

**Heritage Harbor  
Community Development District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2016**

**Heritage Harbor Community Development District**

**ANNUAL FINANCIAL REPORT**

**Fiscal Year Ended September 30, 2016**

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## REPORT OF INDEPENDENT AUDITORS

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Heritage Harbor Community Development District as of and for the year ended September 30, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

Fort Pierce / Stuart  
- 1 -

To the Board of Supervisors  
Heritage Harbor Community Development District

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of Heritage Harbor Community Development District, as of September 30, 2016, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 23, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Heritage Harbor Community Development District's internal control over financial reporting and compliance.

*Berger, Toombs, Elam,  
Gaines & Frank*

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

February 23, 2017

**Heritage Harbor Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2016**

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

**Heritage Harbor Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2016**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

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

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

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

**Financial Highlights**

The following are the highlights of financial activity for the year ended September 30, 2016.

- ◆ The District's total assets exceeded total liabilities by \$7,996,441 (net position). Net investment in capital assets for Governmental Activities was \$6,059,024. Net investment in capital assets for Business-type Activities was \$1,206,148. Unrestricted net position for Governmental Activities was \$767,894 and for Business-type Activities was \$(96,574). Restricted net position for Governmental Activities was \$59,949.
- ◆ Governmental Activities revenues totaled \$1,011,759 while Governmental Activities expenses totaled \$1,003,787. Business-type Activities revenues totaled \$1,131,875 while Business-type Activities expenses totaled \$1,382,486.

**Heritage Harbor Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2016**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Financial Analysis of the District**

The following schedule provides a summary of the assets, liabilities and net position of the District and is presented by category for comparison purposes.

**Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Current assets	\$ 796,834	\$ 1,064,596	\$ (80,453)	\$ 37,620	\$ 716,381	\$ 1,102,216
Restricted assets	100,859	95,846	112,157	151,560	213,016	247,406
Capital assets	<u>6,805,695</u>	<u>7,018,589</u>	<u>2,206,148</u>	<u>2,428,811</u>	<u>9,011,843</u>	<u>9,447,400</u>
<b>Total Assets</b>	<u>7,703,388</u>	<u>8,179,031</u>	<u>2,237,852</u>	<u>2,617,991</u>	<u>9,941,240</u>	<u>10,797,022</u>
Current liabilities	291,521	525,136	243,278	237,806	534,799	762,942
Non-current liabilities	<u>525,000</u>	<u>775,000</u>	<u>885,000</u>	<u>1,020,000</u>	<u>1,410,000</u>	<u>1,795,000</u>
<b>Total Liabilities</b>	<u>816,521</u>	<u>1,300,136</u>	<u>1,128,278</u>	<u>1,257,806</u>	<u>1,944,799</u>	<u>2,557,942</u>
<b>Net Position</b>						
Net investment in capital assets	6,059,024	6,003,589	1,206,148	1,298,811	7,265,172	7,302,400
Net position - restricted	59,949	79,302	-	132,060	59,949	211,362
Net position - unrestricted	<u>767,894</u>	<u>796,004</u>	<u>(96,574)</u>	<u>(70,686)</u>	<u>671,320</u>	<u>725,318</u>
<b>Total Net Position</b>	<u>\$ 6,886,867</u>	<u>\$ 6,878,895</u>	<u>\$ 1,109,574</u>	<u>\$ 1,360,185</u>	<u>\$ 7,996,441</u>	<u>\$ 8,239,080</u>

The decrease in current assets and current liabilities for governmental activities is primarily due to a transfer from the General Fund to the Enterprise Fund in the current year.

The decrease in current assets for business-type activities is due to principal payments on long-term debt and expenditures in excess of revenues in the current year.

The decrease in capital assets for governmental activities and business-type activities is primarily due to depreciation in the current year.

The decrease in non-current liabilities for governmental activities and business-type activities is the result of principal payments made on long-term debt during the current year.

The decreases in capital assets and net investment in capital assets for business-type activities is due to depreciation in the current year.

**Heritage Harbor Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2016**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Financial Analysis of the District (Continued)**

The following schedule provides a summary of the changes in net position of the District and is presented by category for comparison purposes.

**Change In Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Program Revenues						
Charges for services	\$ 1,008,957	\$ 1,008,642	\$ 1,131,698	\$ 1,185,778	\$ 2,140,655	\$ 2,194,420
General Revenues						
Investment earnings	2,802	3,834	177	404	2,979	4,238
Other revenues	-	21	-	-	-	21
Total Revenues	<u>1,011,759</u>	<u>1,012,497</u>	<u>1,131,875</u>	<u>1,186,182</u>	<u>2,143,634</u>	<u>2,198,679</u>
Expenses						
General government	112,597	126,601	-	-	112,597	126,601
Physical environment	843,109	741,182 *	-	-	843,109	741,182
Golf course and restaurant	-	-	1,299,690	1,308,011	1,299,690	1,308,011
Interest on long-term debt	48,081	63,693	82,796	92,354	130,877	156,047
Total Expenses	<u>1,003,787</u>	<u>931,476</u>	<u>1,382,486</u>	<u>1,400,365</u>	<u>2,386,273</u>	<u>2,331,841</u>
Change in Net Position	7,972	81,021	(250,611)	(214,183)	(242,639)	(133,162)
Net Position - Beginning of Year	<u>6,878,895</u>	<u>6,797,874</u>	<u>1,360,185</u>	<u>1,574,368</u>	<u>8,239,080</u>	<u>8,372,242</u>
Net Position - End of Year	<u>\$ 6,886,867</u>	<u>\$ 6,878,895</u>	<u>\$ 1,109,574</u>	<u>\$ 1,360,185</u>	<u>\$ 7,996,441</u>	<u>\$ 8,239,080</u>

\*Restated

The increase in physical environment expenses for governmental activities is primarily due to an increase in salaries, guard services, and lake maintenance in the current year.

The decrease in charges for services for business-type activities is the result of the reduction in green fees income related to an increase in inclement weather in the current year.



**Heritage Harbor Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2016**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Capital Assets Activity**

The following schedule provides a summary of the District's capital assets activity as of September 30, 2016.

Description	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land and improvements	\$ 906,667	\$ 906,667	\$ 1,204,598	\$ 1,204,598	\$ 2,111,265	\$ 2,111,265
Construction in progress	35,100	-	-	-	35,100	-
Infrastructure	9,805,367	9,805,367	6,011,912	6,011,912	15,817,279	15,817,279
Equipment	-	-	865,444	865,444	865,444	865,444
Accumulated depreciation	<u>(3,941,439)</u>	<u>(3,693,445)</u>	<u>(5,875,806)</u>	<u>(5,653,143)</u>	<u>(9,817,245)</u>	<u>(9,346,588)</u>
Total Capital Assets (Net)	<u>\$ 6,805,695</u>	<u>\$ 7,018,589</u>	<u>\$ 2,206,148</u>	<u>\$ 2,428,811</u>	<u>\$ 9,011,843</u>	<u>\$ 9,447,400</u>

During the year, depreciation for governmental activities was \$247,994 and additions of \$35,100 of construction in progress. Business-type activities activity was depreciation of \$222,663.

**General Fund Budgetary Highlights**

Actual expenditures were less than budgeted amounts due to lower repairs and maintenance expenditures and budgeted contingencies and reserves were not fully utilized.

The budget was amended for increased payroll expenditures.

**Debt Management**

Governmental Activities debt includes the following:

- ◆ In May 2008, the District issued \$2,465,000 Series 2008 Special Assessment Revenue Refunding Bonds. The proceeds of these bonds were used to refund \$2,725,000 of the Special Assessment Revenue Bond Series 1997A. As of September 30, 2016, the outstanding balance was \$775,000.

**Heritage Harbor Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2016**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Debt Management (Continued)**

Business-type Activities debt includes the following:

- ◆ In December 1997, the District issued \$7,900,000 Series 1997 Recreational Revenue Bonds. The 1997 Bonds were used to finance the cost of constructing the golf course, clubhouse, pool, and tennis courts among other recreational facilities. In June 2003, the Developer purchased \$5,150,000 of the outstanding debt and this portion of the debt was retired. The remaining \$1,960,000 of the Bonds is to be repaid annually through May 1, 2023. The Recreational Revenue Bonds are secured by a pledge of Gross Revenues under the Indenture, which are defined as all income and monies received by the District from the rates, fees, rentals, charges and other income collected by the District for the use of the products, services and facilities to be provided by the District. As of September 30, 2016, the outstanding balance was \$1,000,000.

**Economic Factors and Next Year's Budget**

Heritage Harbor Community Development District does not expect any economic factors to have any significant effect on the financial position or results of operations of the District in fiscal year 2017.

**Request for Information**

This financial report is designed to provide homeowners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact Heritage Harbor Community Development District, Severn Trent Management Services, Inc. at 210 North University Drive, Suite 702, Coral Springs, Florida 33071.

**Heritage Harbor Community Development District**  
**STATEMENT OF NET POSITION**  
**September 30, 2016**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and equivalents	\$ 207,088	\$ 181,601	\$ 388,689
Investments, at fair value	203,600	21,168	224,768
Accounts receivable	9,195	1,824	11,019
Due from other governments	6,032	-	6,032
Internal balances	327,186	(327,186)	-
Inventory	-	17,877	17,877
Prepaid expenses	41,778	1,307	43,085
Deposits	1,955	3,456	5,411
Restricted assets -			
Customer deposits	-	19,500	19,500
Total Current Assets	<u>796,834</u>	<u>(80,453)</u>	<u>716,381</u>
<b>Non-current Assets</b>			
Restricted assets			
Cash and investments	100,859	112,157	213,016
Capital assets:			
Assets not being depreciated			
Land and improvements	906,667	1,204,598	2,111,265
Construction in progress	35,100	-	35,100
Assets being depreciated			
Infrastructure	9,805,367	6,011,912	15,817,279
Equipment	-	865,444	865,444
Less: accumulated depreciation	(3,941,439)	(5,875,806)	(9,817,245)
Total Non-current Assets	<u>6,906,554</u>	<u>2,318,305</u>	<u>9,224,859</u>
Total Assets	<u>7,703,388</u>	<u>2,237,852</u>	<u>9,941,240</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	27,765	52,519	80,284
Accrued interest payable	13,756	32,292	46,048
Due to other governments	-	23,967	23,967
Bonds payable, current portion	250,000	115,000	365,000
Payable from restricted assets:			
Customer deposits	-	19,500	19,500
Total Current Liabilities	<u>291,521</u>	<u>243,278</u>	<u>534,799</u>
<b>Non-current Liabilities</b>			
Bonds payable	<u>525,000</u>	<u>885,000</u>	<u>1,410,000</u>
Total Liabilities	<u>816,521</u>	<u>1,128,278</u>	<u>1,944,799</u>
<b>NET POSITION</b>			
Net investment in capital assets	6,059,024	1,206,148	7,265,172
Restricted for debt service	59,949	-	59,949
Unrestricted	767,894	(96,574)	671,320
Total Net Position	<u>\$ 6,886,867</u>	<u>\$ 1,109,574</u>	<u>\$ 7,996,441</u>

See accompanying notes to financial statements.

**Heritage Harbor Community Development District**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2016**

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Governmental Activities	Business-type Activities	
<b>Governmental Activities</b>					
General government	\$ (112,597)	\$ 113,283	\$ 686	\$ -	\$ 686
Physical environment	(843,109)	598,740	(244,369)	-	(244,369)
Interest on long-term debt	(48,081)	296,934	248,853	-	248,853
Total Governmental Activities	<u>(1,003,787)</u>	<u>1,008,957</u>	<u>5,170</u>	<u>-</u>	<u>5,170</u>
<b>Business-type Activities</b>					
Golf course	(1,214,455)	1,052,765	-	(161,690)	(161,690)
Restaurant	(85,235)	78,933	-	(6,302)	(6,302)
Interest on long-term debt	(82,796)	-	-	(82,796)	(82,796)
Total Business-type Activities	<u>(1,382,486)</u>	<u>1,131,698</u>	<u>-</u>	<u>(250,788)</u>	<u>(250,788)</u>
Total Primary Government	<u>\$ (2,386,273)</u>	<u>\$ 2,140,655</u>	<u>5,170</u>	<u>(250,788)</u>	<u>(245,618)</u>
<b>General Revenues</b>					
Investment earnings			<u>2,802</u>	<u>177</u>	<u>2,979</u>
Change in Net Position			7,972	(250,611)	(242,639)
Net Position - October 1, 2015			<u>6,878,895</u>	<u>1,360,185</u>	<u>8,239,080</u>
Net Position - September 30, 2016			<u>\$ 6,886,867</u>	<u>\$ 1,109,574</u>	<u>\$ 7,996,441</u>

See accompanying notes to financial statements.

**Heritage Harbor Community Development District**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2016**

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalent	\$ 207,088	\$ -	\$ 207,088
Investments, at fair value	203,600	-	203,600
Accounts receivable	9,195	-	9,195
Due from other funds	327,186	-	327,186
Due from other governments	4,257	1,775	6,032
Prepaid expenses	41,778	-	41,778
Deposits	1,955	-	1,955
Restricted assets			
Investments, at fair value	-	100,859	100,859
<b>Total Assets</b>	<b>\$ 795,059</b>	<b>\$ 102,634</b>	<b>\$ 897,693</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued expenses	\$ 27,165	\$ 600	\$ 27,765
 <b>Fund Balances:</b>			
<b>Nonspendable</b>			
Prepaid expenses	41,778	-	41,778
Deposits	1,955	-	1,955
<b>Restricted</b>			
Debt service	-	102,034	102,034
<b>Assigned:</b>			
Landscape	58,800	-	58,800
Gate/entry features	49,191	-	49,191
Lake embankments	58,800	-	58,800
Fountains	19,600	-	19,600
Irrigation	100,000	-	100,000
Operating reserve	187,756	-	187,756
Unassigned	250,014	-	250,014
<b>Total Fund Balances</b>	<b>767,894</b>	<b>102,034</b>	<b>869,928</b>
 <b>Total Liabilities and Fund Balances</b>	 <b>\$ 795,059</b>	 <b>\$ 102,634</b>	 <b>\$ 897,693</b>

*See accompanying notes to financial statements.*

**Heritage Harbor Community Development District  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
September 30, 2016**

<b>Total Governmental Fund Balances</b>		\$ 869,928
<b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>		
Capital assets not being depreciated, land and improvements, \$906,667, and construction in progress, \$35,100, used in governmental activities are not financial resources and, therefore, are not reported at the fund statement level.		941,767
Capital assets being depreciated, infrastructure, \$9,805,367; net of accumulated depreciation, \$(3,941,439) used in governmental activities are not financial resources and; therefore, are not reported at the fund statement level.		5,863,928
Long-term liabilities, including bond payable, are not due and payable in the current period and; therefore, are not reported at the fund statement level.		(775,000)
Accrued interest for long-term debt is not a financial use and; therefore, is not reported at the fund statement level.		<u>(13,756)</u>
<b>Net Position of Governmental Activities</b>		<u><u>\$ 6,886,867</u></u>

*See accompanying notes to financial statements.*

**Heritage Harbor Community Development District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Totals Governmental Funds</u>
Revenues			
Special assessments	\$ 712,023	\$ 296,934	\$ 1,008,957
Investment earnings	2,679	123	2,802
Total Revenues	<u>714,702</u>	<u>297,057</u>	<u>1,011,759</u>
Expenditures			
Current			
General government	112,597	-	112,597
Physical environment	595,115	-	595,115
Capital outlay	35,100	-	35,100
Debt service			
Principal	-	240,000	240,000
Interest	-	43,239	43,239
Other	-	9,101	9,101
Total Expenditures	<u>742,812</u>	<u>292,340</u>	<u>1,035,152</u>
Net change in fund balances	<u>(28,110)</u>	<u>4,717</u>	<u>(23,393)</u>
Fund Balances - October 1, 2015	<u>796,004</u>	<u>97,317</u>	<u>893,321</u>
Fund Balances - September 30, 2016	<u><u>\$ 767,894</u></u>	<u><u>\$ 102,034</u></u>	<u><u>\$ 869,928</u></u>

*See accompanying notes to financial statements.*

**Heritage Harbor Community Development District**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2016**

Net Change in Fund Balances -Total Governmental Funds	\$	(23,393)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount depreciation (\$(247,994)) exceeded capital asset additions (\$35,100) in the current period.		(212,894)
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Repayment of long-term liabilities are reported as expenditures in the governmental fund statement but such repayments reduce liabilities in the Statement of Net Position and are eliminated in the Statement of Activities.		240,000
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Accrued interest expense is reported in the Statement of Activities but in governmental funds interest expenditures are reported when due. This is the net amount between current year and prior year accruals.		4,259
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Change in Net Position of Governmental Activities	\$	<u>7,972</u>
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*See accompanying notes to financial statements.*



**Heritage Harbor Community Development District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Special assessments	\$ 708,852	\$ 708,852	\$ 712,023	\$ 3,171
Investment earnings	1,800	1,800	2,679	879
Total Revenues	<u>710,652</u>	<u>710,652</u>	<u>714,702</u>	<u>4,050</u>
Expenditures				
Current				
General government	157,221	157,221	112,597	44,624
Physical environment	593,801	636,556	595,115	41,441
Capital outlay	-	-	35,100	(35,100)
Total Expenditures	<u>751,022</u>	<u>793,777</u>	<u>742,812</u>	<u>50,965</u>
Net change in fund balances	(40,370)	(83,125)	(28,110)	55,015
Fund Balance - October 1, 2015	<u>776,998</u>	<u>796,004</u>	<u>796,004</u>	<u>-</u>
Fund Balance - September 30, 2016	<u>\$ 736,628</u>	<u>\$ 712,879</u>	<u>\$ 767,894</u>	<u>\$ 55,015</u>

See accompanying notes to financial statements.

**Heritage Harbor Community Development District**  
**STATEMENT OF NET POSITION –**  
**ENTERPRISE FUND**  
**September 30, 2016**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$	181,601
Investments		21,168
Accounts receivable		1,824
Inventory		17,877
Prepaid expenses		1,307
Deposits		3,456
Restricted Assets-		
Customer deposits		19,500
<b>Total Current Assets</b>		<u>246,733</u>

**Non-current Assets**

Restricted assets		
Cash and investments		112,157
Capital Assets:		
Land		1,204,598
Infrastructure		6,011,912
Equipment and furniture		865,444
Less: accumulated depreciation		<u>(5,875,806)</u>
<b>Total Non-current Assets</b>		<u>2,318,305</u>
<b>Total Assets</b>		<u>2,565,038</u>

**LIABILITIES**

**Current Liabilities**

Accounts payable and accrued expenses		52,519
Due to other funds		327,186
Due to other governments		23,967
Accrued interest payable		32,292
Bonds payable, current portion		115,000
Payable from restricted assets-		
Customer deposits		19,500
<b>Total Current Liabilities</b>		<u>570,464</u>

**Non-current Liabilities**

Bonds payable		885,000
<b>Total Liabilities</b>		<u>1,455,464</u>

**NET POSITION**

Net investment in capital assets		1,206,148
Unrestricted		(96,574)
<b>Total Net Position</b>		<u>\$ 1,109,574</u>

*See accompanying notes to financial statements.*

**Heritage Harbor Community Development District**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET POSITION - ENTERPRISE FUND**  
**For The Year Ended September 30, 2016**

Operating Revenues	
Charges for Services	
Golf course	\$ 1,052,765
Restaurant	78,933
Total Operating Revenues	<u>1,131,698</u>
Operating Expenses	
Cost of sales and services	18,204
Golf course and pro shop	969,190
Restaurant	85,235
Other	4,398
Depreciation	222,663
Total Operating Expenses	<u>1,299,690</u>
Operating Income	(167,992)
Non-operating revenues/(expenses)	
Interest earnings	177
Interest expense	(82,796)
Total Non-operating Revenues and Expenses	<u>(82,619)</u>
Change in Net Position	(250,611)
Net Position - October 1, 2015	<u>1,360,185</u>
Net Position - September 30, 2016	<u><u>\$ 1,109,574</u></u>

*See accompanying notes to financial statements.*

**Heritage Harbor Community Development District**  
**STATEMENT OF CASH FLOWS –**  
**ENTERPRISE FUND**  
**For The Year Ended September 30, 2016**

	Enterprise Fund
Cash Flows From Operating Activities	
Cash received from customers	\$ 1,135,491
Cash paid to suppliers	(1,091,638)
Net Cash Provided By Operating Activities	43,853
Cash Flows From Capital Activities	
Interest paid on capital debt	(86,994)
Principal payments on long-term debt	(130,000)
Net Cash Provided By Capital Activities	(216,994)
Cash Flows From Investing Activities	
Sales of investments	229,089
Purchases of investments	(209,354)
Interest income	264
Net Cash Provided By Investing Activities	19,999
Net decrease in cash and equivalents	(153,142)
Cash and equivalents, October 1, 2015	354,243
Cash and equivalents, September 30, 2016	\$ 201,101
Reconciliation of Net Operating Income to Net Cash Provided By Operating Activities	
Cash Flows From Operating Activities:	
Operating income	\$ (167,992)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	222,663
Changes in assets and liabilities:	
Increase in accounts receivable	(1,148)
Increase in inventory	(3,249)
Decrease in prepaid expenses	54
Decrease in accounts payable	(11,416)
Decrease in due to other funds	(11,145)
Increase in due to other governments	16,086
Total Adjustments	211,845
Net Cash Provided By Operating Activities	\$ 43,853

*See accompanying notes to financial statements.*

**Heritage Harbor Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE A – SUMMARY OF ACCOUNTING POLICIES**

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

**1. Reporting Entity**

The District was created on August, 26 1997 by the Board of County Commissioners of Hillsborough County under the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, and was adopted as Hillsborough County Ordinance 97-9, under the name of Heritage Harbor Community Development District. The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for the community development within the District.

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

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

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

**2. Measurement Focus and Basis of Accounting**

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

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

**Heritage Harbor Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE A – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**2. Measurement Focus and Basis of Accounting (Continued)**

**a. Government-wide Financial Statements**

Government-wide financial statements report all non-fiduciary information about the reporting government as a whole. These statements include separate columns for the governmental and business-type activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by special assessments, rents and interest, are reported separately from business-type activities. Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

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

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

**b. Fund Financial Statements**

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

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

**Heritage Harbor Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Measurement Focus and Basis of Accounting (Continued)**

**b. Fund Financial Statements (Continued)**

**Governmental Funds**

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

The District has various policies governing the fund balance classifications.

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

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

**Assigned Fund Balance** – This classification consists of the Board of Supervisors' intent to be used for specific purposes, but are neither restricted nor committed. The assigned fund balances can also be assigned by the District's management company.

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Interest associated with the current fiscal period is considered to be an accrual item and so has been recognized as revenue of the current fiscal period.

**Heritage Harbor Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Measurement Focus and Basis of Accounting (Continued)**

**b. Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

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

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

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

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

**Enterprise Funds**

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



**Heritage Harbor Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Measurement Focus and Basis of Accounting (Continued)**

**b. Fund Financial Statements (Continued)**

**Enterprise Funds (Continued)**

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

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

**3. Basis of Presentation**

**a. Governmental Major Funds**

General Fund

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

Debt Service Fund – Series 2008

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term general obligation debt on the Series 2008 Special Assessment Revenue Refunding Bonds.

**b. Enterprise Major Fund**

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

**c. Non-current Governmental Assets/Liabilities**

GASB Statement 34 requires that non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as general obligation bonds be reported in the governmental activities column in the government-wide statement of net position.

**Heritage Harbor Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**4. Assets, Liabilities, and Net Position or Equity**

**a. Cash and Investments**

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

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

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

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

**b. Receivables and Payables**

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

**c. Inventories**

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

**Heritage Harbor Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**d. Restricted Net Position**

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

**e. Capital Assets**

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

The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. The valuation basis for all assets is historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

Infrastructure	5-40 years
Equipment	5 years

**f. Budgets**

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Section 200.065 of the Florida Statutes. The District utilizes the same basis of accounting for budgets as it does for revenues and expenditures in its various funds.

The legal level of budgetary control is at the fund level. All budgeted appropriations lapse at year end. Formal budgets are adopted for the general and debt service funds. As a result, deficits in the budget columns of the accompanying financial statements may occur.

**Heritage Harbor Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

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

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

“Total fund balances” of the District’s governmental funds (\$869,928) differs from “net position” of governmental activities (\$6,886,867) reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet. The effect of the differences is illustrated as follows:

**Capital related items**

When capital assets (property, plant and equipment that are to be used in governmental activities) are purchased or constructed, the cost of those assets is reported as expenditures in governmental funds. However, the statement of net position included those capital assets among the assets of the District as a whole.

Land	\$ 906,667
Construction in progress	35,100
Infrastructure	9,805,367
Accumulated depreciation	<u>(3,941,439)</u>
Total	<u>\$ 6,805,695</u>

**Long-term debt transactions**

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

Bonds payable	<u>\$ (775,000)</u>
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**Accrued interest**

Accrued liabilities in the Statement of Net Position differ from the amount reported in governmental funds due to accrued interest on long-term debt.

Accrued interest	<u>\$ (13,756)</u>
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**Heritage Harbor Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

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

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

The “net change in fund balances” for government funds (\$(23,393)) differs from the “change in net position” for governmental activities (\$7,972) reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated as follows.

**Capital related items**

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decrease by the amount of depreciation charged for the year.

Depreciation	\$ (247,994)
Capital outlay	<u>35,100</u>
Total	<u><u>\$ (212,894)</u></u>

**Long-term debt transactions**

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

Bond principal payments	<u><u>\$ 240,000</u></u>
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Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Net change in accrued interest payable	<u><u>\$ 4,259</u></u>
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**Heritage Harbor Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE C - CASH AND INVESTMENTS**

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. The District does, however, follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2016, the District's bank balance was \$416,442 and the carrying value was \$408,189. Exposure to custodial credit risk was as follows. The District maintains all deposits in a qualified public depository in accordance with the provisions of Chapter 280, Florida Statutes, which means that all deposits are fully insured by Federal Depositors Insurance or collateralized under Chapter 280, Florida Statutes.

As of September 30, 2016, the District had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of Deposit	3/2017	\$ 224,768
First American Government Obligation Fund Class Y	N/A	657
Commerical Paper	N/A	<u>212,359</u>
Total		<u>\$ 437,784</u>

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

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

Based on the criteria in the preceding paragraph, the investments in Florida American Government Obligation and Commercial Paper are Level 1 assets.

**Heritage Harbor Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE C - CASH AND INVESTMENTS (CONTINUED)**

Investments

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one fund. The investments in Certificates of Deposit represent 51% of the District's investments. The investments in Commercial Paper represent 48.5% of the District's total investments. The investments First American Government Obligation Funds Class Y represent less than 0.5% of the District's investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2016 were typical. The First American Government Obligations Fund Class Y investments were rated AAAM by Standard & Poor's. The Commercial Paper investments were rated A-1+ by Standard & Poor's. The Certificates of Deposit are not rated by any nationally recognized rating agency.

**NOTE D – SPECIAL ASSESSMENT REVENUES**

Assessment revenues recognized for the 2015-2016 fiscal year were levied in October 2015. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Per Section 197.162, Florida Statutes, discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount.

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

**Heritage Harbor Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE E – CAPITAL ASSETS**

Capital Asset activity for the year ended September 30, 2016 was as follows:

	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
<b><u>Governmental activities:</u></b>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 906,667	\$ -	\$ -	\$ 906,667
Construction in progress	-	35,100	-	35,100
Total Capital Assets, Not Depreciated	<u>906,667</u>	<u>35,100</u>	<u>-</u>	<u>941,767</u>
Capital assets, being depreciated:				
Infrastructure - water and sewer systems	5,725,401	-	-	5,725,401
Infrastructure - roadways and other improvements	3,952,000	-	-	3,952,000
Infrastructure - recreational and security	127,966	-	-	127,966
Total Capital Assets, Being Depreciated	<u>9,805,367</u>	<u>-</u>	<u>-</u>	<u>9,805,367</u>
Less accumulated depreciation for:				
Infrastructure - water and sewer systems	(2,155,401)	(142,800)	-	(2,298,201)
Infrastructure - roadways and other improvements	(1,469,500)	(98,800)	-	(1,568,300)
Infrastructure - recreational and security	(68,544)	(6,394)	-	(74,938)
Total Accumulated Depreciation	<u>(3,693,445)</u>	<u>(247,994)</u>	<u>-</u>	<u>(3,941,439)</u>
Total Capital Assets Depreciated, Net	<u>6,111,922</u>	<u>(247,994)</u>	<u>-</u>	<u>5,863,928</u>
Governmental Activities Capital Assets	<u>\$ 7,018,589</u>	<u>\$ (212,894)</u>	<u>\$ -</u>	<u>\$ 6,805,695</u>

Depreciation of \$247,994 was charged to physical environment.



**Heritage Harbor Community Development District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE E – CAPITAL ASSETS (CONTINUED)**

	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
<b><u>Business-type activities:</u></b>				
Capital assets, not being depreciated:				
Land	\$ 1,204,598	\$ -	\$ -	\$ 1,204,598
Capital assets, being depreciated:				
Infrastructure	6,011,912	-	-	6,011,912
Equipment	865,444	-	-	865,444
Total Capital Assets, Being Depreciated	<u>6,877,356</u>	<u>-</u>	<u>-</u>	<u>6,877,356</u>
Less accumulated depreciation for:				
Infrastructure	(4,787,699)	(222,663)	-	(5,010,362)
Equipment	(865,444)	-	-	(865,444)
Total Accumulated Depreciation	<u>(5,653,143)</u>	<u>(222,663)</u>	<u>-</u>	<u>(5,875,806)</u>
Total Capital Assets Depreciated, Net	<u>1,224,213</u>	<u>(222,663)</u>	<u>-</u>	<u>1,001,550</u>
Business-type Activities Capital Assets	<u>\$ 2,428,811</u>	<u>\$ (222,663)</u>	<u>\$ -</u>	<u>\$ 2,206,148</u>

**NOTE F – LONG-TERM DEBT**

The following is a summary of activity in the long-term debt of the District for the year ended September 30, 2016:

**Governmental Activities**

Long-term debt at October 1, 2015	\$ 1,015,000
Principal payments	<u>(240,000)</u>
Long-term debt at September 30, 2016	<u>\$ 775,000</u>

**Heritage Harbor Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE F – LONG-TERM DEBT (CONTINUED)**

Long-term debt is comprised of the following:

Special Assessment Revenue Refunding Bonds

\$2,465,000 Series 2008 Special Assessment Revenue Refunding Bonds due in annual principal installments. Interest at 4.26% is due May and November. Current portion is \$250,000. \$ 775,000

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2016 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 250,000	\$ 33,015	\$ 283,015
2018	255,000	22,365	277,365
2019	<u>270,000</u>	<u>11,502</u>	<u>281,502</u>
Totals	<u>\$ 775,000</u>	<u>\$ 66,882</u>	<u>\$ 841,882</u>

Summary of Significant Bonds Resolution Terms and Covenants

**Special Assessment Revenue Refunding Bonds – Series 2008**

The Special Assessment Revenue Refunding Bonds are secured primarily from special assessment taxes levied by the District.

Depository Funds

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

1. Bond Reserve Fund – The Series 2008 - for deposit of an amount equal to 10% of the maximum annual debt service requirement.

The following schedule of required reserve deposits as of September 30, 2016:

	<u>Reserve Requirement</u>	<u>Reserve Balance</u>
Series 2008 Special Assessment Revenue Refunding Bonds	<u>\$ 28,329</u>	<u>\$ 28,329</u>

**Heritage Harbor Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2016**

**NOTE F – LONG-TERM DEBT (CONTINUED)**

Business-type Activities

The following is a summary of activity for long-term debt of the Business-type Activities for the year ended September 30, 2016:

Long-term debt at October 1, 2015	\$ 1,130,000
Principal payments	<u>(130,000)</u>
Long-term debt at September 30, 2016	<u>\$ 1,000,000</u>

**Recreational Revenue Bonds Series 1997**

\$7,900,000 Series 1997 Recreational Revenue Bonds due in annual principal installments. Interest at 7.75% is due in May and November. Current portion is \$115,000. \$ 1,000,000

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

The annual requirements to amortize the principal and interest of enterprise fund bonds payable as of September 30, 2016 are as follows:

Year Ending September 30,	Principal	Interest	Total
2017	\$ 115,000	\$ 77,500	\$ 192,500
2018	125,000	68,588	193,588
2019	130,000	58,900	188,900
2020	140,000	48,825	188,825
2021	150,000	37,975	187,975
2022-2023	<u>340,000</u>	<u>39,912</u>	<u>379,912</u>
Totals	<u>\$ 1,000,000</u>	<u>\$ 331,700</u>	<u>\$ 1,331,700</u>

**Heritage Harbor Community Development District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE F – LONG-TERM DEBT (CONTINUED)**

**Recreational Revenue Bonds, Series 1997 (Continued)**

Summary of Significant Bond Resolution Terms and Covenants

Depository Funds

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

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

The following is a schedule of required reserve deposits as of September 30, 2016.

	Reserve Requirement	Reserve Balance
Series 1997 Recreational Revenue Bond	\$ 100,000	\$ 111,500

**NOTE G – INTERFUND BALANCES**

Interfund balances at September 30, 2016 consisted of the following:

	Interfund Receivables	Interfund Payables
General Fund	\$ 327,186	\$ -
Enterprise Fund	-	327,186
Total	\$ 327,186	\$ 327,186

**Heritage Harbor Community Development District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2016**

**NOTE H - OPERATING LEASES**

Business-type Activities

The District leases golf carts and equipment under various operating lease agreements. The lease terms range from 48 to 60 months. During the year, golf cart and equipment lease payments totaled \$112,550. The future minimum payments on the leases are as follows:

<u>Year Ending September 30,</u>	<u>Payments</u>
2017	\$ 114,650
2018	39,311
2019	38,876
2020	<u>2,100</u>
Total	<u>\$ 194,937</u>

**NOTE I – RELATED PARTIES**

Two of the five voting members of the Board of Supervisors are immediate family members.

**NOTE J – LEASE AGREEMENT**

In January 2008, the District entered into a three-year lease agreement with Olympian Restaurant and Bar, Inc. to manage and operate its restaurant facility and golf course concessions. The agreement was amended to extend the contract for two additional three year terms with the option to extend for two additional terms of four years and two years. There is an annual base rent charge of \$78,000 payable in monthly installments plus five percent of gross revenues in excess of \$500,000. Rental income associated with the lease was \$79,914.

**NOTE K – RISK MANAGEMENT**

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. These risks are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for each of the past three fiscal years.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Heritage Harbor Community Development District, as of and for the year ended September 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated February 23, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Heritage Harbor Community Development District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Heritage Harbor Community Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Heritage Harbor Community Development District's internal control over financial reporting.

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

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

To the Board of Supervisors  
Heritage Harbor Community Development District

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Berger, Toombs, Elam,  
Gaines & Frank*

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

February 23, 2017



# Berger, Toombs, Elam, Gaines & Frank

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## MANAGEMENT LETTER

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

### Report on the Financial Statements

We have audited the financial statements of the Heritage Harbor Community Development District as of and for the year ended September 30, 2016, and have issued our report thereon dated February 23, 2017.

### Auditor's Responsibility

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

### Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Auditor's Report on an examination conducted in accordance with AICPA Professionals Standards, Section 601 regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which is dated February 23, 2017, 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 address in the Management Letter, if not already addressed in the auditor's report on compliance and internal controls, whether or not recommendations made in the preceding annual financial report have been followed. There were no recommendations made in the preceding audit report.

### Financial Condition

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



To the Board of Supervisors  
Heritage Harbor Community Development District

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

### **Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Heritage Harbor Community Development District for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

### **Other Matters**

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

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

### **Purpose of this Letter**

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

*Berger, Toombs, Elam,  
Gaines & Frank*

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

February 23, 2017



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

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

We have examined Heritage Harbor Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2016. Management is responsible for Heritage Harbor Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Heritage Harbor Community Development District's compliance based on our examination.

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

In our opinion, Heritage Harbor Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2016.

*Berger, Toombs, Elam,  
Gaines & Frank*

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

February 23, 2017