

**Heritage Isles
Community Development District**

ANNUAL FINANCIAL REPORT

September 30, 2020

Heritage Isles Community Development District

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September 30, 2020

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REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors
Heritage Isles Community Development District
Hillsborough County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Heritage Isles Community Development District (the "District") as of and for the year ended September 30, 2020, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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To the Board of Supervisors
Heritage Isles Community Development District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of Heritage Isles Community Development District, as of September 30, 2020, and the respective changes in financial position, cash flows for the Enterprise Fund and the budgetary comparison for the General and Special Revenue Funds for the year then ended in conformity 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 Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 10, 2021 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 and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Heritage Isles Community Development District's internal control over financial reporting and compliance.



Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

March 10, 2021

**Heritage Isles Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

Management's discussion and analysis of Heritage Isles Community Development District's (the "District") financial performance provides an objective and easily readable analysis of the District's financial activities. The analysis provides summary financial information for the District and should be read in conjunction with the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements are comprised of three components; 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to financial statements*. The *Government-wide financial statements* present an overall picture of the District's financial position and results of operations. The *Fund financial statements* present financial information for the District's major funds. The *Notes to financial statements* provide additional information concerning the District's finances.

The Government-wide financial statements are the **statement of net position** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net position of governmental activities and business-type activities and the change in net position. Governmental activities are primarily supported by special assessments. Business-type activities are supported by charges to the users of those activities, such as golf course and restaurant service charges.

The **statement of net position** presents information on all assets and liabilities of the District, with the difference between assets and liabilities reported as net position. Net position are reported in three categories; 1) net investment in capital assets, 2) restricted and 3) unrestricted. Assets, liabilities, and net position are reported for all Governmental activities separate from the assets, liabilities, and net position of business-type activities.

The **statement of activities** presents information on all revenues and expenses of the District and the change in net position. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the District. To assist in understanding the District's operations, expenses have been reported as governmental activities or business-type activities. Governmental activities financed by the District include physical environment and general and administrative. Business-type activities financed by user charges include golf course and restaurant services.

Fund financial statements present financial information for governmental funds and the enterprise fund. These statements provide financial information for the major funds of the District. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources. The enterprise fund financial statements provide information on all assets and liabilities of the funds, changes in the economic resources (revenues and expenses), and total economic resources.

**Heritage Isles Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund financial statements include a **balance sheet** and a **statement of revenues, expenditures and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures, and changes in fund balances – budget and actual**, is provided for the District's General Fund and Special Revenue Fund. For the enterprise fund, a **statement of fund net position**, a **statement of revenues, expenses, and changes in fund net position**; and a **statement of cash flows** are presented. *Fund financial statements* provide more detailed information about the District's activities. Individual funds are established by the District to track revenues that are restricted to certain uses or to comply with legal requirements

The *government-wide financial statements* and the *fund financial statements* provide different pictures of the District. The government-wide financial statements provide an overall picture of the District's financial standing, split between Governmental Activities and Business-type Activities. These statements are comparable to private-sector companies and give a good understanding of the District's overall financial health and how the District paid for the various activities, or functions, provided by the District. All assets of the District, including buildings, land and roads are reported in the **statement of net position**. All liabilities, including principal outstanding on bonds, and future employee benefits obligated but not paid by the District, are included. The **statement of activities** includes depreciation on all long-lived assets of the District, but transactions between the different functions of the District have been eliminated in order to avoid "doubling up" the revenues and expenses. The *fund financial statements* provide a picture of the major funds of the District. In the case of governmental activities, outlays for long-lived assets are reported as expenditures and long-term liabilities, such as general obligation bonds, are not included in the fund financial statements. To provide a link from the *fund financial statements* to the *government-wide financial statements*, a reconciliation is provided from the *fund financial statements* to the *government-wide financial statements*.

Notes to financial statements provide additional detail concerning the financial activities and financial balances of the District. Additional information about the accounting practices of the District, investments of the District, long term debt, and capital assets are some of the items included in the *notes to the financial statements*.

Financial Highlights

The following are the highlights of financial activity for the year ended September 30, 2020.

- ◆ The District's total assets exceeded total liabilities by \$19,938,341 (net position). Net investment in capital assets for Governmental Activities was \$17,442,338. Net investment in capital assets for Business-type Activities was \$2,400,902. Unrestricted net position for Governmental Activities was \$1,994,204 and for Business-type Activities was \$(3,058,986). Restricted net position for Governmental Activities was \$1,159,883.

**Heritage Isles Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Highlights (Continued)

- ◆ Governmental Activities revenues totaled \$2,240,518 while Governmental Activities expenses and transfers totaled \$2,256,735. Business-type Activities revenues and transfers totaled \$1,422,879 while Business-type Activities expenses totaled \$1,414,283.

Financial Analysis of the District

The following schedule provides a summary of the assets, liabilities and net position of the District. It is not intended to be a complete presentation of government-wide financial activity.

Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current assets	\$ 3,253,469	\$ 2,726,904	\$ (1,883,662)	\$ (1,975,251)	\$ 1,369,807	\$ 751,653
Restricted assets	-	-	1,054	1,045	1,054	1,045
Capital assets, net	17,570,455	18,187,505	2,705,078	2,744,869	20,275,533	20,932,374
Total Assets	20,823,924	20,914,409	822,470	770,663	21,646,394	21,685,072
Current liabilities	225,069	179,460	1,251,962	1,133,167	1,477,031	1,312,627
Non-current liabilities	2,430	122,307	228,592	304,176	231,022	426,483
Total Liabilities	227,499	301,767	1,480,554	1,437,343	1,708,053	1,739,110
Net Position						
Net investment in						
capital assets	17,442,338	17,935,521	2,400,902	2,372,902	19,843,240	20,308,423
Restricted	1,159,883	1,144,283	-	-	1,159,883	1,144,283
Unrestricted	1,994,204	1,532,838	(3,058,986)	(3,039,582)	(1,064,782)	(1,506,744)
Total Net Position	\$ 20,596,425	\$ 20,612,642	\$ (658,084)	\$ (666,680)	\$ 19,938,341	\$ 19,945,962

The decrease in capital assets for business-type activities was primarily the result of current year depreciation. The decrease in capital assets for governmental activities was due to depreciation in excess of additions in the current year.

The decrease in total liabilities for governmental activities was primarily the result of principal payments on long-term debt in the current year.

The increase in total liabilities for the business-type activities was primarily related to the increase in accrued and matured interest payable due to not making the scheduled debt service payment.

**Heritage Isles Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

The following schedule provides a summary of the changes in net position of the District and is presented at the government-wide level for comparison purposes. It is not intended to be a complete presentation of District-wide financial activity.

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<u>Program Revenues</u>						
Charges for services	\$ 2,210,238	\$ 2,281,479	\$ 1,304,706	\$ 1,242,509	\$ 3,514,944	\$ 3,523,988
Grants and contributions	25,567	23,334	-	-	25,567	23,334
<u>General Revenues</u>						
Investment earnings	1,809	8,374	1,205	2,843	3,014	11,217
Miscellaneous	2,904	650	7,169	14,048	10,073	14,698
Total Revenues	2,240,518	2,313,837	1,313,080	1,259,400	3,553,598	3,573,237
<u>Expenses</u>						
General government	172,396	172,267	-	-	172,396	172,267
Physical environment	991,525	935,633	-	-	991,525	935,633
Culture and recreation	975,751	1,129,570	-	-	975,751	1,129,570
Interest on						
long-term debt	7,264	42,424	-	-	7,264	42,424
Golf course	-	-	1,335,226	1,307,227	1,335,226	1,307,227
Restaurant	-	-	79,057	75,426	79,057	75,426
Total Expenses	2,146,936	2,279,894	1,414,283	1,382,653	3,561,219	3,662,547
Transfers	(109,799)	(106,861)	109,799	106,861	-	-
Change in Net Position	(16,217)	(72,918)	8,596	(16,392)	(7,621)	(89,310)
Net Position - Beginning of Year	20,612,642	20,685,560	(666,680)	(650,288)	19,945,962	20,035,272
Net Position - End of Year	\$ 20,596,425	\$ 20,612,642	\$ (658,084)	\$ (666,680)	\$ 19,938,341	\$ 19,945,962

The increase in physical environment expenses is mainly related to increased landscape expenses in the current year.

The decrease in culture/recreation expenses is mainly related to decreased maintenance expenses in the current year.

The increase in golf course charges for services is related to increased green fees and cart rentals.

**Heritage Isles Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Capital Assets Activity

The following schedule provides a summary of the District's capital assets activity as of September 30, 2020.

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land and improvements	\$ 2,769,142	\$ 2,268,000	\$ 5,037,142
Buildings and improvements	3,283,345	820,110	4,103,455
Infrastructure	22,602,260	3,578,363	26,180,623
Equipment	257,794	612,164	869,958
Accumulated depreciation	<u>(11,342,086)</u>	<u>(4,573,559)</u>	<u>(15,915,645)</u>
 Total Capital Assets (Net)	 <u>\$ 17,570,455</u>	 <u>\$ 2,705,078</u>	 <u>\$ 20,275,533</u>

Governmental activities activity in the current year includes depreciation of \$708,671, and capital asset additions of equipment, \$91,621.

Business-type activities changes in the current year include depreciation of \$44,121 and additions to equipment of \$14,775 and deletions of \$13,056.

General Fund Budgetary Highlights

The budget exceeded actual expenditures for the year primarily because of less use of budgeted reserves than were anticipated.

The September 30, 2020 budget was not amended.

Debt Management

Governmental Activities debt includes the following:

- ◆ In July 2016, the District instituted a \$500,000 note payable from a local bank. The loan was issued to fund a construction project within the District. The principal balance at September 30, 2020 was \$122,324.

**Heritage Isles Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Debt Management (Continued)

Business Activities Debt includes the following:

- ◆ In February 1999, the District issued \$8,785,000 Series 1999 Recreational Revenue Bonds. The 1999 Bonds were used to finance the acquisition, construction and installation of certain additions and improvements to the District's recreational facility. The Recreational Revenue Bonds are secured by a pledge of Gross Revenues under the Indenture, which are defined as all income and monies received by the District from the rates, fees, rentals, charges and other income collected by the District for the use of the products, services and facilities of the golf course and restaurant to be provided by the District. The District has not made a scheduled payment since April 1, 2009. The scheduled payments not made or tendered total \$345,000 and are reflected as matured bonds payable. In January 2012, a tender offer was accepted by approximately 4% of bondholders, which resulted in the retirement of \$140,000 in outstanding bonds and a redemption gain of \$119,000. In December 2012, a tender offer was accepted by approximately 82% of bondholders, which resulted in the retirement of \$2,975,000 and a redemption gain of \$2,231,250. In December 2014, an additional \$10,000 of principal was retired at a \$7,500 gain. As of September 30, 2020, the outstanding un-matured balance was \$290,000.

Economic Factors and Next Year's Budget

Heritage Isles Community Development District does not expect any economic factors to have a significant effect on the financial position or results of operations of the District in fiscal year 2021.

Request for Information

The financial report is designed to provide a general overview of Heritage Isles Community Development District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District Manager, Inframark Infrastructure Management Services, 210 N. University Drive, Suite 702, Coral Springs, Florida 33071.

Heritage Isles Community Development District
STATEMENT OF NET POSITION
September 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and equivalents	\$ 982,791	\$ 274,166	\$ 1,256,957
Accounts receivable	108	3,097	3,205
Due from other governments	17,303	-	17,303
Prepaid expenses	680	2,806	3,486
Inventories	-	39,861	39,861
Deposits	18,925	13,820	32,745
Internal balances	2,233,662	(2,233,662)	-
Cash and equivalents - restricted for customer deposits	-	16,250	16,250
Total Current Assets	<u>3,253,469</u>	<u>(1,883,662)</u>	<u>1,369,807</u>
Non-Current Assets			
Restricted assets			
Investments	-	1,054	1,054
Capital assets not being depreciated			
Land and improvements	2,769,142	2,268,000	5,037,142
Capital assets being depreciated			
Buildings and improvements	3,283,345	820,110	4,103,455
Infrastructure	22,602,260	3,578,363	26,180,623
Equipment	257,794	612,164	869,958
Less: accumulated depreciation	(11,342,086)	(4,573,559)	(15,915,645)
Total Non-Current Assets	<u>17,570,455</u>	<u>2,706,132</u>	<u>20,276,587</u>
Total Assets	<u>20,823,924</u>	<u>822,470</u>	<u>21,646,394</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	99,382	70,234	169,616
Customer deposits, payable from restricted assets	-	16,250	16,250
Other current liabilities	-	17,431	17,431
Accrued interest	-	276,122	276,122
Matured bonds payable	-	345,000	345,000
Matured interest payable	-	457,134	457,134
Capital lease payable	3,363	4,791	8,154
Notes payable	122,324	-	122,324
Bonds payable	-	65,000	65,000
Total Current Liabilities	<u>225,069</u>	<u>1,251,962</u>	<u>1,477,031</u>
Non-Current Liabilities			
Capital lease payable	2,430	5,522	7,952
Bonds payable, net	-	223,070	223,070
Total Non-Current Liabilities	<u>2,430</u>	<u>228,592</u>	<u>231,022</u>
Total Liabilities	<u>227,499</u>	<u>1,480,554</u>	<u>1,708,053</u>
NET POSITION			
Net investment in capital assets	17,442,338	2,400,902	19,843,240
Restricted for special revenue	1,159,883	-	1,159,883
Unrestricted	1,994,204	(3,058,986)	(1,064,782)
Total Net Position	<u>\$ 20,596,425</u>	<u>\$ (658,084)</u>	<u>\$ 19,938,341</u>

See accompanying notes to financial statements.

Heritage Isles Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities						
General government	\$ (172,396)	\$ 251,628	\$ -	\$ 79,232	\$ -	\$ 79,232
Physical environment	(991,525)	876,671	25,567	(89,287)	-	(89,287)
Culture and recreation	(975,751)	967,302	-	(8,449)	-	(8,449)
Interest on long-term debt	(7,264)	114,637	-	107,373	-	107,373
Total Governmental Activities	<u>(2,146,936)</u>	<u>2,210,238</u>	<u>25,567</u>	<u>88,869</u>	<u>-</u>	<u>88,869</u>
Business-type activities						
Golf course	(1,335,226)	1,237,124	-	-	(98,102)	(98,102)
Restaurant	(79,057)	67,582	-	-	(11,475)	(11,475)
Total Business-type Activities	<u>(1,414,283)</u>	<u>1,304,706</u>	<u>-</u>	<u>-</u>	<u>(109,577)</u>	<u>(109,577)</u>
Total Primary Government	<u>\$ (3,561,219)</u>	<u>\$ 3,514,944</u>	<u>\$ 25,567</u>	<u>88,869</u>	<u>(109,577)</u>	<u>(20,708)</u>
General Revenues						
Investment earnings				1,809	1,205	3,014
Miscellaneous				2,904	7,169	10,073
Transfers				(109,799)	109,799	-
Total General Revenues and Transfers				<u>(105,086)</u>	<u>118,173</u>	<u>13,087</u>
Change in Net Position				(16,217)	8,596	(7,621)
Net Position - October 1, 2019				20,612,642	(666,680)	19,945,962
Net Position - September 30, 2020				<u>\$ 20,596,425</u>	<u>\$ (658,084)</u>	<u>\$ 19,938,341</u>

See accompanying notes to financial statements.

Heritage Isles Community Development District
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2020

ASSETS	General	Special Revenue	Total Governmental Funds
Cash and equivalents	\$ 937,278	\$ 45,513	\$ 982,791
Accounts receivable	108	-	108
Due from other funds	1,100,178	1,689,498	2,789,676
Due from other governments	9,859	7,444	17,303
Prepaid expenses	680	-	680
Deposits	18,925	-	18,925
Total Assets	\$ 2,067,028	\$ 1,742,455	\$ 3,809,483
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable/accrued expenses	\$ 72,824	\$ 26,558	\$ 99,382
Due to other funds	-	556,014	556,014
Total Liabilities	72,824	582,572	655,396
Fund Balances			
Nonspendable:			
Deposits	18,925	-	18,925
Prepaid expenses	680	-	680
Interfund balances	-	1,689,498	1,689,498
Assigned:			
Capital projects reserve	210,500	-	210,500
First quarter operations	276,186	-	276,186
Unassigned	1,487,913	(529,615)	958,298
Total Fund Balances	1,994,204	1,159,883	3,154,087
Total Liabilities and Fund Balances	\$ 2,067,028	\$ 1,742,455	\$ 3,809,483

See accompanying notes to financial statements.

Heritage Isles Community Development District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2020

Total Governmental Fund Balance	\$ 3,154,087
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets not being depreciated, land and improvements, used in governmental activities are not current financial resources, and therefore are not reported at the fund statement level.	2,769,142
Capital assets being depreciated, infrastructure, \$22,602,260, improvements, \$3,283,345, and equipment, \$257,794, net of accumulated depreciation, \$(11,342,086), used in governmental activities are not current financial resources, and therefore are not reported at the fund level.	14,801,313
Long-term liabilities, notes payable, \$(122,324), and capital leases payable, \$5,793, are not due and payable in the current period and; therefore, are not reported at the fund level.	<u>(128,117)</u>
Net Position of Governmental Activities	<u><u>\$ 20,596,425</u></u>

See accompanying notes to financial statements.

Heritage Isles Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	<u>General</u>	<u>Special Revenue</u>	<u>2008 Debt Service</u>	<u>Total Governmental Funds</u>
Revenues				
Special assessments	\$ 1,128,299	\$ 938,390	\$ 114,637	\$ 2,181,326
Charges for services	-	28,912	-	28,912
Miscellaneous revenues	-	104	-	104
Investment earnings	1,809	-	-	1,809
Total Revenues	<u>1,130,108</u>	<u>967,406</u>	<u>114,637</u>	<u>2,212,151</u>
Expenditures				
Current				
General government	172,396	-	-	172,396
Physical environment	610,521	-	-	610,521
Culture and recreation	-	648,084	-	648,084
Capital outlay	10,445	81,176	-	91,621
Debt service				
Principal	1,087	129,660	-	130,747
Interest	101	5,780	-	5,881
Other	-	-	1,383	1,383
Total Expenditures	<u>794,550</u>	<u>864,700</u>	<u>1,383</u>	<u>1,660,633</u>
Excess of revenues over/(under) expenditures	335,558	102,706	113,254	551,518
Other financing sources (uses)				
Capital contributions	-	25,567	-	25,567
Insurance proceeds	2,800	-	-	2,800
Capital lease	6,880	-	-	6,880
Operating transfers in	116,128	-	-	116,128
Operating transfers out	-	(109,799)	(116,128)	(225,927)
Total Other Financing Sources/(Uses)	<u>125,808</u>	<u>(84,232)</u>	<u>(116,128)</u>	<u>(74,552)</u>
Net change in fund balances	461,366	18,474	(2,874)	476,966
Fund Balances - October 1, 2019	<u>1,532,838</u>	<u>1,141,409</u>	<u>2,874</u>	<u>2,677,121</u>
Fund Balances - September 30, 2020	<u>\$ 1,994,204</u>	<u>\$ 1,159,883</u>	<u>\$ -</u>	<u>\$ 3,154,087</u>

See accompanying notes to financial statements.

**Heritage Isles Community Development District
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020**

Net Changes in Fund Balances - Total Governmental Funds	\$ 476,966
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation. This is the amount by which depreciation, \$(708,671) exceeded capital additions, \$91,621, in the current period.	(617,050)
Repayments of long term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position.	130,747
The proceeds from a capital lease are reported as an other financing source at the fund level, however, the proceeds are reported as an increase in a liability at the government-wide level.	<u>(6,880)</u>
Change in Net Position of Governmental Activities	<u>\$ (16,217)</u>

See accompanying notes to financial statements.

Heritage Isles Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Special assessments	\$ 1,124,387	\$1,124,387	\$ 1,128,299	\$ 3,912
Investment earnings	357	357	1,809	1,452
Total Revenues	<u>1,124,744</u>	<u>1,124,744</u>	<u>1,130,108</u>	<u>5,364</u>
Expenditures				
Current				
General government	187,176	187,176	172,396	14,780
Physical environment	937,568	937,568	610,521	327,047
Capital outlay	-	-	10,445	(10,445)
Debt service				
Principal	-	-	1,087	(1,087)
Interest	-	-	101	(101)
Total Expenditures	<u>1,124,744</u>	<u>1,124,744</u>	<u>794,550</u>	<u>330,194</u>
Excess of revenues over/(under) expenditures	<u>-</u>	<u>-</u>	<u>335,558</u>	<u>335,558</u>
Other financing sources/(uses)				
Insurance proceeds	-	-	2,800	2,800
Capital lease	-	-	6,880	6,880
Transfers in	108,941	108,941	116,128	7,187
Total other Financing Sources/(Uses)	<u>108,941</u>	<u>108,941</u>	<u>125,808</u>	<u>16,867</u>
Net change in fund balances	<u>108,941</u>	<u>108,941</u>	<u>461,366</u>	<u>352,425</u>
Fund Balances - October 1, 2019	<u>1,415,992</u>	<u>1,415,992</u>	<u>1,532,838</u>	<u>116,846</u>
Fund Balances - September 30, 2020	<u><u>\$ 1,524,933</u></u>	<u><u>\$1,524,933</u></u>	<u><u>\$ 1,994,204</u></u>	<u><u>\$ 469,271</u></u>

See accompanying notes to financial statements.

Heritage Isles Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – SPECIAL REVENUE FUND
For the Year Ended September 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Special assessments	\$ 935,136	\$ 935,136	\$ 938,390	\$ 3,254
Charges for services	22,000	22,000	28,912	6,912
Miscellaneous revenues	-	-	104	104
Total Revenues	<u>957,136</u>	<u>957,136</u>	<u>967,406</u>	<u>10,270</u>
Expenditures				
Current				
Culture and recreation	711,896	731,574	648,084	83,490
Capital outlay	-	-	81,176	(81,176)
Debt Service				
Principal	135,441	135,441	129,660	5,781
Interest	-	-	5,780	(5,780)
Total Expenditures	<u>847,337</u>	<u>867,015</u>	<u>864,700</u>	<u>2,315</u>
Excess of revenues over expenditures	109,799	90,121	102,706	12,585
Other Financing Sources/(Uses)				
Capital contributions	-	-	25,567	25,567
Transfers out	(109,799)	(109,799)	(109,799)	-
Total Other Financing Sources/(Uses)	<u>(109,799)</u>	<u>(109,799)</u>	<u>(84,232)</u>	<u>25,567</u>
Net change in fund balances	<u>-</u>	<u>(19,678)</u>	<u>18,474</u>	<u>38,152</u>
Fund Balances - October 1, 2019	<u>1,175,240</u>	<u>1,141,406</u>	<u>1,141,409</u>	<u>3</u>
Fund Balances - September 30, 2020	<u>\$ 1,175,240</u>	<u>\$ 1,121,728</u>	<u>\$ 1,159,883</u>	<u>\$ 38,155</u>

See accompanying notes to financial statements.

**Heritage Isles Community Development District
STATEMENT OF FUND NET POSITION – ENTERPRISE FUND
September 30, 2020**

ASSETS

Current Assets

Cash and equivalents	\$ 274,166
Accounts receivable	3,097
Prepaid expenses	2,806
Inventories	39,861
Deposits	13,820
Cash restricted for customer deposits	16,250
Total Current Assets	<u>350,000</u>

Non-Current Assets

Restricted assets	
Investments	1,054
Land and improvements	2,268,000
Infrastructure	3,578,363
Buildings and improvements	820,110
Equipment	612,164
Less: Accumulated depreciation	<u>(4,573,559)</u>
Total Non-Current Assets	<u>2,706,132</u>
Total Assets	<u>3,056,132</u>

LIABILITIES

Current Liabilities

Accounts payable and accrued expenses	70,234
Customer deposits payable from restricted assets	16,250
Other current liabilities	17,431
Due to other funds	2,233,662
Accrued interest payable	276,122
Matured bonds payable	345,000
Matured interest payable	457,134
Capital lease payable	4,791
Bonds payable	65,000
Total Current Liabilities	<u>3,485,624</u>

Non-Current Liabilities

Capital lease payable	5,522
Bonds payable, net	223,070
Total Non-Current Liabilities	<u>228,592</u>
Total Liabilities	<u>3,714,216</u>

NET POSITION

Net investment in capital assets	2,400,902
Unrestricted	<u>(3,058,986)</u>
Total Net Position	<u>\$ (658,084)</u>

See accompanying notes to financial statements.

Heritage Isles Community Development District
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION – ENTERPRISE FUND
September 30, 2020

Operating Revenues:	
Charges for services	\$ 1,304,706
Miscellaneous revenues	7,169
Total Operating Revenues	<u>1,311,875</u>
 Operating Expenses:	
Personal services	540,959
Contractual and professional services	33,314
Supplies and expenses	329,881
Repairs and maintenance	136,569
Utilities	72,382
Rent and lease expense	179,881
Depreciation	44,121
Total Operating Expenses	<u>1,337,107</u>
Operating Income(Loss)	(25,232)
 Non-Operating Revenues (Expenses):	
Interest expense	(77,176)
Interest earnings	1,205
Total Non-Operating Revenue (Expenses)	<u>(75,971)</u>
Transfers	<u>109,799</u>
Change in Net Position	8,596
Net Position - October 1, 2019	<u>(666,680)</u>
Net Position - September 30, 2020	<u><u>\$ (658,084)</u></u>

See accompanying notes to financial statements.

Heritage Isles Community Development District
STATEMENT OF CASH FLOWS – ENTERPRISE FUND
September 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,313,498
Payments to suppliers for goods and services	(659,744)
Payments to employees for services	(535,254)
Net Cash Provided by Operating Activities	<u>118,500</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers in	<u>109,799</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(14,775)
Payments on capital lease	(13,584)
Net Cash Used by Capital and Related Financing Activities	<u>(28,359)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(9)
Interest on cash and investments	1,205
Net Cash Provided/(Used) by Investing Activities	<u>1,196</u>
Net decrease in cash and cash equivalents	201,136
Cash and equivalents - October 1, 2019	<u>89,280</u>
Cash and equivalents - September 30, 2020	<u>\$ 290,416</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES	
Operating income	\$ (25,232)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation expense	44,121
Loss on disposal of capital assets	10,445
Increase in accounts receivable	(2,504)
Increase in prepaid expenses	(916)
Increase in deposits	(9,770)
Increase in inventories	(2,695)
Increase in operating related due to other funds	125,432
Decrease in accounts payable and accrued expenses	(24,508)
Increase in customer deposits	500
Increase in other current liabilities	3,627
Net Cash Used by Operating Activities	<u>\$ 118,500</u>
 Other Disclosures	
Retirement of debt	\$ 60,000
Increase in matured interest payable	\$ 22,720

See accompanying notes to financial statements.

Heritage Isles Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Heritage Isles Community Development District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District’s more significant accounting policies are described below.

1. Reporting Entity

The District was established on October 4, 1997 by the Hillsborough County Board of Commissioners under the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, and was adopted as Hillsborough County Ordinance 97-12, under the name of Heritage Isles Community Development District. The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for the community development within the District.

The District is governed by a five-member Board of Supervisors (the “Board”), who are elected on an at large basis by owners of the property within the District. Among the primary powers, which the Act provides, the Board may exercise the power to manage basic service for community development, the power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure, subject to the approval of applicable State administrative agencies.

As required by GAAP, these financial statements present the Heritage Isles Community Development District (the primary government), as a stand-alone government. The reporting entity for the District includes all functions of government in which the District’s Board exercises oversight responsibility which includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters.

Based upon the application of the above-mentioned criteria as set forth by the Governmental Accounting Standards Board, the District has identified no component units.

2. Measurement Focus and Basis of Accounting

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

Heritage Isles Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

a. Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include separate columns for the governmental and business-type activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by special assessments and interest, are reported separately from business-type activities. Program revenues include charges for services and special assessments. Program revenues are netted with program expenses in the Statement of Activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financial source.

Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

b. Fund Financial Statements

The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually.

Heritage Isles Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds

The District classifies fund balance according to Governmental Accounting Standards Board Statement 54 – Fund Balance Reporting and Governmental Fund Type Definitions. The Statement requires the fund balance for governmental funds to be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The District has various policies governing the fund balance classifications.

Non-spendable Fund Balance – This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance – This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance – This classification consists of contractual obligations which require formal approval from the Board of Supervisors. This type of fund balance can only be removed by the Board of Supervisors through the same approval process.

Assigned Fund Balance – This classification consists of the Board of Supervisors' intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance – This classification is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Unassigned fund balance is considered to be utilized first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Fund Balance Spending Hierarchy – For all governmental funds except special revenue funds, when restricted, committed, assigned, and unassigned fund balances are combined in a fund, qualified expenditures are paid first from restricted or committed fund balance, as appropriate, then assigned and finally unassigned fund balances.

Heritage Isles Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Interest associated with the current fiscal period is considered to be an accrual item and so has been recognized as revenue of the current fiscal period. Revenues are considered to be available when they are collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose the district considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues) and decreases (expenditures) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability.

Debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Enterprise Funds

In the fund financial statements, the enterprise fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, enterprise funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Enterprise fund operating statements present increases (revenues) and decreases (expenses) in total net position. The District applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not conflict with, or contradict, GASB pronouncements.

Heritage Isles Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Enterprise Funds (Continued)

Enterprise fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as other financing sources.

Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

3. Basis of Presentation

a. Governmental Major Funds

General Fund – The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Fund – The Special Revenue Fund accounts for all financial resources generated by the fitness facility.

2008 Debt Service Fund – The 2008 Debt Service Fund accounts for debt service requirements for the District's Outstanding Special Assessment Refunding Bond, Series 2008.

b. Enterprise Major Fund

Enterprise Fund – The Enterprise Fund accounts for the operations of the Golf Course, Pro Shop and Restaurant, which are funded by proceeds from operations of these facilities, including green fees, cart fees and restaurant lease.

Heritage Isles Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Presentation (Continued)

c. Non-Current Governmental Assets/Liabilities

GASB Statement 34 requires that non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as general obligation bonds, due to developer and accrued compensated absences be reported in the governmental activities column in the government-wide Statement of Net Position.

4. Assets, Liabilities, and Net Position or Equity

a. Cash and Investments

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as "Qualified Public Depositories," a multiple financial institution pool whereby groups of securities pledged by the various financial institutions provide common collateral from their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions, providing full insurance for public deposits.

The District is authorized to invest in those financial instruments as established by Section 218.415, Florida Statutes. The authorized investments consist of:

1. Direct obligations of the United States Treasury;
2. The Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act of 1969;
3. Interest-bearing time deposits or savings accounts in authorized qualified public depositories;
4. Securities and Exchange Commission, registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less and held in a qualified public depository as defined by Section 280.02, Florida Statutes.

Heritage Isles Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Position or Equity (Continued)

b. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported as “internal balances”.

c. Inventories

Inventories are recorded at cost using the first-in-first-out basis and recognized as expenses as they are consumed.

d. Restricted Net Position

Certain net position of the District are classified as restricted on the Statement of Net Position because their use is limited either by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors. In a fund with both restricted and unrestricted net position, qualified expenses are considered to be paid first from restricted net position and then from unrestricted net position.

e. Capital Assets

Capital assets, which include land, buildings and improvements, infrastructure, equipment and construction in progress, are reported in the applicable governmental or business-type activities column.

The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. The valuation basis for all assets is historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of capital assets is computed and recorded by utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings and improvements	10-30 years
Equipment	5-30 years
Infrastructure	10-40 years

**Heritage Isles Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Liabilities, and Net Position or Equity (Continued)

f. Budgets

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to the requirements of the Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds. The legal level of budgetary control is at the fund level. All budgeted appropriations lapse at year end. Formal budgets are adopted for the general and debt service funds. As a result, deficits in the budget columns of the accompanying financial statements may occur.

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

“Total fund balances” of the District’s governmental funds, \$3,154,087, differs from “net position” of governmental activities, \$20,596,425, reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund balance sheet. The effect of the differences is illustrated below.

Capital related items

When capital assets (land, buildings, infrastructure and equipment that are to be used in governmental activities) are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds. However, the Statement of Net Position included those capital assets among the assets of the District as a whole.

Land and improvements	\$ 2,769,142
Infrastructure	22,602,260
Buildings and improvements	3,283,345
Equipment	257,794
Accumulated depreciation	<u>(11,342,086)</u>
Total	<u>\$ 17,570,455</u>

Heritage Isles Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

1. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position (Continued)

Long-term debt transactions

Long-term liabilities applicable to the District’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Position. Balances at September 30, 2020 were:

Notes payable	\$ (122,324)
Capital lease payable	<u>(5,793)</u>
Total	<u><u>\$ (128,117)</u></u>

2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities

The “net changes in fund balances” for government funds, \$476,966, differs from the “change in net position” for governmental activities, \$(16,217), reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated as follows.

Capital related items

When capital assets for governmental activities are purchased or constructed, they are reported as expenditures in governmental funds. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation. This is the amount that depreciation exceeded capital outlay in the current period.

Depreciation	\$ (708,671)
Capital outlay	<u>91,621</u>
Total	<u><u>\$ (617,050)</u></u>

Heritage Isles Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities (Continued)

Long-term debt transactions

Repayments of principal are reported as expenditures in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used.

Principal payments	\$	129,660
Capital lease proceeds		(6,880)
Payments on capital lease		<u>1,087</u>
Total	\$	<u><u>123,867</u></u>

NOTE C – CASH AND INVESTMENTS

All deposits are held in qualified public depositories and are included on the accompanying balance sheet as cash and investments.

Custodial Credit Risk – 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. The District does not have a formal deposit policy for custodial credit risk, however, they follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2020, the District's bank balance was \$1,266,383 and the carrying value was \$1,272,555. Exposure to custodial credit risk was as follows. The District maintains all deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

**Heritage Isles Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020**

NOTE C – CASH AND INVESTMENTS (CONTINUED)

Investments

As of September 30, 2020, the District had the following investments and maturities:

Investment	Maturities	Fair Value
Managed Money Market	N/A	\$ 1,054

The District categorizes its fair value measurements within the fair value hierarchy recently established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The District uses a market approach in measuring fair value that uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities.

Assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the District's own data in measuring unobservable input.

The District does not have any investments that meet the criteria.

The District's investment policy allows management to invest funds in investments permitted under Section 218.415, Florida Statutes.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's investments in treasury funds and government loans are limited by state statutory requirements and bond compliance. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The types of deposits and investments and their level of risk exposure as of September 30, 2020 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary.

**Heritage Isles Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020**

NOTE D – SPECIAL ASSESSMENT REVENUES

Special assessment revenues recognized for the 2019-2020 fiscal year were levied in October 2019. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Per Section 197.162, Florida Statutes, discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount.

All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificates on or prior to, June 1; therefore, there were no material taxes receivable at fiscal year end.

NOTE E – LEASE AGREEMENT

In November 2017, the District entered into a restaurant lease agreement to manage and operate its restaurant facility. The agreement commenced on November 1, 2017 and expires October 31, 2020. The monthly base rate change fluctuates from \$4,700 to \$5,300 for the first term with the option to renew for an additional term. In addition to the base rate, the District will receive three percent of gross revenues, less various costs, beginning in November 2018. In November 2020, the District amended the lease agreement. The amended agreement commenced on November 1, 2020 and expires on October 31, 2023. The monthly base rate change fluctuates from \$5,530 to \$6,030 for the second term with the option to renew for an additional term. In addition to the base rate, the District will receive three percent of gross revenues in excess of \$70,000, beginning in November 2020.

NOTE F – INTERFUND BALANCES

Interfund balances at September 30, 2020 consisted of the following:

	Interfund Receivables	Interfund Payables
General Fund	\$ 1,100,178	\$ -
Special Revenue Fund	1,689,498	556,014
Enterprise Fund	-	2,233,662
Total	\$ 2,789,676	\$ 2,789,676

Amounts due to the General Fund represent temporary operating advances due from the Special Revenue Fund and Enterprise Fund.

Amounts due to the Special Revenue Fund are a result of funding operating deficiencies of the Golf Course/Restaurant Enterprise Fund.

During the year, the Special Revenue Fund transferred \$109,799 to the Enterprise Fund and the Debt Service Fund transferred \$116,128 to the General Fund.

Heritage Isles Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE G – CAPITAL ASSETS

Capital Asset activity for the year ended September 30, 2020 was as follows:

	Balance October 1, 2019	Additions	Deletions	Balance September 30, 2020
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land and improvements	\$ 2,769,142	\$ -	\$ -	\$ 2,769,142
Capital assets, being depreciated:				
Infrastructure	22,602,260	-	-	22,602,260
Equipment	166,173	91,621	-	257,794
Buildings and improvements	3,283,345	-	-	3,283,345
Total Capital Assets, Being Depreciated	<u>26,051,778</u>	<u>91,621</u>	<u>-</u>	<u>26,143,399</u>
Less accumulated depreciation for:				
Infrastructure	(10,200,308)	(581,658)	-	(10,781,966)
Equipment	(79,306)	(16,155)	-	(95,461)
Buildings and improvements	(353,801)	(110,858)	-	(464,659)
Total Accumulated Depreciation	<u>(10,633,415)</u>	<u>(708,671)</u>	<u>-</u>	<u>(11,342,086)</u>
Total Capital Assets Depreciated, Net	<u>15,418,363</u>	<u>(617,050)</u>	<u>-</u>	<u>14,801,313</u>
Governmental Activities Capital Assets, Net	<u>\$ 18,187,505</u>	<u>\$ (617,050)</u>	<u>\$ -</u>	<u>\$ 17,570,455</u>

Depreciation was charged to physical environment, \$381,004, and culture and recreation, \$327,667.

Heritage Isles Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE G – CAPITAL ASSETS (CONTINUED)

The following is a summary of changes in the Business-type Activities capital assets for the year ended September 30, 2020.

	Balance October 1, 2019	Additions	Deletions	Balance September 30, 2020
Capital assets, not being depreciated:				
Land and improvements	\$ 2,268,000	\$ -	\$ -	\$ 2,268,000
Capital assets, being depreciated:				
Buildings and improvements	820,110	-	-	820,110
Infrastructure	3,578,363	-	-	3,578,363
Equipment	610,445	14,775	(13,056)	612,164
Total Capital Assets, Being Depreciated	<u>5,008,918</u>	<u>14,775</u>	<u>(13,056)</u>	<u>5,010,637</u>
Less accumulated depreciation for:				
Buildings and improvements	(524,784)	(28,073)	-	(552,857)
Infrastructure	(3,578,363)	-	-	(3,578,363)
Equipment	(428,902)	(16,048)	2,611	(442,339)
Total accumulated depreciation	<u>(4,532,049)</u>	<u>(44,121)</u>	<u>2,611</u>	<u>(4,573,559)</u>
Total capital assets depreciated, net	<u>476,869</u>	<u>(29,346)</u>	<u>(10,445)</u>	<u>437,078</u>
Business-Type Activities Capital Assets	<u>\$ 2,744,869</u>	<u>\$ (29,346)</u>	<u>\$ (10,445)</u>	<u>\$ 2,705,078</u>

Depreciation was charged to the following functions:

Golf Course	<u>\$ 44,121</u>
-------------	------------------

NOTE H – LONG TERM DEBT

Governmental Activities

The following is a summary of activity for long-term debt of the Governmental Activities for the year ended September 30, 2020:

Long-term debt at October 1, 2019	\$ 251,984
Principal payments	<u>(129,660)</u>
Long-term debt at September 30, 2020	<u>\$ 122,324</u>

**Heritage Isles Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020**

NOTE H – LONG-TERM DEBT (CONTINUED)

Long-term debt for Governmental Activities is comprised of the following:

Notes Payable

The District issued Series 2016 notes payable with principal due each month beginning in October 2017 and interest due each month beginning October 2016 at 4% interest. Current portion is \$122,324. \$ 122,324

The annual requirements of principal and interest for the notes payable are as follows:

Year Ending September 30,	Principal	Interest	Total
2021	<u>\$ 122,324</u>	<u>\$ 1,832</u>	<u>\$ 124,156</u>

Business-type Activities

The following is a summary of activity for long-term debt of the Business-type Activities for the year ended September 30, 2020:

Long-term debt at October 1, 2019	\$ 350,000
Principal payments	<u>(60,000)</u>
Long-term debt at September 30, 2020	<u>\$ 290,000</u>

Recreational Revenue Bonds Series 1999

\$8,785,000 Series 1999 Recreational Revenue Bonds due in annual principal installments beginning in October 1999. Interest at 7.10% is due in April and October. \$ 290,000

**Heritage Isles Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020**

NOTE H – LONG-TERM DEBT (CONTINUED)

Recreational Revenue Bonds Series 1999

The Recreational Revenue Bonds are secured by a pledge of revenues under the Indenture, which are defined as all income and monies received by the District from the rates, fees, rentals, charges and other income collected by the District for the use of the products, services and facilities of the golf course to be provided by the District.

The District has not reimbursed the reserve funds in the current year which were used to make a scheduled payment in a prior year. As a result of not making all of the scheduled debt service payments since April 2009, the following amounts are recognized in the accompanying financial statements.

Matured bonds payable	\$	345,000
Matured interest payable	\$	457,134

The annual requirements to amortize the principal and interest of enterprise fund bonds payable as of September 30, 2020 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 65,000	\$ 18,283	\$ 83,283
2022	70,000	13,490	83,490
2023	75,000	8,343	83,343
2024	<u>80,000</u>	<u>2,839</u>	<u>82,839</u>
Totals	<u>\$ 290,000</u>	<u>\$ 42,955</u>	<u>\$ 332,955</u>

The District continues to communicate with the bondholders to attempt to cure the bond default. In January 2012, approximately 4% of the bondholders accepted a tender offer. As a result, \$140,000 of the total outstanding principal was retired and a redemption gain of \$119,000 was recognized. In December 2012, approximately 82% of the bondholders accepted a tender offer. As a result, \$2,975,000 of the total outstanding principal was retired and a redemption gain of \$2,231,250 was recognized. In December 2013, an additional \$10,000 of outstanding principal was retired and a redemption gain of \$7,500 was recognized.

Heritage Isles Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE H – LONG-TERM DEBT (CONTINUED)

Recreational Revenue Bonds, Series 1999 (Continued)

Summary of Significant Bond Resolution Terms and Covenants

Depository Funds

The bond resolution established certain funds and determines the order in which revenues are to be deposited into these funds. A description of these funds, including their purpose, is as follows:

1. Bond Reserve Fund – For deposit of an amount equal to the maximum annual debt service on the bonds. The monies in the reserve account are not available for any purpose other than the payment of the principal installments of and interest on the bonds.

The following is a schedule of required reserve deposits as of September 30, 2020.

	Reserve Requirement	Reserve Balance
Series 1999 Recreational Revenue Bond	\$ 86,005	\$ 1,054

NOTE I – CAPITAL LEASE

The District entered into two lease agreements for certain equipment during the year ended September 30, 2018. The lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of future minimum lease payment as of the lease inception date. The first lease commenced in November 2017 for a term of 60 months. The second lease commenced in June 2018 for a term of 48 months.

Governmental Activities

As of September 30, 2020, the District held equipment under capital lease of \$10,445, with accumulated depreciation of \$2,611. The future minimum lease payments and net present value of minimum lease payments at September 30, 2020 were as follows:

Year Ending September 30,	Amount
2021	\$ 3,562
2022	2,474
Total minimum lease payments	6,036
Less: amount representing interest	(243)
Present value of minimum lease payments	\$ 5,793

Heritage Isles Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE I – CAPITAL LEASE (CONTINUED)

Business-type Activities

As of September 30, 2020, the District held equipment under capital lease of \$23,118, with accumulated depreciation of \$9,247. The future minimum lease payments and net present value of minimum lease payments at September 30, 2020 were as follows:

Year Ending September 30,	Amount
2021	\$ 5,156
2022	5,157
2023	514
Total minimum lease payments	10,827
Less: amount representing interest	(514)
Present value of minimum lease payments	\$ 10,313

NOTE J – OPERATING LEASES

Business-type Activities

The golf course entered into lease agreements for golf carts, beverage carts, maintenance equipment, and restaurant equipment. The lease terms range from 48 to 60 months and \$176,619 was recognized as an expense in 2020. The future minimum payments on the lease are as follows:

Year Ending September 30,	Payments
2021	\$ 116,553
2022	49,809
2023	48,890
2024	7,800
Total	\$ 223,052

NOTE K – RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no claims or settled claims from these risks that have exceeded commercial insurance coverage over the past three years.



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

To the Board of Supervisors
Heritage Isles Community Development District
Hillsborough County, 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 Heritage Isles Community Development District, as of and for the year ended September 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated March 10, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Heritage Isles Community Development District's internal control as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Heritage Isles Community Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Heritage Isles Community Development 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

To the Board of Supervisors
Heritage Isles Community Development District
Hillsborough County, Florida

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Heritage Isles Community Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Certain compliance issued are noted in our separate letter dated March 10, 2021 included on pages 40-42.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

March 10, 2021



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MANAGEMENT LETTER

To the Board of Supervisors
Heritage Isles Community Development District
Hillsborough County, Florida

Report on the Financial Statements

We have audited the financial statements of the Heritage Isles Community Development District as of and for the year ended September 30, 2020, and have issued our report thereon dated March 10, 2021.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Auditor's Report on an examination conducted in accordance with AICPA Professionals Standards, AT-C Section 315 regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which is dated March 10, 2021, 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 made to address findings and recommendations made in the preceding financial audit report. The following findings or recommendations were made in the preceding financial audit report:

Finding 2009-01

The District continues to meet a condition described in Section 218.503, Florida Statutes in that it failed to make the required debt service payments on the Series 1999 Recreational Revenue Bond, which are secured by the pledged revenue of the Golf Course and Restaurant.

Management Response

The District continues to work with the bondholders to remedy the default.

Fort Pierce / Stuart



To the Board of Supervisors
Heritage Isles Community Development District

Finding 2014-01

The Restaurant and Golf Course operated at a deficit for the fiscal years ended September 30, 2014, 2015, 2016, 2017, 2018 and 2019. The Restaurant and Golf Course operated at a small profit for the year ended September 30, 2020.

Management Response

The District is attempting to stabilize the restaurant operation and improve revenues of the golf course.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires us to apply appropriate procedures and communicate the results of our determination as to whether or not Heritage Isles Community Development District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the Heritage Isles Community Development District did meet one of the conditions described in Section 218.503(1), Florida Statutes (See Finding 2009-01).

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial conditions assessment procedures as of September 30, 2020 for the Heritage Isles Community Development District. It is management's responsibility to monitor the Heritage Isles Community Development District's financial condition; our financial condition assessment was based in part on the representations made by management and the review of the financial information provided by the same.

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

Additional Matters

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



Berger, Toombs, Elam,
Gaines & Frank

Certified Public Accountants PL

To the Board of Supervisors
Heritage Isles Community Development 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.

*Berger Toombs Elam
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

March 10, 2021



**Berger, Toombs, Elam,
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**INDEPENDENT ACCOUNTANT'S REPORT/COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

To the Board of Supervisors
Heritage Isles Community Development District
Hillsborough County, Florida

We have examined Heritage Isles Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2020. Management is responsible for Heritage Isles Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Heritage Isles Community Development District's compliance based on our examination.

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

In our opinion, Heritage Isles Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2020.

*Berger Toombs Elam
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank
Certified Public Accountants PL
Fort Pierce, Florida

March 10, 2021

Fort Pierce / Stuart