

HERONS GLEN RECREATION DISTRICT
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED SEPTEMBER 30, 2023 AND 2022



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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 years ended September 30, 2023 and 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, 2023 and 2022, and the changes in financial position, and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. 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 the 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 the 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 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 13, 2024, 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 13, 2024

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 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 years ended September 30, 2023 and 2022, with selected comparative information for the years ending September 30, 2023, 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, 2023, 2022 and 2021, the base assessment divisor was 1300. The annual budgeted fees are as follows:

	2023	2022	2021
Operating Assessment	\$ 2,618,899	\$ 2,301,034	\$ 2,186,902
Capital Reserve	293,893	364,000	348,235
Deferred Maintenance	381,928	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, 2023 AND 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 year ended September 30, 2023, the assets and deferred outflows of the District exceeded its liabilities and deferred inflows by \$35,241,296 as compared to \$35,047,100 at the close of the year ended September 30, 2022. For the 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 the year ended September 30, 2021. The positive change in net position is primarily due to an increase of 31% in operating revenues and only 19% in operating expenses which caused a drop in the operating expense ratio of 12%.

For the year ended September 30, 2023 net position consists of \$2,512,707 net investment in capital assets; \$27,380,922 restricted for debt service, \$5,360,187 restricted for capital improvements and maintenance, and (\$12,520) (net deficit) of unrestricted net position. 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 \$1,172,121 for the year ended September 30, 2023 and decreased by \$1,007,340 during the year ended September 30, 2022.

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>2023</u>	<u>2022</u>	<u>2021</u>
Current Assets	\$ 1,833,685	\$ 489,777	\$ 1,169,080
Noncurrent Assets	37,251,611	40,229,711	41,657,592
Capital Assets, Net	<u>11,494,478</u>	<u>10,718,494</u>	<u>25,092,316</u>
Total Assets	50,579,774	51,437,982	67,918,988
Deferred Outflows on Refunding Bond	#REF!	#REF!	844,069
Current Liabilities	4,025,578	2,480,313	3,157,320
Noncurrent Liabilities	<u>27,569,643</u>	<u>28,727,330</u>	<u>29,794,495</u>
Total Liabilities	<u>31,595,221</u>	<u>31,207,643</u>	<u>32,951,815</u>
Net Position:			
Net Investment in Capital Assets	2,512,707	1,932,582	2,171,371
Restricted for Debt Service	27,380,922	28,265,594	29,154,357
Restricted for Capital Improvements and Maint.	5,360,187	5,132,054	4,511,059
Unrestricted	<u>(12,520)</u>	<u>(283,130)</u>	<u>(25,545)</u>
Total Net Position	<u>\$ 35,241,296</u>	<u>\$ 35,047,100</u>	<u>\$ 35,811,242</u>

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022**

Assets

Year Ended September 30, 2023

Current assets increased by \$1,343,908 or 274% from 2022 to 2023 primarily due to a 415% increase in cash and cash equivalents derived from a combination of a 14% increase in operating assessments, 52% in golf memberships fees, the timing of golf membership payments received for fiscal year 2023 and Hurricane Ian insurance settlement claims. The lack of electricity after Ian, the server was not able to process auto debits, causing the golf payments to be received in fiscal year 2023 rather than fiscal year 2022.

Restricted cash and cash equivalents decreased \$2,049,391 or 17%. For the most part due to the utilization of 2020 Series Bonds Funds for capital bond projects during the year. We collected \$493,200 throughout the year for capital reserve assessments and new owner capital fees, \$379,600 for deferred maintenance assessments and \$530,094 in interest earned from investments. Special assessments receivable decreased by \$920,000 from 2022 as expected as the 2020 Series Bonds are paid down each year.

Net capital, right to use, and SBITA assets increased \$2,273,845 or 9% essentially from the completion and application of several bond renovation projects during the year. The District currently has \$2,053,021 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 the renovation on the easement of the multi-use cart path, pool deck renovation and a portion of the sports complex during the year for a total cost of \$1,265,956.

Total assets increased \$639,653 or 1%, attributed to an increase of \$1,309,493 in Cash and Cash Equivalents partly from receiving the golf membership fees from two different years, along with an increase of \$464,406 in investment income from higher interest rates. The completion of several bond projects during the year resulted in an increase of \$2,273,845 in Capital Assets, Net and a decrease in Cash Equivalents with Fiscal Agent by \$2,277,522 creating a net effect. Special Assessments Receivable decreased \$920,000 and continues to decrease as the debt is paid down each year.

Year Ended September 30, 2022

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.

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022**

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 all new irrigation during the fiscal year for a total cost of \$5,940,913.

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.

Liabilities

Year Ended September 30, 2023

Current liabilities increased overall by \$1,545,265 or 62%. Account payable outstanding at year-end increased \$418,723 or 363% due to several invoices outstanding for capital and bond projects. Accrued interest decreased by \$9,583 or 3% as the 2020 Series Bonds interest decreases based on the amortization over time. Unearned revenue increased by \$895,933 or 127%. primarily due to an increase of \$891,000 in annual golf membership dues collected by year end. Accrued expenses increased by \$252,734 or 109% largely due to the \$182,000 retainage held back for Stultz Construction, the construction management firm managing several of the bond projects.

Noncurrent liabilities decreased \$1,157,687 or 4% primarily due to the annual repayment of the bonds as well as a decrease of \$88,748 or 46% in obligation under purchase agreements. Supply chain issues continue to cause major delays in securing new golf course maintenance equipment in a timely manner. This has caused a delay in the financing of annual golf course maintenance equipment. The special assessment bonds payable decreases annually as principal payments are made.

Total liabilities increased \$387,578 or 1%.

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022**

Year Ended September 30, 2022

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 fiscal year 2023 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

Year Ended September 30, 2023

The District's total assets plus deferred outflow of resources exceeded total liabilities by \$35,241,296 at September 30, 2023. Net investment in capital assets increased by \$580,125 or 30% primarily due to the decrease in bonds and notes payable as the bonds are paid down. Unrestricted net position increased by \$270,610 or 96%, while restricted for debt service and capital improvements and maintenance decreased by \$656,539 or 2%. The major component of net position is restricted for debt service for the 2020 Special Assessment Bonds.

Year Ended September 30, 2022

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, 2023 AND 2022**

Hérons Glen Recreation District's Changes in Net Position

The District's 2023 operating loss decreased \$958,338 from 2022. 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>2023</u>	<u>2022</u>	<u>2021</u>
Revenues:			
Operating Revenues, Net:			
Operating Assessments	\$ 2,620,394	\$ 2,296,598	\$ 2,186,916
Members Fees	1,779,544	1,174,823	1,186,205
Other User Fees	652,443	404,778	175,067
Pro Shop Operations	33,604	16,531	73,836
Restaurant Operations	1,257,421	1,068,767	626,447
Rental and Other	512,751	284,222	201,585
Total Operating Revenues	<u>6,856,157</u>	<u>5,245,719</u>	<u>4,450,056</u>
Nonoperating Revenues:			
Investment Earnings	530,094	65,688	13,029
Special Assessments Interest	930,979	955,804	975,925
Capital Reserve Assessments and New Owner Capital Fees	493,200	649,570	683,600
Deferred Maintenance Assessments	379,600	332,800	345,100
Miscellaneous Other Nonoperating Income, Net	64,755	100,919	77,330
Total Nonoperating Revenues	<u>2,398,628</u>	<u>2,104,781</u>	<u>2,094,984</u>
Total Revenues	<u>9,254,785</u>	<u>7,350,500</u>	<u>6,545,040</u>
Expenses:			
Operating Expenses:			
Salaries and Wages	3,100,238	2,824,010	2,099,055
Cost of Sales	605,236	508,559	319,002
Operating Supplies	1,198,671	731,313	376,849
Depreciation	1,013,635	1,016,086	914,068
Amortization	65,485	59,663	-
General and Administration	388,397	370,557	299,043
Utilities	393,122	342,586	279,563
Repair and Maintenance	637,829	465,571	309,811
Professional Fees	185,965	135,455	124,553
Insurance	314,221	211,498	163,910
Other Contractual Services	215,966	193,829	182,713
Rental and Leases	70,533	42,961	64,317
Office Expense and Other Miscellaneous Expenses	42,070	23,212	47,550
Total Operating Expenses	<u>8,231,368</u>	<u>6,925,300</u>	<u>5,180,434</u>
Nonoperating Expenses:			
Interest Expense and Fiscal Costs	780,233	795,151	809,204
Net Gain (Loss) on Disposal of Capital Assets	48,988	394,191	426,312
Total Nonoperating Expenses	<u>829,221</u>	<u>1,189,342</u>	<u>1,235,516</u>
Total Expenses	<u>9,060,589</u>	<u>8,114,642</u>	<u>6,415,950</u>
Increase (Decrease) in Net Position	<u>194,196</u>	<u>(764,142)</u>	<u>129,090</u>
Beginning Net Position	<u>35,047,100</u>	<u>35,811,242</u>	<u>35,682,152</u>
Ending Net Position	<u>\$ 35,241,296</u>	<u>\$ 35,047,100</u>	<u>\$ 35,811,242</u>

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022**

Fiscal year ending September 30, 2023

Total revenues increased from 2022 results by \$1,904,284. The 26% net increase is attributed primarily to a 31% increase in operating revenues, consisting of a 14% increase in operating assessments, 18% increase in restaurant operations, 80% increase in rentals and other (lan insurance proceeds), 54% increase in user fees and a 103% increase in pro shop operations. The total number of golf memberships decreased from 593 at the end of FY22 to 591, a decrease in memberships of 0.3%. However, due to the membership dues increase and membership mix, revenue increased \$604,721 or 51%.

The change in net position increased overall by \$958,338 or 125%. This increase was largely due to the \$852,386 increase in user fees from golf operations along with the \$464,406 increase in investment earnings derived from unusually high interest rates. 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 2022 results by \$945,946. The 12% net increase includes \$440k in Hurricane Ian related expenses, the acquisition of \$121k of restaurant and pool deck furniture for the renovation not meeting the capital threshold, an increase of \$276,228 in salaries and wages and \$102,723 in property and casualty insurance premiums.

Fiscal year ending September 30, 2022

Total revenues increased from 2022 results by \$805,460. The 12% net increase is attributed primarily to an 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 investment in capital assets as of September 30, 2023 and 2022 amounts to \$27,022,910 and 24,749,065 respectively (net of depreciation). Capital assets, such as an 18-hole golf course and related practice facilities, a clubhouse, restaurant, pro shop, and other recreation facilities, utilized by the District for the provision and maintenance of recreational facilities to residents.

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022**

HERONS GLEN RECREATION DISTRICT'S CAPITAL ASSETS

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Land and Site Improvements	\$ 13,475,411	\$ 13,475,411	\$ 13,465,491
Work in Progress	2,053,021	555,160	6,029,845
Original Purchase	1,516,885	1,517,217	2,549,232
Equipment	3,434,906	3,485,952	3,462,665
Right to Use Assets - Equipment	225,301	178,911	-
SBITA	14,613	-	-
Common Lot Irrigation System	2,382,454	2,360,334	2,382,328
Property and Improvements	<u>15,473,356</u>	<u>14,121,601</u>	<u>9,609,479</u>
Total Property and Equipment	38,575,947	35,694,586	37,499,040
Less: Accumulated Depreciation and Amortization	<u>(11,553,037)</u>	<u>(10,945,521)</u>	<u>(12,406,724)</u>
Total, Net Depreciation and Amortization	<u>\$ 27,022,910</u>	<u>\$ 24,749,065</u>	<u>\$ 25,092,316</u>

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

In 2023, the District completed work on several projects in addition to purchasing equipment and completing the multi-use path renovation totaling \$638,136 spent during the fiscal year, as follows:

Lobby Furniture, Plank Flooring, Chandeliers, and Renovations	\$ 117,583
Landscaping for Golf Course and Front Entrance	68,805
Tennis Court Stadium Light Posts, Bleachers and Pavilion	64,998
Nursery Green	34,771
CLIS Pumpstation Filtration System	34,309
Lightening Detection System	32,347
Fences for Dumpster Enclosure, Chiller Enclosure and GCM Storage Yard	31,900
Roller Shades for New Lounge, Dining Room and PDR	27,254
ADA Pool Lifts	21,000
Fountain at Hole #4 Golf Entrance and Pool Deck	17,234
Awning - Restaurant/Pool Area	17,130
Tuff Shed at Bocce, Tennis, and Pickleball Courts	15,173
Audio Control Equipment with Microphones	12,344
Ballymore 300Lb Mobile Vertical Lift	12,174
Matrix Endurance LED Treadmills	12,008
Double-Stacked Conventional Oven	10,992
Dakota Topdresser Life Extension	7,876
True 72" Refrigerator Sandwich/Salad Unit	6,401
Lake Intake Screen with Flange and A-Frame	6,400
GCM Direct 900Lb Lifts	6,246
Security Camera System for Pool Deck	5,183
Black Wire Grid Art Display Panels	5,097
Meraki Cloud Managed Security Appliance	5,002
Right to Use Asset - Ice Machine - Sports Area	22,066
Right to Use Asset - Ice Machine - Kitchen	22,821
Right to Use Asset - Konica-Minolta Bizhub C250i + DF-714	6,409
SBITA - Rainbird Irrigation Software	4,931
SBITA - Meraki Firewall Licenses	9,682
Total	<u>\$ 638,136</u>

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022**

Work in process (WIP) – a number of capital projects were continued from 2022 and new ones started during 2023. The total amount spent on the following projects during 2023 was \$2,763,817, most of which was funded from the 2020 Series Bonds:

Clubhouse Improvements	\$ 287,707
Restaurant Project	502,339
Bocce Courts	444,332
Pool Deck	392,090
Pickleball Courts	388,471
Shuffleball Sunshade/Pavers	330,065
Multi Use Path	197,630
CLIS Irrigation Project	149,242
Miscellaneous Small Projects	68,084
Tennis Awnings/Pavers	6,317
Cart/Pedestrian Bridge	(2,460)
Total	<u>\$ 2,763,817</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, 2023 and 2022, the District had special assessment bonds plus unamortized premium outstanding totaling \$28.4 and \$29.5 million. More detailed information on the bonds payable is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND FUTURE IMPACTS

Hurricane Ian

Hurricane Ian hit Southwest Florida and the District just two days before the start of FY23. While Ian caused damage to the golf course and other facilities, operations resumed after a brief shutdown. The District began the year with \$555,713 in the losses reserve fund. However, due to Ian, \$528,000 of those funds were expended in FY23 for repairs, replacements, and cleanup. Based on the damage, the District received \$205,000 in insurance claims which was used to replenish the losses reserve fund. While the District had productive meetings with FEMA in the aftermath of Ian, it was determined it did not qualify for FEMA assistance to offset the uninsured losses. Instead, the Board of Supervisors voted to use the FY23 operating surplus along with an additional annual capital assessment in FY24 (\$300 per lot) to replenish the losses reserve fund.

Technology

The District is in the process of implementing new technologies to streamline back-office work processes including reducing the amount of paper used in the normal course of business, exchanging printed pages for digital documents especially in internal processes. A big step toward this goal began with the implementation of a new accounts payable automation software in August 2023 and the digitization of resident files. The District will also implement an events module in FY24 allowing residents to make reservations online, reducing workflow for event billing in the back office.

**HERONS GLEN RECREATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022**

Housing Market & Interest Rates

The housing market slowed significantly in FY '23. A total of 61 homes were sold in Herons Glen, down from 112 the previous year. The District charged a \$4,000 new owner capital fee to be placed in District reserve funds. The District collected \$196,800 from 50 of the 61 homes sold which represents an \$88,000 decrease over 2022. Note: Residents buying and selling in Herons Glen are exempt from paying the fee if they move within the community.

Investments

Based on the rising interest rates, investment earnings were up significantly. Interest earned over the year was up \$464,406 or 707% from 2022. The District continues to invest funds in the FL PRIME SBA as well as in the Florida Cooperative Liquid Assets Securities System (FLCLASS), another government investment pool to take advantage of higher interest rates. The FLCLASS investment is earning a similar interest rate as the FL Prime SBA. The majority of capital funds are kept in this new investment. Both funds offer high liquidity.

Delinquent Accounts

The District's delinquent accounts balance decreased slightly to \$2,263 with three properties delinquent one quarter of their maintenance assessments ending the 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.

In Closing

In conjunction with the Board of Supervisors, Management will continue to carefully monitor the District's financial and operating performance to meet the needs of its residents.

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., North Fort Myers, Florida 33917.

**HERONS GLEN RECREATION DISTRICT
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2023 AND 2022**

	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,624,980	\$ 315,487
Accounts Receivable	91,291	95,137
Inventories	59,862	27,748
Prepaid Expenses	57,552	51,405
Total Current Assets	1,833,685	489,777
NONCURRENT ASSETS		
Restricted Assets:		
Cash and Cash Equivalents	5,360,186	5,132,055
Cash Equivalents with Fiscal Agent	4,854,923	7,132,445
Special Assessments Receivable	26,805,000	27,725,000
Total Restricted Assets	37,020,109	39,989,500
Capital Assets not Being Depreciated	15,528,432	14,030,571
Depreciable Capital Assets, Net	11,494,478	10,718,494
Unamortized Prepaid Bond Insurance Costs, Net	231,502	240,211
Total Noncurrent Assets	64,274,521	64,978,776
Total Assets	66,108,206	65,468,553
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows on Refunding Bond	728,311	786,190
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	534,077	115,354
Accrued Expenses	484,096	231,362
Unearned Revenue	1,599,860	703,927
Unearned Capital Reserve Assessment - Capital Reserve	1,892	-
Accrued Interest	351,344	360,927
Obligations Under Purchase Agreement, Current Portion	61,194	92,859
Lease Liability, Current Portion	50,755	55,884
Subscription-Based Information Technology Arrangements, Current Portion	2,360	-
Special Assessment Bonds Payable, Current Portion	940,000	920,000
Total Current Liabilities	4,025,578	2,480,313
NONCURRENT LIABILITIES		
Obligations Under Purchase Agreement, Net of Current Portion	44,592	101,675
Lease Liability, Net of Current Portion	61,696	66,727
Subscription-Based Information Technology Arrangements, Net of Current Portion	414	-
Special Assessment Bonds Payable, Including Unamortized Premium	27,462,941	28,558,928
Total Noncurrent Liabilities	27,569,643	28,727,330
Total Liabilities	31,595,221	31,207,643
NET POSITION		
Net Investment in Capital Assets	2,512,707	1,932,582
Restricted for Debt Service	27,380,922	28,265,594
Restricted for Capital Improvements and Maintenance	5,360,187	5,132,054
Unrestricted	(12,520)	(283,130)
Total Net Position	\$ 35,241,296	\$ 35,047,100

See accompanying Notes to Financial Statements.

**HERONS GLEN RECREATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	2023	2022
OPERATING REVENUES		
Operating Assessments	\$ 2,620,394	\$ 2,296,598
Members Fees	1,779,544	1,174,823
Other User Fees	652,443	404,778
Pro Shop Operations	33,604	16,531
Restaurant Operations	1,257,421	1,068,767
Rental and Other	512,751	284,222
Total Operating Revenues	6,856,157	5,245,719
OPERATING EXPENSES		
Salaries and Wages	3,100,238	2,824,010
Cost of Sales	605,236	508,559
Operating Supplies	1,198,671	731,313
Depreciation	1,013,635	1,016,086
Amortization	65,485	59,663
General and Administration	388,397	370,557
Utilities	393,122	342,586
Repair and Maintenance	637,829	465,571
Professional Fees	185,965	135,455
Insurance	314,221	211,498
Other Contractual Services	215,966	193,829
Rental and Leases	70,533	42,961
Office Expense and Other Miscellaneous Expenses	42,070	23,212
Total Operating Expenses	8,231,368	6,925,300
OPERATING LOSS	(1,375,211)	(1,679,581)
NONOPERATING REVENUES (EXPENSES)		
Investment Earnings	530,094	65,688
Interest Expense and Fiscal Costs	(780,233)	(795,151)
Special Assessments Interest	930,979	955,804
Capital Reserve Assessments and New Owner Capital Fees	493,200	649,570
Deferred Maintenance Assessments	379,600	332,800
Net Gain (Loss) on Disposal of Capital Assets	(48,988)	(394,191)
Miscellaneous Other Nonoperating Income, Net	64,755	100,919
Total Nonoperating Revenues	1,569,407	915,439
CHANGE IN NET POSITION	194,196	(764,142)
Total Net Position - Beginning of Year	35,047,100	35,811,242
TOTAL NET POSITION - END OF YEAR	\$ 35,241,296	\$ 35,047,100

See accompanying Notes to Financial Statements.

**HERONS GLEN RECREATION DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Operating Assessments	\$ 2,626,734	\$ 2,237,597
Cash Received from Members	2,673,198	873,411
Cash Received from Other Users	652,443	404,778
Cash Received from Pro Shop and Restaurant Operations	1,291,025	1,085,298
Cash Received from Rents and Contracted Services	512,751	284,222
Miscellaneous and Other Cash Receipts	64,755	100,919
Cash Payments to Suppliers	(3,924,632)	(3,153,908)
Cash Payments to Employees for Payroll	(3,099,115)	(2,787,776)
Net Cash Provided (Used) by Operating Activities	797,159	(955,459)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Collection of Deferred Maintenance Assessments	379,115	332,422
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(2,825,345)	(1,202,478)
Proceeds from the Sale of Capital Assets	-	6,500
Collection of Special Assessment Principal and Interest	1,850,979	1,850,804
Collection of Capital Reserve Assessments	296,670	362,962
Collection of Capital Reserve Assessment – Capital Reserve	1,892	770
Collection of New Owner Capital Fees	196,800	284,800
Interest Paid on Special Assessment Bonds	(871,743)	(892,758)
Principal Paid on Special Assessment Bonds	(920,000)	(895,000)
Interest Paid on Obligations Under Purchase Agreements	(6,924)	(9,441)
Principal Paid on Obligation Under Purchase Agreements	(94,753)	(116,435)
Interest Paid on Obligations Under Lease Liability	(527)	(329)
Principal Paid on Obligation Under Lease Liability	(61,455)	(59,058)
Interest Paid on Subscription-Based Information Technology Arrangements	(21)	-
Principal Paid on Subscription-Based Information Technology Arrangements	(11,839)	-
Net Cash Used by Capital and Related Financing Activities	(2,446,266)	(669,663)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	530,094	65,688
NET DECREASE IN CASH AND CASH EQUIVALENTS	(739,898)	(1,227,012)
Cash and Cash Equivalents - Beginning of Year	12,579,987	13,806,999
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 11,840,089	\$ 12,579,987

See accompanying Notes to Financial Statements.

**HERONS GLEN RECREATION DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	2023	2022
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash Included in Current Assets:		
Cash and Cash Equivalents	\$ 1,624,980	\$ 315,487
Cash Included in Noncurrent Assets:		
Restricted Cash:		
Cash and Cash Equivalents	5,360,186	5,132,055
Cash Equivalents with Fiscal Agent	4,854,923	7,132,445
Total Cash and Cash Equivalents	\$ 11,840,089	\$ 12,579,987
SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITY		
Purchase of Capital Assets Through Lease Arrangements	\$ 51,296	\$ 181,669
Purchase of Capital Assets Through Subscription Arrangements	\$ 14,613	\$ -
Purchase of Capital Assets Through Financing Agreement	\$ 6,004	\$ 46,125
Purchase of Capital Assets Through Accounts Payable and Accrued Expenses	\$ 542,219	\$ 37,524
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Loss	\$ (1,375,211)	\$ (1,679,581)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,013,635	1,016,086
Amortization	65,485	59,663
Miscellaneous Other Nonoperating Income, Net	64,755	100,919
Changes in Assets and Liabilities:		
Accounts Receivable	3,846	(55,811)
Inventories	(32,114)	31,523
Prepaid Expense	(6,147)	752
Accounts Payable and Accrued Expenses	166,762	(124,408)
Unearned Revenue	896,148	(304,602)
Total Adjustments	2,172,370	724,122
Net Cash Provided (Used) by Operating Activities	\$ 797,159	\$ (955,459)

See accompanying Notes to Financial Statements.

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 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, 2023 AND 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 1, 2022, the Board of Supervisors adopted the annual operating budget for fiscal year 2023 for the District. The budget covers the periods October 1, 2022 through September 30, 2023 and includes the estimated operating expenses for the period and the means of financing them. On September 2, 2022, the Board of Supervisors adopted the annual operating budget for fiscal year 2023 for the District. The budget covers the periods October 1, 2022 through September 30, 2023 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) and Florida Cooperative Liquid Assets Securities System (labeled as FLCLASS) Investment Pools are considered a cash equivalent and are 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 investment in the FLCLASS fund is recorded at fair value.

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, 2023 AND 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, 2023 and 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 and restaurant food and beverage 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 Lease Equipment	See *
Subscription-Based Information Technology Arrangements	See *
Original Purchase	6 to 30
Equipment	3 to 30
Common Lot Irrigation System	5 to 25
Property and Improvements	5 to 30

* - Right-to-Use Lease Equipment and Subscription-Based Information Technology Arrangements are amortized over the shorter of the lease or agreement term, or the useful life of the underlying asset.

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

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

Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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

Deferred 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, 2023 and 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.

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

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

Summary of Significant Accounting Policies (Continued)

Revenue and Expenses (Continued)

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.

Leases and Subscription-Based Information Technology Arrangements (SBITA)

Lease

The District determines if an arrangement is a lease at inception. Leases are included as and intangible right to use leased assets (lease assets) and lease liabilities and are reported with other capital assets and lease liability 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.

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

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

Summary of Significant Accounting Policies (Continued)

Leases and Subscription-Based Information Technology Arrangements (SBITA) (Continued)

Subscription-Based Information Technology Arrangements (SBITA)

The District has entered into subscription-based information technology arrangements with various software providers. In May 2020, GASB introduced a new standard, Statement No 96 Subscription-based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

A SBITA is defined as a contract that conveys control of the right to use an underlying information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will *not* exercise that option).

Under this Statement, the District determines if an arrangement is a SBITA at inception. SBITAs are included as an intangible right to use subscription asset and lease liabilities and are reported with other capital assets and lease and SBITA liability in the statements of net position. The subscription liability was initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the District, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

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

Summary of Significant Accounting Policies (Continued)

Leases and Subscription-Based Information Technology Arrangements (SBITA) (Continued)

Subscription-Based Information Technology Arrangements (SBITA) (Continued)

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

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 2023 and 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.

Use of Estimates

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

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

	<u>2023</u>	<u>2022</u>
Deposits with Financial Institutions	\$ 1,472,787	\$ 305,242
Investments Considered as Cash Equivalents	10,367,102	12,274,545
Cash on Hand	200	200
Total	<u>\$ 11,840,089</u>	<u>\$ 12,579,987</u>
Cash and Cash Equivalents	\$ 1,624,980	\$ 315,487
Restricted Cash and Cash Equivalents	5,360,186	5,132,055
Restricted Cash Equivalents with Fiscal Agent	4,854,923	7,132,445
Total	<u>\$ 11,840,089</u>	<u>\$ 12,579,987</u>

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. In accordance with its policy, all District depositories are banks designated by the Florida State Treasurer as qualified public depositories.

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

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

Deposits (Continued)

Chapter 280 of the Florida Statutes, "Florida Security for Public Deposits Act," provides procedures for public depositories to ensure public monies in banks and saving and loans are collateralized with the Treasurer as agent for the public entities. Chapter 280 defines deposits as demand accounts, time deposit accounts, and nonnegotiable certificates of deposit. Financial institutions qualifying as public depositories shall deposit with the Florida State Treasurer eligible collateral pursuant to the specific requirements provided in Chapter 280. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof, and therefore the District is not exposed to custodial credit risk.

The amounts covered under Chapter 280 for the year ended September 30, 2023 was \$28 and amount not covered was \$1,263,636. The amounts covered under Chapter 280 for the 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, 2023, the District had \$738,165 of deposits in this program which were covered by FDIC and \$525,471 not covered. 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.

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

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

Investments (Continued)

The Florida Cooperative Liquid Assets Securities System (FLCLASS) is an independent local government investment pool. FLCLASS invests in a variety of securities, including U.S. government securities, corporate bonds, and money market funds. FLCLASS measures its investments at fair value. The District's investment in FLCLASS is classified as a cash equivalent in the statement of net position, as it is highly liquid and readily convertible to cash. The District has the ability to redeem its investment in FLCLASS on a daily basis, subject to certain restrictions and limitations.

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.

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, 2023:

<u>Investment Type</u>	<u>Fair Value / 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	\$ 4,854,923	\$ 4,854,923	\$ -
Florida PRIME	1,556,144	1,556,144	-
FLCLASS	3,956,035	3,956,035	-
Total	<u>\$ 10,367,102</u>	<u>\$ 10,367,102</u>	<u>\$ -</u>

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>

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

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

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, 2023 and 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
FLCLASS	N/A	AAAm

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 address custodial credit risk.

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.

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

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

Custodial Credit Risk (Continued)

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, 2023 and 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.

NOTE 3 RESTRICTED ASSETS

Assets were restricted for the following purposes at September 30:

	<u>2023</u>	<u>2022</u>
Debt Service - Special Assessments Receivable	\$ 26,805,000	\$ 27,725,000
Restricted for Interest and Principal	927,266	901,521
Capital Improvements	5,998,589	7,869,103
Long-Term Capital Fund	2,070,421	2,254,027
Golf Course Special Improvement	221,577	257,017
Deferred Maintenance	787,095	629,840
Uninsured Losses Reserve Fund	210,133	352,980
Projects and Other	28	12
Total Restricted Assets	<u>37,020,109</u>	<u>39,989,500</u>
Less: Accrued Interest	(351,344)	(360,927)
Less: Unspent Debt Proceeds	<u>(3,927,656)</u>	<u>(6,230,925)</u>
Total Restricted Net Position	<u>\$ 32,741,109</u>	<u>\$ 33,397,648</u>

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 4 CAPITAL ASSETS, NET

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

	Balance September 30, 2022	Additions	Deletions and Transfers	Balance September 30, 2023
Capital Assets, Not Being Depreciated:				
Land and Site Improvements	\$ 13,475,411	\$ -	\$ -	\$ 13,475,411
Work in Progress	555,160	2,763,817	(1,265,956)	2,053,021
Total Capital Assets, Not Being Depreciated	14,030,571	2,763,817	(1,265,956)	15,528,432
Capital Assets, Being Depreciated and Amortized:				
Original Purchase	1,517,217	-	(332)	1,516,885
Equipment	3,485,952	137,064	(188,110)	3,434,906
Common Lot Irrigation System	2,360,334	40,709	(18,589)	2,382,454
Property and Improvements	14,121,601	394,454	957,301	15,473,356
Right-to-Use Leased Equipment	178,911	51,296	(4,906)	225,301
Subscription-Based Information Technology Arrangements	-	14,613	-	14,613
Total Capital Assets Being Depreciated and Amortized	21,664,015	638,136	745,364	23,047,515
Less: Accumulated Depreciation for:				
Original Purchase	1,225,117	44,066	(332)	1,268,851
Equipment	2,538,508	209,800	(187,022)	2,561,286
Common Lot Irrigation System	1,650,297	100,011	(4,132)	1,746,176
Property and Improvements	5,474,694	659,758	(275,212)	5,859,240
Less: Accumulated Amortization for:				
Right-to-Use Leased Equipment	56,905	62,602	(4,906)	114,601
Subscription-Based Information Technology Arrangements	-	2,883	-	2,883
Total Accumulated Depreciation and Amortized	10,945,521	1,079,120	(471,604)	11,553,037
 Total Capital Assets, Being Depreciated and Amortized, Net	 10,718,494	 (440,984)	 1,216,968	 11,494,478
 Total Capital Assets, Net	 \$ 24,749,065	 \$ 2,322,833	 \$ (48,988)	 \$ 27,022,910

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 4 CAPITAL ASSETS, NET (CONTINUED)

	Balance September 30, 2021	Additions	Other	Balance September 30, 2022
Capital Assets, Not Being Depreciated:				
Land and Site Improvements	\$ 13,465,491	\$ 9,920	\$ -	\$ 13,475,411
Work in Progress	6,029,845	464,065	(5,938,750)	555,160
Total Capital Assets, Not Being Depreciated	19,495,336	473,985	(5,938,750)	14,030,571
Capital Assets, Being Depreciated and Amortized:				
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	9,609,479	169,492	4,342,630	14,121,601
Right-to-Use Leased Equipment	-	181,669	(2,758)	178,911
Total Capital Assets Being Depreciated and Amortized	18,003,704	659,203	3,001,108	21,664,015
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	6,118,743	650,193	(1,294,242)	5,474,694
Less: Accumulated Amortization for:				
Right-to-Use Leased Equipment	-	59,663	(2,758)	56,905
Total Accumulated Depreciation and Amortization	12,406,724	1,075,749	(2,536,952)	10,945,521
Total Capital Assets, Being Depreciated and Amortized, Net	5,596,980	(416,546)	5,538,060	10,718,494
Total Capital Assets, Net	<u>\$ 25,092,316</u>	<u>\$ 57,439</u>	<u>\$ (400,690)</u>	<u>\$ 24,749,065</u>

Work in progress totaling \$2,053,020 as of September 30, 2023 primarily includes spending for the District's restaurant, clubhouse roof renovations, CLIS irrigation system and sports facilities. 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.

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 5 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the fiscal year ended September 30:

	Balance September 30, 2022	Additions	Deletions	Balance September 30, 2023	Due Within One Year
Special Assessment Bonds	\$ 29,478,928	\$ -	\$ (1,075,987)	\$ 28,402,941	\$ 940,000
Obligations Under Purchase Agreements	194,534	6,004	(94,752)	105,786	61,194
Lease Liability	122,611	51,296	(61,456)	112,451	50,755
Subscription-Based Information Technology Arrangements	-	14,613	(11,839)	2,774	2,360
Long-Term Liabilities Total	<u>\$ 29,796,073</u>	<u>\$ 71,913</u>	<u>\$ (1,244,034)</u>	<u>\$ 28,623,952</u>	<u>\$ 1,054,309</u>

	Balance September 30, 2021	Additions	Deletions	Balance September 30, 2022	Due Within One Year
Special Assessment Bonds	\$ 30,538,569	\$ -	\$ (1,059,641)	\$ 29,478,928	\$ 920,000
Obligations Under Purchase Agreements	264,844	46,125	(116,435)	194,534	92,859
Lease Liability	-	181,669	(59,058)	122,611	55,884
Long-Term Liabilities Total	<u>\$ 30,803,413</u>	<u>\$ 227,794</u>	<u>\$ (1,235,134)</u>	<u>\$ 29,796,073</u>	<u>\$ 1,068,743</u>

NOTE 6 SPECIAL ASSESSMENT BONDS

Bonds payable consisted of the following at September 30:

<u>Description</u>	<u>2023</u>	<u>2022</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>\$ 26,805,000</u>	<u>\$ 27,725,000</u>

At September 30, 2023, the scheduled future debt service requirements on the District's outstanding Bonds are as follows:

<u>Year Ending September 30,</u>	<u>Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,040,000	745,475	1,785,475
2029-2033	5,635,000	3,317,350	8,952,350
2034-2038	5,220,000	2,477,900	7,697,900
2039-2043	3,970,000	1,859,625	5,829,625
2044-2048	4,815,000	1,035,800	5,850,800
2049-2050	2,215,000	133,800	2,348,800
Total	<u>26,805,000</u>	<u>\$ 12,799,350</u>	<u>\$ 39,604,350</u>
Add: Unamortized Premium	1,597,941		
Total	<u>\$ 28,402,941</u>		

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 6 SPECIAL ASSESSMENT BONDS (CONTINUED)

Significant Bond Provisions

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

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

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, 2023 and 2022 totaled \$26,805,000 and \$27,725,000, respectively.

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

NOTE 8 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>Obligations Under Purchase Agreement</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 61,194	\$ 3,310	\$ 64,504
2025	23,210	1,534	24,744
2026	16,422	561	16,983
2027	4,959	73	5,032
Total	<u>\$ 105,785</u>	<u>\$ 5,478</u>	<u>\$ 111,263</u>

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 9 LEASES LIABILITY

The District leases equipment for various terms under long-term, noncancelable lease agreements. The leases include interest ranging from 2.7% to 9.0% and expire at various dates through 2028.

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

<u>Year Ending September 30.</u>	Lease Liability		
	Principal	Interest	Total
2024	\$ 50,755	\$ 5,096	\$ 55,851
2025	32,266	3,294	35,560
2026	12,514	1,951	14,465
2027	11,458	964	12,422
2028	5,459	92	5,551
Total	<u>\$ 112,452</u>	<u>\$ 11,397</u>	<u>\$ 123,849</u>

NOTE 10 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District leases information technology for various terms under long-term, noncancelable arrangements. The arrangements include interest at 9.0% and expire at various dates through 2025.

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

<u>Year Ending September 30.</u>	Subscription-Based Information Technology Arrangements		
	Principal	Interest	Total
2024	\$ 2,360	\$ 3,310	\$ 5,670
2025	414	1,534	1,948
Total	<u>\$ 2,774</u>	<u>\$ 4,844</u>	<u>\$ 7,618</u>

NOTE 11 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, 2023 and 2022 was \$34,339 and \$33,866, respectively. Employee contributions were \$74,360 and \$79,182 for the fiscal year ended September 30, 2023 and 2022, respectively. The District has reserved the right to establish and amend all plan provisions. The contribution requirements of plan members and the District are established and may be amended by the District.

**HERONS GLEN RECREATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 12 CONSTRUCTION COMMITMENTS

The District's outstanding construction commitments as of September 30, 2023, are as follows:

<u>Project</u>	<u>Total Contract</u>	<u>Spent to Date</u>	<u>Remaining</u>
Storage Building	\$ 700,000	\$ 35,270	\$ 664,730
CLIS	1,000,000	354,909	645,091
Restaurant Renovation	1,300,000	598,566	701,434
Clubhouse Improvements	1,800,000	662,907	1,137,093
Driving Range Restroom	350,000	13,785	336,215
Ballroom ADA Stage Access and Bathroom	75,000	-	75,000
Ballroom Update and Equipment	135,000	16,925	118,075
Pickleball Court Addition	472,525	416,124	56,401
Sports Complex *	906,385	917,751	76,452
Pool Deck Expansion and Partial Awning	486,265	447,495	38,770
Multi-Use Cart Paths	253,000	226,586	26,414
Emergency Generator System	27,113	13,556	13,557
Total	<u>\$ 7,505,288</u>	<u>\$ 3,703,874</u>	<u>\$ 3,889,232</u>

* - Project exceeded contract price

NOTE 13 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, 2023 and 2022.

**HERONS GLEN RECREATION DISTRICT
SCHEDULE OF REVENUES AND EXPENSES
NON-GAAP BUDGETARY BASIS AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2023**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Operating Revenues:				
Operating Assessments	\$ 2,618,899	\$ 2,618,899	\$ 2,620,394	\$ 1,495
Members Fees	1,742,618	1,742,618	1,779,544	36,926
Other Capital Users Fees	590,865	590,865	652,443	61,578
Other	1,632,742	1,632,742	1,803,776	171,034
Net Operating Revenues	6,585,124	6,585,124	6,856,157	271,033
Nonoperating Revenues:				
Investment Earnings	30,944	30,944	530,094	499,150
Capital Reserve Assessment and New Owner Capital Fees	293,893	293,893	493,200	199,307
Deferred Maintenance Assessment	381,928	381,928	379,600	(2,328)
Miscellaneous Other Nonoperating Income	77,323	77,323	64,755	(12,568)
Total Nonoperating Revenues	784,088	784,088	1,467,649	683,561
 Total Revenues	7,369,212	7,369,212	8,323,806	954,594
EXPENSES				
Operating Expenses:				
Salaries and Wages	3,427,578	3,427,578	3,100,238	(327,340)
Operating Supplies	783,089	783,089	1,198,671	415,582
Cost of Sales	533,449	533,449	605,236	71,787
General and Administrative	412,319	412,319	388,397	(23,922)
Utilities	384,852	384,852	393,122	8,270
Repair and Maintenance	1,193,325	1,193,325	637,829	(555,496)
Professional Fees	179,114	179,114	185,965	6,851
Insurance	283,792	283,792	314,221	30,429
Other Contractual Services	218,284	218,284	215,966	(2,318)
Rentals and Leases	236,291	236,291	70,533	(165,758)
Office Expense and Other Miscellaneous	46,157	46,157	42,070	(4,087)
Total Operating Expenses	7,698,250	7,698,250	7,152,248	(546,002)
Capital Outlay	7,223,538	7,223,538	3,401,953	(3,821,585)
Total Expenses	14,921,788	14,921,788	10,554,201	(4,367,587)
 CHANGE IN NET POSITION	\$ (7,552,576)	\$ (7,552,576)	\$ (2,230,395)	\$ 5,322,181
RECONCILIATION OF BUDGETARY BASIS TO GAAP				
Change in Net Position - Budgetary Basis	\$ (2,230,395)			
Add: Capital Expenditures	3,401,953			
Special Assessment Interest	930,979			
Less: Depreciation and Amortization	(1,079,120)			
Interest Expense and Bond Related Amortization	(780,233)			
Loss on Disposal of Capital Assets	(48,988)			
 CHANGE IN NET POSITION – GAAP	\$ 194,196			



**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, 2023, 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 13, 2024.

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 were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

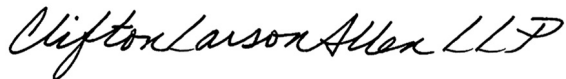
As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District’s Response to Finding

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 13, 2024

**HERONS GLEN RECREATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2023**

2023-001 – Audit Adjustments

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Criteria

District management is responsible for establishing and maintaining internal controls for the proper recording of all the District's receipts and disbursements, including year-end accruals.

Condition

As part of the audit, we proposed an audit adjustment to revise the District's books at year-end. This adjustment involved the reversal of accounts payable, work in progress, and expenses. Management reviewed, approved, and takes responsibility for the proposed audit adjustment.

Cause

Management recorded accounts payable for certain contracts based on the full contract amount instead of the assets or services provided and not paid for as of September 30, 2023.

Effect

Accounts payable, work in progress, and expenses were overstated as of September 30, 2023.

Repeat Finding

No.

Recommendation

We recommend the District only record invoice for goods or service incurred by the District as of September 30, 2023 that have not been paid as of September 30, 2023.

Views of Responsible Officials and Planned Corrective Actions

As recommended by our CLA audit team, the audit adjustment to reverse accounts payable, work in progress, and expenses for goods and services not received or rendered but have been committed to as of September 30, 2023 has been made dated September 30, 2023. The District will no longer book the full amount of a contract, equipment or other expense or expenditure purchased, contracted, or committed to in any way in the future until goods and services have been received or rendered.

Target date: January 31, 2024 – Completed January 27, 2024

2023-002 – 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.

**HERONS GLEN RECREATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2023**

2023-002 – Bank Reconciliations (Continued)

Type of Finding: Management Letter (Continued)

Condition

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

Cause

Management fell behind in completing bank reconciliations.

Effect

Not reconciling the accounts on a timely 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

Yes.

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 is developing and implementing a policy which defines timely as the bank reconciliations being completed and reviewed by the end of the month following the statement date.

Target date: May 31, 2024



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, 2023, and have issued our report thereon dated February 13, 2024.

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 13, 2024, 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 as noted below.

Prior Year Findings		Finding Numbers			Current Year Status		
		Current Year	2021-2022	2020-2021	Cleared	Partially Cleared	Not Cleared
Golf Course Disposal	Significant Deficiency	N/A	2022-001	N/A	X		
Inventory of Capital Assets	Compliance	N/A	2022-002	N/A	X		
Bank Reconciliations	Management Letter	2023-002	2022-003	N/A			X

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 2023-002.

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 71.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 17.

- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$90,326.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$188,824.
- 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 \$3,931,589 (provide list).
- 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 35 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 \$1,850,304.
- c. The total amount of outstanding bonds issued by the district and the terms of such bonds as See Note 6 page 31-32 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 13, 2024



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, 2023. 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.

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, 2023.

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 13, 2024