

HERONS GLEN RECREATION DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED SEPTEMBER 30, 2022



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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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Herons Glen Recreation District (the District), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2022, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Herons Glen Recreation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Herons Glen Recreation District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Herons Glen Recreation District's basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit 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 GAAS. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2023, 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 audit 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 24, 2023

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

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, 2022, with selected comparative information for the years ending September 30, 2022 and 2021. 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, 2021, and 2022, the base assessment divisor was 1300. The annual budgeted fees are as follows:

	<u>2022</u>	<u>2021</u>
Operating Assessment	\$ 2,301,034	\$ 2,186,902
Capital Reserve	364,000	348,235
Deferred Maintenance	332,800	344,380

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, 2022**

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, 2022, the assets and deferred outflows of the District exceeded its liabilities and deferred inflows by \$35,047,100 as compared to \$35,811,242 at the close of fiscal year ended September 30, 2021. This decrease was a result of several factors. \$190k was used from the FY21 Net Position to give two months' golf dues credit to returning golf members since the golf course renovation was not completed until mid-December. During the golf course renovation in FY21, approximately \$360k of golf course maintenance payroll and other expenses that were directly related to the renovation were capitalized, thus causing the operating expenses in that department to be much lower than usual for the period of April through September. Depreciation increased \$102k after adding the new \$6M golf course renovation to the fixed assets in December and implementing the new GASB 87 standard caused a \$60k increase in amortization, a line item that was previously non-existent. Finally, unusually high nationwide inflation drove costs up significantly throughout the year including fuel which doubled in price and fertilizer costs which were up 90% over 2021.

For fiscal year September 30, 2022 net position consists of \$1,932,582 net investment in capital assets; \$28,265,594 restricted for debt service, \$5,132,054 restricted for capital improvements and maintenance, and (\$283,130) (net deficit) of unrestricted net position.

The District's total debt decreased by \$1,007,340 for the year ended September 30, 2022 and decreased by \$1,052,722 during the year ended September 30, 2021.

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>2022</u>	<u>2021</u>
Current Assets	\$ 489,777	\$ 1,169,080
Noncurrent Assets	40,229,711	41,657,592
Capital Assets, Net	<u>24,749,065</u>	<u>25,092,316</u>
Total Assets	65,468,553	67,918,988
Deferred Outflows on Refunding Bond	786,190	844,069
Current Liabilities	2,480,313	3,157,320
Noncurrent Liabilities	<u>28,727,330</u>	<u>29,794,495</u>
Total Liabilities	<u>31,207,643</u>	<u>32,951,815</u>
Net Position:		
Net Investment in Capital Assets	1,932,582	2,171,371
Restricted for Debt Service	28,265,594	29,154,357
Restricted for Capital Improvements and Maint.	5,132,054	4,511,059
Unrestricted	<u>(283,130)</u>	<u>(25,545)</u>
Total Net Position	<u>\$ 35,047,100</u>	<u>\$ 35,811,242</u>

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Assets

Current assets decreased by \$679,303 or 58% from 2021 to 2022 primarily due to a 69% decrease in cash and cash equivalents derived from a combination of the 5% increase in operating assessments, an increase in accounts receivables and the lack of funds collected by year end for the FY23 annual golf membership as a result of Hurricane Ian as previously mentioned. There was also a 53% decrease in inventory year-over-year due to the outsourcing of our Golf Shop merchandise inventory to The Golf Guys in November 2021 and the loss of all the food and beverage in the freezers and coolers as a result of the loss of power from Hurricane Ian.

Restricted cash and cash equivalents decreased \$524,173 or 4%. for the most part due to the utilization of 2020 Series Bonds Funds for capital bond projects during the year. We collected \$649,570 throughout the year for capital reserve assessments and new owner capital fees, \$332,800 for deferred maintenance assessments and \$65,688 in interest earned from investments. Special assessments receivable decreased by \$895,000 from 2021 as expected as the 2020 Series Bonds are paid down each year.

Net capital and right to use assets decreased \$343,251 or 1% due to the amount of depreciation exceeding the amount invested in new capital assets. The District currently has \$555,160 invested under work in process (WIP) in a variety of bond projects that are expected to be completed over the next few years. The District completed a full golf course renovation including with all new irrigation during the fiscal year for a total cost of \$5,940,913.42.

Total assets decreased \$2,450,435 or 4 %, attributed to operating cash being lower than usual at this time of year as previously explained. In addition, continuing work on the 2020 Series Bond projects caused our Cash Equivalents with Fiscal Agent to decrease \$821,539, combined with a decrease in Special Assessments Receivable as the debt is paid down each year.

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.

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Liabilities

Current liabilities decreased overall by \$677,007 or 21%. Account payable outstanding at year-end decreased \$434,396 or 79% due to very few invoices outstanding for capital and bond projects compared to the previous fiscal year end. Accrued Interest decreased by \$9,323 or 3% as the 2020 Series Bonds interest decreases based on the amortization over time. Unearned revenue decreased by \$306,018 or 30%. primarily due to collection of payments for FY23 golf memberships being delayed due to the storm. Accrued expenses increased by \$12,905 or 6%. Accrued payroll for the last 13 days of the fiscal year included one additional day as well as salary and wage increases. Accrued vacation was also up 23% from the previous year with employees using less of their vacation time than in the previous year.

Noncurrent liabilities decreased \$1,067,165 or 4% primarily due to the annual repayment of the bonds as well as a decrease of \$49,251 or 33% in capital lease obligations. Supply chain issues have caused major delays in securing new golf course maintenance equipment in a timely manner. This has caused a delay in our annual golf course maintenance equipment lease. The special assessment bonds payable decreases annually as principal payments are made.

Total liabilities decreased \$1,744,172 or 5%.

Net Position

The District's total assets plus deferred outflow of resources exceeded total liabilities by \$35,047,100 at September 30, 2022. Net investment in capital assets decreased by \$238,789 or 11% primarily due to depreciation exceeding the new capital assets purchased with non-debt funding. Unrestricted net position decreased by \$257,585 or 1,008%, while restricted for debt service and capital improvements and maintenance decreased by \$267,768 or 1%. 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, 2022**

Hérons Glen Recreation District's Changes in Net Position

The District's 2022 operating loss increased \$949,203 from 2021. The following is a summary of revenues, expenses, and changes in net position at September 30:

	<u>2022</u>	<u>2021</u>
Revenues:		
Operating Revenues, Net:		
Operating Assessments	\$ 2,296,598	\$ 2,186,916
Members Fees	1,174,823	1,186,205
Other User Fees	404,778	175,067
Pro Shop Operations	16,531	73,836
Restaurant Operations	1,068,767	626,447
Rental and Other	284,222	201,585
Total Operating Revenues	<u>5,245,719</u>	<u>4,450,056</u>
Nonoperating Revenues:		
Investment Earnings	65,688	13,029
Special Assessments Interest	955,804	975,925
Capital Reserve Assessments and New Owner Capital Fees	649,570	683,600
Capital Reserve Assessment - Fitness Center	-	-
Deferred Maintenance Assessments	332,800	345,100
Miscellaneous Other Nonoperating Income, Net	100,919	77,330
Total Nonoperating Revenues	<u>2,104,781</u>	<u>2,094,984</u>
Total Revenues	<u>7,350,500</u>	<u>6,545,040</u>
Expenses:		
Operating Expenses:		
Salaries and Wages	2,824,010	2,099,055
Cost of Sales	508,559	319,002
Operating Supplies	731,313	376,849
Depreciation	1,016,086	914,068
Amortization	59,663	-
General and Administration	370,557	299,043
Utilities	342,586	279,563
Repair and Maintenance	465,571	309,811
Professional Fees	135,455	124,553
Insurance	211,498	163,910
Other Contractual Services	193,829	182,713
Rental and Leases	42,961	64,317
Office Expense and Other Miscellaneous Expenses	23,212	47,550
Total Operating Expenses	<u>6,925,300</u>	<u>5,180,434</u>
Nonoperating Expenses:		
Interest Expense and Fiscal Costs	795,151	809,204
Bond Issuance Costs	-	-
Net Gain (Loss) on Disposal of Capital Assets	394,191	426,312
Total Nonoperating Expenses	<u>1,189,342</u>	<u>1,235,516</u>
Total Expenses	<u>8,114,642</u>	<u>6,415,950</u>
Capital Contributions	-	-
Increase (Decrease) in Net Position	<u>(764,142)</u>	<u>129,090</u>
Beginning Net Position	<u>35,811,242</u>	<u>35,682,152</u>
Ending Net Position	<u>\$ 35,047,100</u>	<u>\$ 35,811,242</u>

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Total revenues increased from 2021 results by \$805,460. The 12% net increase is attributed primarily to a 18% increase in operating revenues, consisting of a 5% increase in operating assessments, 63% increase in restaurant operations, 10% increase in rentals and a 17% increase in user fees. This was offset by a 23% decrease in pro shop. The total number of golf memberships increased from 504 at the end of FY21 to 593, an increase of 18%. The change in net position decreased overall by \$893,232 or 692%. This decrease was directly related to high inflationary factors during the year. According to the Bureau of Labor Statistics, "Over the 12 months ended June 2022, the Consumer Price Index for All Urban Consumers increased 9.1 percent.". The District's operating plan continues to reflect the economic conditions as well as the need to invest in the maintenance of the community. Each investment in capital assets is reviewed in terms of need and priority before an expenditure is approved. Management continues to review opportunities for non-assessment revenues for the District.

Total expenses increased from 2021 results by \$1,698,692. The 26% net increase is due to high inflation throughout the year. Every expense line item went up except for Rental and Leases and Office Expenses and Other Miscellaneous Expenses. Certain expenses like fertilizer went up as much as 90%.

CAPITAL ASSETS

The District's net investment in capital assets as of September 30, 2022 amounts to \$24,749,065 (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>2022</u>	<u>2021</u>
Land and Site Improvements	\$ 13,475,411	\$ 13,465,491
Work in Progress	555,160	6,029,845
Original Purchase	1,517,217	2,549,232
Equipment	3,485,952	3,462,665
Right to Use Assets - Equipment	178,911	-
Common Lot Irrigation System	2,360,334	2,382,328
Property and Improvements	<u>14,121,601</u>	<u>9,609,479</u>
Total Property and Equipment	35,694,586	37,499,040
Less: Accumulated Depreciation and Amortization	<u>(10,945,521)</u>	<u>(12,406,724)</u>
Total, Net Depreciation and Amortization	<u>\$ 24,749,065</u>	<u>\$ 25,092,316</u>

Additional information on the District's capital assets can be found in Notes 4 and 5 of the notes to the financial statements.

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

In 2022, the District completed work on several projects in addition to purchasing equipment and completing the golf course renovation totaling \$487,454 spent during the fiscal year, as follows:

HVAC Dining Rom, Lounge, Kitchen and Electrical/Computer Room	\$ 159,500
Golf Course Landscaping	102,943
Effluent Pond Liner	59,749
Greensmaster 3320 TriFlex w/3 Blades	51,625
Tennis Court Light Heads	49,053
Roller Shades for Ballroom	15,425
Golf Carts	11,190
DR Horton Land	9,920
Aerotros at Mystic Lake	8,397
Centrifugal Pump	7,010
Driving Range Building Project	6,800
Smith Machine	5,842
Total	<u>\$ 487,454</u>

Work in process (WIP) – a number of capital projects were continued from 2021 and new ones started during 2022. The total amount spent on the following projects during 2022 was \$464,065, most of which was funded from the 2020 Series Bonds:

Golf Course Renovation Project	\$ 218,748
CLIS Irrigation Project	114,015
Restaurant Project	46,291
Miscellaneous Small Projects	29,343
Multi Use Path	28,957
Bocce Courts	13,095
Pickleball Courts	4,195
Cart/Pedestrian Bridge	1,960
Shuffleball Sunshade/Pavers	1,832
Pool Deck	1,613
Ballroom Update & Equipment	1,500
Tennis Awnings/Pavers	1,229
Storage Building Construction Project	590
Driving Range Restroom	590
Clubhouse Improvements	107
Total	<u>\$ 464,065</u>

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, 2022, the District had special assessment bonds plus unamortized premium outstanding totaling \$29.5 million. More detailed information on the bonds payable is presented in Note 5 to the financial statements.

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

ECONOMIC FACTORS AND FUTURE IMPACTS

This year we battled with a 9.1% increase in the consumer price index driving inflation to all-time high levels. Inflation coupled with supply chain issues caused huge increases in our operating expenses across the board. We also shared in the country's inability to attract and retain staff throughout the year. As a result, we had to increase wages for a total increase over FY21 of 35% in order to run the operation.

We reopened the golf course mid-December after completion of the 8.5-month long renovation which drove the membership numbers up 18% from FY21. Since the course was closed for the first two months of the fiscal year, we offered two months' dues credit to our rejoining members, resulting in a slight reduction in overall golf membership dues revenue for the year.

The housing market continues to remain active in the community, with a total of 112 homes sold during the year in Herons Glen albeit down from 120 the previous year. Investment earnings were up significantly with interest rates climbing every month. Interest earned over the fiscal year was up \$52,659 or 404% from 2021. 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.

The District collected \$284,800 from 89 owners new to Herons Glen, a \$50,000 decrease over 2021 with an increase of \$100 each over the previous year. The new owner capital fee goes into our long-term capital reserves for future needs.

The District's delinquent accounts balance increased slightly to \$ 3,120 with two properties delinquent two quarters of their maintenance assessments 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. This fiscal year was a challenge with costs in every department rising throughout the fiscal year along with being hit by a major hurricane just as the fiscal year was ending. Despite management's attempts to cut back on spending as costs were rapidly increasing, inflation made it very difficult to stay within our budget constraints. Our initial \$47,000 loss from food and beverage spoilage when the power went out for a week and additional payroll for cleanup after the hurricane was only the beginning of a very lengthy process. As a result, our change in net position dropped \$764,142. We are currently awaiting insurance proceeds as well as FEMA reimbursement to recoup some of the expenses we have incurred and will continue to incur due to Hurricane Ian. The District Board was wise in reserving funds in our Uninsured Losses Reserve Account to cover the deductible for costs due to unfortunate events such as this.

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
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

ASSETS AND DEFERRED OUTFLOWS OR RESOURCES

CURRENT ASSETS

Cash and Cash Equivalents	\$ 315,487
Accounts Receivable	95,137
Inventories	27,748
Prepaid Expenses	51,405
Total Current Assets	<u>489,777</u>

NONCURRENT ASSETS

Restricted Assets:	
Cash and Cash Equivalents	5,132,055
Cash Equivalents with Fiscal Agent	7,132,445
Special Assessments Receivable	27,725,000
Total Restricted Assets	<u>39,989,500</u>
Capital Assets, Net	24,627,059
Right to Use Leased Asset, Net of Amortization	122,006
Unamortized Prepaid Bond Insurance Costs, Net	240,211
Total Noncurrent Assets	<u>64,978,776</u>

Total Assets 65,468,553

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows on Refunding Bond	786,190
Total Deferred Outflows	<u>786,190</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	115,354
Accrued Expenses	231,362
Unearned Revenue	703,927
Accrued Interest	360,927
Obligations Under Purchase Agreement, Current Portion	92,859
Lease Liability, Current Portion	55,884
Special Assessment Bonds Payable, Current Portion	920,000
Total Current Liabilities	<u>2,480,313</u>

NONCURRENT LIABILITIES

Obligations Under Purchase Agreement, Net of Current Portion	101,675
Lease Liability, Net of Current Portion	66,727
Special Assessment Bonds Payable, Including Unamortized Premium	28,558,928
Total Noncurrent Liabilities	<u>28,727,330</u>

Total Liabilities 31,207,643

NET POSITION

Net Investment in Capital Assets	1,932,582
Restricted for Debt Service	28,265,594
Restricted for Capital Improvements and Maintenance	5,132,054
Unrestricted	(283,130)
Total Net Position	<u>\$ 35,047,100</u>

See accompanying Notes to Financial Statements.

**HERONS GLEN RECREATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2022**

OPERATING REVENUES	
Operating Assessments	\$ 2,296,598
Members Fees	1,174,823
Other User Fees	404,778
Pro Shop Operations	16,531
Restaurant Operations	1,068,767
Rental and Other	284,222
Total Operating Revenues	<u>5,245,719</u>
OPERATING EXPENSES	
Salaries and Wages	2,824,010
Cost of Sales	508,559
Operating Supplies	731,313
Depreciation	1,016,086
Amortization	59,663
General and Administration	370,557
Utilities	342,586
Repair and Maintenance	465,571
Professional Fees	135,455
Insurance	211,498
Other Contractual Services	193,829
Rental and Leases	42,961
Office Expense and Other Miscellaneous Expenses	23,212
Total Operating Expenses	<u>6,925,300</u>
OPERATING LOSS	(1,679,581)
NONOPERATING REVENUES (EXPENSES)	
Investment Earnings	65,688
Interest Expense and Fiscal Costs	(795,151)
Special Assessments Interest	955,804
Capital Reserve Assessments and New Owner Capital Fees	649,570
Deferred Maintenance Assessments	332,800
Net Gain (Loss) on Disposal of Capital Assets	(394,191)
Miscellaneous Other Nonoperating Income, Net	100,919
Total Nonoperating Revenues	<u>915,439</u>
CHANGE IN NET POSITION	(764,142)
Total Net Position - Beginning of Year	<u>35,811,242</u>
TOTAL NET POSITION - END OF YEAR	<u><u>\$ 35,047,100</u></u>

See accompanying Notes to Financial Statements.

**HERONS GLEN RECREATION DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Operating Assessments	\$ 2,237,597
Cash Received from Members	873,411
Cash Received from Other Users	404,778
Cash Received from Pro Shop and Restaurant Operations	1,085,298
Cash Received from Rents and Contracted Services	284,222
Miscellaneous and Other Cash Receipts	100,919
Cash Payments to Suppliers	(3,153,908)
Cash Payments to Employees for Payroll	(2,787,776)
Net Cash Used by Operating Activities	<u>(955,459)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Collection of Deferred Maintenance Assessments	332,422
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING
ACTIVITIES**

Acquisition of Capital Assets	(1,202,478)
Proceeds from the Sale of Capital Assets	6,500
Collection of Special Assessment Principal and Interest	1,850,804
Collection of Capital Reserve Assessments	362,962
Collection of Capital Reserve Assessment – Non-Resident Golf Membership	770
Collection of New Owner Capital Fees	284,800
Interest Paid on Special Assessment Bonds	(892,758)
Principal Paid on Special Assessment Bonds	(895,000)
Interest Paid on Obligations Under Purchase Agreements	(9,441)
Principal Paid on Obligation Under Purchase Agreements	(116,435)
Interest Paid on Obligations Under Lease Liability	(329)
Principal Paid on Obligation Under Lease Liability	(59,058)
Net Cash Used by Capital and Related Financing Activities	<u>(669,663)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Earnings	<u>65,688</u>
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NET DECREASE IN CASH AND CASH EQUIVALENTS

(1,227,012)

Cash and Cash Equivalents - Beginning of Year

13,806,999

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 12,579,987

See accompanying Notes to Financial Statements.

**HERONS GLEN RECREATION DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2022**

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Cash Included in Current Assets:	
Cash and Cash Equivalents	\$ 315,487
Cash Included in Noncurrent Assets:	
Restricted Cash:	
Cash and Cash Equivalents	5,132,055
Cash Equivalents with Fiscal Agent	7,132,445
Total Cash and Cash Equivalents	<u>\$ 12,579,987</u>

SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITY

Purchase of Right to Use Leased Assets Through Leases	<u>\$ 181,669</u>
Purchase of Capital Assets Through Financing Agreement	<u>\$ 46,125</u>

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES:**

Operating Loss	\$ (1,679,581)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	1,016,086
Amortization	59,663
Miscellaneous Other Nonoperating Income, Net	100,919
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(55,811)
Decrease in Inventories	31,523
Decrease in Prepaid Expense	752
Decrease in Accounts Payable and Accrued Expenses	(124,408)
Decrease in Unearned Revenue	(304,602)
Total Adjustments	<u>724,122</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (955,459)</u>

See accompanying Notes to Financial Statements.

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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, 2022**

**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, 2021, the Board of Supervisors adopted the annual operating budget for fiscal year 2022 for the District. The budget covers the periods October 1, 2021 through September 30, 2022 and includes 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, 2022**

**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, 2022 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. Donated assets are recorded at acquisition value at the date of donation. 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>
Right to Use Leases Equipment	5
Original Purchase	6 to 30
Equipment	3 to 30
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, 2022**

**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, 2022, 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, 2022**

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

Summary of Significant Accounting Policies (Continued)

Leases

The District determines if an arrangement is a lease at inception. Leases are included in right to use leased assets (lease assets) and lease liabilities in the statements of net position.

Lease assets represent the District's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the District will exercise that option.

The District has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right to use lease assets on the statements of net position.

If the individual lease contracts do not provide information about the discount rate implicit in the lease, the District has elected to use their incremental borrowing rate to calculate the present value of expected lease payments.

The District accounts for contracts containing both lease and nonlease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and nonlease components, and it is impractical to estimate the price of such components, the District treats the components as a single lease unit.

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 2022. 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.

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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

Summary of Significant Accounting Policies (Continued)

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.

Adoption of New Accounting Standards

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District adopted GASB 87 during 2022, Effective October 1, 2021.

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

As of September 30, 2022 the District's cash and investments were as follows:

Deposits with Financial Institutions	\$ 305,242
Investments Considered as Cash Equivalents	12,274,545
Cash on Hand	200
Total	\$ 12,579,987
Cash and Cash Equivalents	\$ 315,487
Restricted Cash and Cash Equivalents	5,132,055
Restricted Cash Equivalents with Fiscal Agent	7,132,445
Total	\$ 12,579,987

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, 2022**

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, 2022 was \$12 and amount not covered was \$314,938.

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, 2022, the District had \$314,938 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.

The First American Obligation Fund invests exclusively in short-term U.S Government securities including repurchase agreements secured by the U.S government. The investment strategy is to provide maximum current income and daily liquidity. There are no redemption restrictions.

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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, 2022:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Investment Maturities</u>	
		<u>Less Than One Year</u>	<u>More Than One Year</u>
First American Government Obligation			
Fund CI D	\$ 7,132,445	\$ 7,132,445	\$ -
Florida PRIME	5,142,100	5,142,100	-
Total	<u>\$ 12,274,545</u>	<u>\$ 12,274,545</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, 2022 investments were rated as follows:

<u>Investment Type</u>	<u>Moody's Investor's Services</u>	<u>Standard & Poor's</u>
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, 2022**

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, 2022, 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, 2022**

NOTE 3 RESTRICTED ASSETS

Assets were restricted for the following purposes at September 30:

Debt Service - Special Assessments Receivable	\$ 27,725,000
Restricted for Interest and Principal	901,521
Capital Improvements	7,869,103
Long-term Capital Fund	2,254,027
Golf Course Special Improvement	257,017
Deferred Maintenance	629,840
Uninsured Losses Reserve Fund	352,980
Projects and Other	<u>12</u>
Total Restricted Assets	39,989,500
Less: Accrued Interest	(360,927)
Less: Unspent Debt Proceeds	<u>(6,230,925)</u>
Total Restricted Net Position	<u><u>\$ 33,397,648</u></u>

NOTE 4 CAPITAL ASSETS, NET

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

	Balance September 30, 2021	Additions	Deletions and Transfers	Balance September 30, 2022
Capital Assets, Not Being Depreciated:				
Land and Site Improvements	\$ 13,465,491	\$ 9,920	\$ -	\$ 13,475,411
Work in Progress	<u>6,029,845</u>	<u>464,065</u>	<u>(5,938,750)</u>	<u>555,160</u>
Total Capital Assets, Not Being Depreciated	19,495,336	473,985	(5,938,750)	14,030,571
Capital Assets, Being Depreciated:				
Original Purchase	2,549,232	-	(1,032,015)	1,517,217
Equipment	3,462,665	308,042	(284,755)	3,485,952
Common Lot Irrigation System	2,382,328	-	(21,994)	2,360,334
Property and Improvements	<u>9,609,479</u>	<u>169,492</u>	<u>4,342,630</u>	<u>14,121,601</u>
Total Capital Assets Being Depreciated	18,003,704	477,534	3,003,866	21,485,104
Less Accumulated Depreciation for:				
Original Purchase	1,950,716	44,389	(769,988)	1,225,117
Equipment	2,771,342	223,934	(456,768)	2,538,508
Common Lot Irrigation System	1,565,923	97,570	(13,196)	1,650,297
Property and Improvements	<u>6,118,743</u>	<u>650,193</u>	<u>(1,294,242)</u>	<u>5,474,694</u>
Total Accumulated Depreciation	<u>12,406,724</u>	<u>1,016,086</u>	<u>(2,534,194)</u>	<u>10,888,616</u>
Total Capital Assets, Being Depreciated, Net	<u>5,596,980</u>	<u>(538,552)</u>	<u>5,538,060</u>	<u>10,596,488</u>
Total Capital Assets, Net	<u><u>\$ 25,092,316</u></u>	<u><u>\$ (64,567)</u></u>	<u><u>\$ (400,690)</u></u>	<u><u>\$ 24,627,059</u></u>

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 4 CAPITAL ASSETS, NET (CONTINUED)

Work in progress totaling \$555,160 as of September 30, 2022 primarily includes spending for the District's restaurant, clubhouse irrigation system and sports facilities.

NOTE 5 RIGHT TO USE LEASE ASSET

The District has recorded 14 right to use leased assets. The assets are right to use assets for leased office equipment, ice machines and golf carts. The related leases are discussed further in Note 9. The right to use leased assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the year ended September 30 was as follows:

	Balance September 30, 2021	Additions	Deletions	Balance September 30, 2022
Right to Use Leased Assets				
Equipment	\$ -	\$ 181,669	\$ (2,758)	\$ 178,911
Total Right to Use Leased Assets	-	181,669	(2,758)	178,911
Less Accumulated Amortization for:				
Equipment	-	59,663	(2,758)	56,905
Total Accumulated Amortization	-	59,663	(2,758)	56,905
Total Right to Use Leased Assets, Net	<u>\$ -</u>	<u>\$ 122,006</u>	<u>\$ -</u>	<u>\$ 122,006</u>

NOTE 6 SPECIAL ASSESSMENT BONDS

Bonds payable consisted of the following at September 30:

<u>Description</u>	<u>Amount</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>\$ 27,725,000</u>

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 6 SPECIAL ASSESSMENT BONDS (CONTINUED)

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

Bonds Payable at October 1,	\$ 28,620,000
Principal Retired	<u>(895,000)</u>
Bonds Payable at September 30,	27,725,000
Add: Unamortized Premium	<u>1,753,928</u>
Bonds Payable at September 30, Net	29,478,928
Less: Amount Recorded as Current Liability	<u>(920,000)</u>
Total	<u><u>\$ 28,558,928</u></u>

At September 30, 2022, the scheduled future debt service requirements on the District's outstanding Bonds are as follows:

<u>Year Ending September 30,</u>	Bonds		
	Principal	Interest	Total
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	1,015,000	770,850	1,785,850
2028-2032	5,485,000	3,460,250	8,945,250
2033-2037	5,685,000	2,644,925	8,329,925
2038-2042	3,840,000	1,979,775	5,819,775
2043-2047	4,630,000	1,221,000	5,851,000
2048-2050	<u>3,255,000</u>	<u>264,000</u>	<u>3,519,000</u>
Total	27,725,000	<u>\$ 13,665,575</u>	<u>\$ 41,390,575</u>
Less: Unamortized Premium	<u>1,753,928</u>		
Total	<u><u>\$ 29,478,928</u></u>		

Significant Bond Provisions

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

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 6 SPECIAL ASSESSMENT BONDS (CONTINUED)

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

NOTE 7 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, 2022 totaled \$27,725,000.

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

NOTE 8 OBLIGATIONS UNDER PURCHASE AGREEMENTS

The District has entered into purchase agreements for financing the acquisition of various equipment. The purchase agreements qualify as asset purchases have been recorded at the present values of the future minimum payments as of the date of their inception. The minimum annual payments for these purchase agreements are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2023	\$ 99,335
2024	62,164
2025	22,403
2026	16,983
2027	5,033
Total Minimum Payments	205,918
Less: Amount Representing Interest	(11,384)
Present Value of Future Payments	<u>\$ 194,534</u>

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 9 LEASE LIABILITY

The District leases equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2026.

Total future minimum lease payments under lease agreements are as follows:

<u>Year Ending September 30.</u>	<u>Lease Liability</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 55,884	\$ 3,020	\$ 58,904
2024	41,999	1,429	43,428
2025	22,689	448	23,137
2026	2,039	4	2,043
Total	<u>\$ 122,611</u>	<u>\$ 4,901</u>	<u>\$ 127,512</u>

NOTE 10 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, 2022 was \$33,866. Employee contributions were \$79,182 for the fiscal year ended September 30, 2022. 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 11 CONSTRUCTION COMMITMENTS

The District's outstanding construction commitments as of September 30, 2022, 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	\$ 35,270	\$ 23,330
Golf Course Renovation Bond Project #5 *	6,012,972	5,940,913	3,276
Restaurant Renovation Bond Project #7	120,020	73,529	46,491
Driving Range Restroom Bond Project #10	17,100	13,785	3,315
Pickleball Court Addition Bond Project #13	442,007	22,560	419,447
Sports Complex	758,350	81,899	676,451
Pool Deck Expansion & Partial Awning Bond Project #17	30,100	17,478	12,622
Total	<u>\$ 7,953,036</u>	<u>\$ 6,693,552</u>	<u>\$ 1,184,932</u>

* - Project was completed for less than contract price

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 12 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, 2022.

NOTE 13 SUBSEQUENT EVENT

On September 28, 2022, the District was impacted by Hurricane Ian which caused significant damage to the Southwest Florida area. The District incurred damage for which it has filed Federal Emergency Management Agency (FEMA) and insurance claims. To date the District has received \$121,390 from insurance claims, subsequent to year-end.

In addition, there have been additional costs related to Hurricane Ian after year-end related to repairs. To date the District has incurred \$377,396 in costs directly related to Hurricane Ian subsequent to year-end.

**HERONS GLEN RECREATION DISTRICT
SCHEDULE OF REVENUES AND EXPENSES
NON-GAAP BUDGETARY BASIS AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2022**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Operating Revenues:				
Operating Assessments	\$ 2,301,034	\$ 2,301,034	\$ 2,296,598	\$ (4,436)
Members Fees	1,414,570	1,414,570	1,174,823	(239,747)
Other Capital users Fees	437,834	437,834	404,778	(33,056)
Other	1,487,517	1,487,517	1,369,520	(117,997)
Net Operating Revenues	5,640,955	5,640,955	5,245,719	(395,236)
Nonoperating Revenues:				
Investment Earnings	11,090	11,090	65,688	54,598
Capital Reserve Assessment and New Owner Capital Fees	364,000	364,000	649,570	285,570
Deferred Maintenance Assessment	332,800	332,800	332,800	-
Miscellaneous Other Nonoperating Income	70,887	70,887	100,919	30,032
Total Nonoperating Revenues	778,777	778,777	1,148,977	370,200
Total Revenues	6,419,732	6,419,732	6,394,696	(25,036)
EXPENSES				
Operating Expenses:				
Salaries and Wages	2,859,143	2,859,143	2,824,010	(35,133)
Operating Supplies	684,596	684,596	731,313	46,717
Cost of Sales	537,808	537,808	508,559	(29,249)
General and Administrative	341,065	341,065	297,870	(43,195)
Utilities	312,065	312,065	342,586	30,521
Repair and Maintenance	449,996	449,996	465,571	15,575
Professional Fees	130,684	130,684	135,455	4,771
Insurance	203,820	203,820	211,498	7,678
Other Contractual Services	202,063	202,063	193,829	(8,234)
Rentals and Leases	206,293	206,293	42,961	(163,332)
Office Expense and Other Miscellaneous	45,227	45,227	23,212	(22,015)
Total Operating Expenses	5,972,760	5,972,760	5,776,864	(195,896)
Capital Outlay	3,785,908	3,785,908	951,519	(2,834,389)
Total Expenses	9,758,668	9,758,668	6,728,383	(3,030,285)
CHANGE IN NET POSITION	\$ (3,338,936)	\$ (3,338,936)	\$ (333,687)	\$ 3,005,249
RECONCILIATION OF BUDGETARY BASIS TO GAAP				
Change in Net Position - Budgetary Basis	\$ (333,687)			
Add: Capital Expenditures	951,519			
Special Assessment Interest	955,804			
Less: Depreciation and Amortization	(1,075,749)			
Interest Expense and Bond Related Amortization	(795,151)			
Loss on Disposal of Capital Assets	(394,191)			
Tax Collector Commissions and Discounts	(72,687)			
CHANGE IN NET POSITION – GAAP	\$ (764,142)			



**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, 2022, 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 24, 2023.

Report on 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 identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

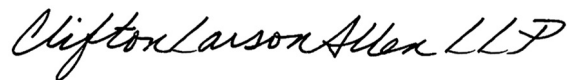
As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2022-003.

The District’s Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District’s response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 24, 2023

**HERONS GLEN RECREATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2022**

2022-001 – Golf Course Disposal

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

Criteria

Capital assets are to be disposed in the financial accounting records upon the date in which they are no longer in service.

Condition

The District's golf course and related renovations that were capitalized in prior years were taken out of service in April 2021, once the golf course was closed and renovated. The District reported the disposal of the capital assets and the related loss on disposal in the 2022 financial statements.

Cause

Typically the old asset is removed when the new asset is added so the District's internal controls did not detect the golf course disposal until the new golf course was completed during 2022.

Effect

The 2022 financial statements are misstated by an immaterial amount. The District elected to pass on the correction to the financial statements.

Repeat Finding

No.

Recommendation

We recommend the District review the capital asset listing periodically to review for capital assets that are no longer in service, even if a new asset has not been purchased/constructed as a replacement. For any assets that are no longer in service, an assessment should be made to determine if the capital asset should be disposed and removed from the financial statements.

Views of Responsible Officials and Planned Corrective Actions

The District's internal controls document indicates a fixed asset must be disposed of when it is no longer on the District's property. It is the responsibility of the department manager to fill out a disposal form and submit it to the accounting department when an asset has been disposed of. It is then the responsibility of the Controller to dispose of the fixed asset in the District's fixed assets program and make an adjustment in the accounting software accordingly. Both steps were missed by both parties, causing the fixed assets to be overstated on the FY21 Audited Financial Statements.

A copy of the District's internal controls document will be circulated to all department managers with a focus on the importance of making sure any and all fixed assets that are no longer on the District's property are reported to the Controller in the form of a completed disposal sheet as soon as the fixed asset has been disposed of so the Controller can process the disposal of the fixed asset in a timely matter.

Target date: March 31, 2023

**HERONS GLEN RECREATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2022**

2022-002 – Inventory of Capital Assets

Type of Finding: Compliance

Criteria

69I-73.006 Inventory of Property.

- (1) Physical Inventory Required – Each governmental unit shall ensure a complete physical inventory of all property is taken annually and whenever there is a change of custodian or change of custodian’s delegate.

Criteria

District Policy

A fixed asset inventory is taken by each department on an annual basis. The list is compiled from the fixed asset subsidiary ledger and given to each manager. After it is turned back into the controller, the controller will spot check to see the existence of the equipment. All corrections are made into the fixed asset system as well as the general ledger.

Condition

The District did not perform an inventory of capital assets during 2022 as required by 63I-73.006 and District policies.

Cause

The District did not follow their policies and procedures.

Effect

The District is in violation of Florida Rule chapter 69I-73.006 and internal policy. In addition, the District’s capital assets could be stolen, damaged or misused without management’s knowledge.

Repeat Finding

No.

Recommendation

We recommend the District develop an annual timeline for when a full inventory of capital assets should be performed. If Finance does not receive the required reports according to the timeline set, they should make the appropriate inquiries as to why it has not been done and develop a plan to get the inventory taken with the assistance of the general manager.

Views of Responsible Officials and Planned Corrective Actions

The fixed assets inventory is generally performed at the end of the fiscal year. Due to Hurricane Ian on September 28, 2022 (two days before the end of our fiscal year), we were unable to take the physical inventory of the fixed assets at that time. We did our best to determine what fixed assets had been damaged and/or destroyed due to the storm so as to remove them from the fixed asset list accordingly for the fiscal year end.

**HERONS GLEN RECREATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2022**

2022-002 – Inventory of Capital Assets (Continued)

Type of Finding: Compliance

Views of Responsible Officials and Planned Corrective Actions (Continued)

The Controller will create a plan with the General Manager to set an annual timeline for when a full inventory of capital assets should be performed, preferably at a time that is not at the end of the fiscal year. Also at this time, a specific date and time will be scheduled for the Controller to spot check the capital assets in each department to verify the existence of the assets on the completed inventory reports submitted. In accordance with the annual timeline, the General Manager will stress to the department managers the importance of the timeline for the capital assets physical inventory to be completed and submitted to the Controller.

Target date: March 31, 2023

2022-003 – Bank Reconciliations

Type of Finding: Management Letter

Criteria

Bank accounts should be reconciled timely.

While the District does not have a set policy to define timely, two weeks is usually a reasonable goal for completed bank reconciliations.

Condition

During our review of three bank reconciliations during the year, two were dated more than a month after the statement close date.

Cause

Management fell behind in completing bank reconciliations.

Effect

Not reconciling the accounts on a monthly basis means that errors or other problems could fail to be recognized and resolved on a timely basis. Additionally, it is typically easier and less time-consuming to reconcile accounts while transactions and activities are fresh in mind and recently occurring.

Repeat Finding

No.

**HERONS GLEN RECREATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2022**

2022-003 – Bank Reconciliations (Continued)

Type of Finding: Management Letter

Recommendation

We recommend the District develop a policy which defines the expected time frame for bank reconciliations to be completed. In addition, we recommend scheduling time monthly to prepare the bank reconciliation. By scheduling the time and setting a reminder it should help with setting the bank reconciliation as a priority early in the month.

We understand it might take some time after month-end to receive the bank statements in the mail, but with online access, the District should be able to download the statements within a few days after month-end to be used in preparation of the reconciliations.

Views of Responsible Officials and Planned Corrective Actions

The Controller has an excess amount of work during the month end closing, which is why the bank statement reconciliations do not always get done in a timely manner. There have not been any instances in which there were issues with the reconciliations that would cause errors not to be recognized or transactions not to be posted, as any outstanding amounts and adjustments are always reconciled during the following month prior to the release of the internal financial statements.

The District has obtained the services of CLA to perform a Business Opportunity Assessment which suggested the addition of a part-time accountant to assist with the workload so the Controller can take the roll of the reviewer as opposed to the processor. We are currently making plans to hire a part-time accountant as well as other suggestions from the Assessment to help free up some time for all of the accounting staff to help the accounting function become more efficient in the aggregate.

Target date: May 31, 2023



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, 2022, and have issued our report thereon dated February 24, 2023.

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 24, 2023, 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. Corrective actions have been taken to address findings and recommendations made in the preceding 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.
- We identified the recommended improvement described in the accompanying schedule of findings as item 2022-003.

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 68.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 20.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$88,227.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$58,571.

- 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 \$141,220 (provide list).



Project Trial Balance

Herons Glen Recreation District

Start Date: 10/01/2021 End Date: 09/30/2022

	Opening	This Period	Closing Balance
11 - Ballroom Equip, Curtain, Shade	\$ 0.00	\$ 1,500.00	\$ 1,500.00
14 - Tennis Awning/Pavers - Bond	\$ 0.00	\$ 50,282.33	\$ 50,282.33
18 - Permeation Retention - Bond	\$ 0.00	\$ 59,748.68	\$ 59,748.68
19 - Shuffleball Sunshade/Pavers -	\$ 0.00	\$ 1,831.84	\$ 1,831.84
20 - Multi-Use Path - Bond	\$ 0.00	\$ 27,856.92	\$ 27,856.92
Total	\$ 0.00	\$ 141,219.77	\$ 141,219.77

- 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 31 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:

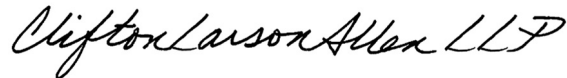
- a. The rate or rates of non-ad valorem special assessments imposed by the District as \$1,425.
- b. The total amount of special assessments collected by or on behalf of the district as \$1,884,352.
- c. The total amount of outstanding bonds issued by the district and the terms of such bonds as See Note 6 page 26 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 note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the board of supervisors, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Fort Myers, Florida
February 24, 2023



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, 2022. Management of the District 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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, 2022.

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, 2022.

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 24, 2023