Corrective Actions

A large portion of the ice machine lease expenditures is allocated to the maintenance and repair of these machines, which is the reason the District leases the machines as opposed to purchasing them with Capital funds. In essence, the ice machine vendor is much more responsive to repair calls when it comes to leased equipment versus owned equipment. As much as the District relies on operational ice machines, we cannot afford extended periods of interruption. Going forward, as recommended by our Government Auditors to comply with GASB No. 62, paragraph 213, we will treat these leases as capital leases and include these balances with capital assets and liabilities as opposed to expensing them. We will continue to analyze each new lease to determine whether or not the lease meets the criteria to be recorded as a capital lease. Maintenance and/or repair costs will not be included in this analysis unless specifically broken out by the leasing company. Effective immediately, the Controller will perform this analysis prior to entering into all leases.

Target date: October 31, 2021



MANAGEMENT LETTER

Board of Supervisors
Herons Glen Recreation District
North Fort Myers, Florida

Report on the Financial Statements

We have audited the financial statements of the Herons Glen Recreation District (the District) as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated February 2, 2022.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' 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 February 2, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. See Exhibit A for the status of findings and recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The District discloses this information in the notes to the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and communicate the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the 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 District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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 noted several indicators that were unfavorable. Most of these indicators relate to the net operating loss of the District and the negative unrestricted net position balance. While this is not necessarily an indicator of deteriorating financial condition, it is of concern. We recommend the District monitor this situation and take corrective action if it is anticipated that unrestricted cash balances and operating revenues will not cover operating expenditures. During our consideration of information technology in relation to the financial audit we noted that information security policies should be enhanced for user access. We also suggest reviewing outsourced IT contracts to ensure the vendor is meeting the contract requirements.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. The District does not have any special district component units.

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the District reported:

- a. The total number of district employees compensated in the last pay period of the district's fiscal year as 49.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 59.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$66,213.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$158,360.
- e. Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as \$5,726,158 (provide list).

Board of Supervisors
 Herons Glen Recreation District

Project Trial Balance						
Herons Glen Recreation District						
Start Date: 10/01/2020 End Date: 09/30/2021						
Project	Total Project Budget	Project Budget for FY21	Opening Balance	This Period	Total Spent To Date	Remaining Budget Carryfwd
2 - Storage Building - Bond	\$ 715,755.00	\$ 700,000.00	\$ 18,735.00	\$ 15,945.00	\$ 34,680.00	\$ 681,075.00
3 - CLIS - Bond	\$ 1,050,000.00	\$ 750,000.00	\$ 23,485.00	\$ 77,487.43	\$ 100,972.43	\$ 949,027.57
5 - Golf Course Renovation - Bond	\$ 6,068,212.00	\$ 5,798,800.00	\$ 162,784.11	\$ 5,464,522.63	\$ 5,627,306.74	\$ 440,905.26
7 - Restaurant Renovation - Bond	\$ 607,880.00	\$ 0.00	\$ 26,300.00	\$ 938.58	\$ 27,238.58	\$ 580,641.42
9 - Clubhouse Improvements - Bond	\$ 1,475,630.00	\$ 0.00	\$ 0.00	\$ 103,149.33	\$ 103,149.33	\$ 1,372,480.67
10 - Driving Range Restroom - Bond	\$ 349,025.00	\$ 350,000.00	\$ 0.00	\$ 13,195.00	\$ 13,195.00	\$ 335,830.00
11 - Ballroomk Equip, Curtain, Shade - Bond	\$ 83,000.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 83,000.00
12 - Ballroom ADA Bath, Stage, Ceil - Bond	\$ 134,905.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 134,905.00
13 - Pickleball Court Addition-Bond	\$ 254,500.00	\$ 255,000.00	\$ 0.00	\$ 18,365.00	\$ 18,365.00	\$ 236,135.00
14 - Tennis Awning/Pavers - Bond	\$ 110,000.00	\$ 110,000.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 110,000.00
15 - Cart/Pedestrian Bridge - Bond	\$ 438,600.00	\$ 0.00	\$ 500.00	\$ 0.00	\$ 500.00	\$ 438,100.00
16 - Bocce Courts - Bond	\$ 350,790.00	\$ 350,000.00	\$ 0.00	\$ 16,690.00	\$ 16,690.00	\$ 334,100.00
17 - Pool Deck - Bond	\$ 481,740.00	\$ 750,000.00	\$ 0.00	\$ 15,865.00	\$ 15,865.00	\$ 465,875.00
18 - Permeation Retention - Bond	\$ 500,000.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Total	\$ 12,620,037.00	\$ 9,063,800.00	\$ 231,804.11	\$ 5,726,157.97	\$ 5,957,962.08	\$ 6,162,074.92

- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as: See page 32 of the financial statements.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the District reported:

- a. The rate or rates of non-ad valorem special assessments imposed by the District as \$1,425.
- b. The total amount of special assessments collected by or on behalf of the district as \$1,854,633.
- c. The total amount of outstanding bonds issued by the district and the terms of such bonds as See Note 5 page 27 of the financial statements.

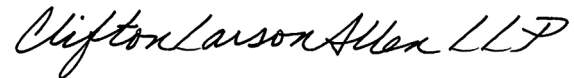
Additional Matters

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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Board of Supervisors
Herons Glen Recreation District

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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Fort Myers, Florida
February 2, 2022

**HERONS GLEN RECREATION DISTRICT
EXHIBIT A
YEAR ENDED SEPTEMBER 30, 2021**

Prior Year Findings		FINDING NUMBER			Current Year Status		
		Current Year	2019-2020	2018-2019	Cleared	Partially Cleared	Not Cleared
Annual Financial Reporting Under Generally Accepted Accounting Principles	Material Weakness	N/A	2020-001	N/A	X		
Accounting for Leases	Significant Deficiency	2021-001	2020-002	N/A			X
Florida Statute Chapter 280	Compliance	N/A	2020-003	N/A	X		
Florida Statute Chapter 218.415	Compliance	N/A	2020-004	N/A	X		
Capital Asset Depreciation Schedule	Material Weakness	N/A	2020-005	N/A	X		



INDEPENDENT ACCOUNTANTS' REPORT

Board of Supervisors
Herons Glen Recreation District
North Fort Myers, Florida

We have examined the Herons Glen Recreation District's (the District) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2021. Management is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified 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 the District's compliance with specified requirements.

Our examination disclosed no instances of material noncompliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2021.

In our opinion, the District complied, in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2021.

This report is intended solely for the information and use of the 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Myers, Florida
February 2, 2022