

**Heritage Harbor
Community Development District**

ANNUAL FINANCIAL REPORT

September 30, 2013

Heritage Harbor Community Development District

ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2013

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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 basic financial statements of Heritage Harbor Community Development District as of and for the year ended September 30, 2013, 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. 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

To the Board of Supervisors
Heritage Harbor Community Development District

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental and business-type activities and the General Fund, Debt Service Fund, Capital Projects Fund and Enterprise Fund of Heritage Harbor Community Development District as of September 30, 2013, 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.

Emphasis of Matter

As discussed in Note L to the financial statements, bond issuance costs were expensed as of September 30, 2012 and net position was restated as the result of implementation of Governmental Accounting Standards Board Statement No. 65. Our opinion is not modified with respect to this matter.

Other Matters

Management's Discussion and Analysis

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 6, 2014 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

March 6, 2014

**Heritage Harbor Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013**

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

**Heritage Harbor Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013**

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 fund net position**; and a **statement of cash flows** are presented. *Fund financial statements* provide more detailed information about the District's activities. Individual funds are established by the District to track revenues that are restricted to certain uses or to comply with legal requirements

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

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

Financial Highlights

The following are the highlights of financial activity for the year ended September 30, 2013.

- ◆ The District's total assets exceeded total liabilities by \$8,520,030 (net position). Unrestricted net position for Governmental Activities was \$593,503 and for Business-type activities were \$93,196. Restricted net position for Governmental Activities was \$43,061 and for Business-type activities was \$142,187. Invested in capital assets, net of related debt for Governmental Activities was \$6,084,234 and for Business-type activities was \$1,563,849.

**Heritage Harbor Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Highlights (Continued)

- ◆ Governmental activities revenues totaled \$1,012,402 while governmental activities expenses totaled \$911,944. Business-type revenues totaled \$1,273,699 while business-type expenses totaled \$1,336,583.

Financial Analysis of the District

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

Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current assets	\$ 639,637	\$ 481,059	\$ 210,901	\$ 188,852	\$ 850,538	\$ 669,911
Restricted assets	94,512	95,241	142,187	150,138	236,699	245,379
Non current assets	-	-	-	-	-	-
Capital assets, net	<u>7,520,905</u>	<u>7,773,778</u>	<u>2,898,849</u>	<u>3,063,431</u>	<u>10,419,754</u>	<u>10,837,209</u>
Total Assets	<u>8,255,054</u>	<u>8,350,078</u>	<u>3,251,937</u>	<u>3,402,421</u>	<u>11,506,991</u>	<u>11,752,499</u>
Current liabilities	289,256	254,738	207,705	205,305	496,961	460,043
Non-current liabilities	<u>1,245,000</u>	<u>1,475,000</u>	<u>1,245,000</u>	<u>1,335,000</u>	<u>2,490,000</u>	<u>2,810,000</u>
Total Liabilities	<u>1,534,256</u>	<u>1,729,738</u>	<u>1,452,705</u>	<u>1,540,305</u>	<u>2,986,961</u>	<u>3,270,043</u>
Net Position						
Investment in capital assets, net related debt	6,084,234	6,117,107	1,563,849	1,643,431	7,648,083	7,760,538
Restricted	43,061	47,837	142,187	150,138	185,248	197,975
Unrestricted	<u>593,503</u>	<u>455,396</u>	<u>93,196</u>	<u>68,547</u>	<u>686,699</u>	<u>523,943</u>
Total Net Position	<u>\$ 6,720,798</u>	<u>\$ 6,620,340</u>	<u>\$ 1,799,232</u>	<u>\$ 1,862,116</u>	<u>\$ 8,520,030</u>	<u>\$ 8,482,456</u>

* Restated

The decrease in capital assets for both governmental and business-type activities was primarily the result of current year depreciation.

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

**Heritage Harbor Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Financial Analysis of the District (Continued)

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

Change in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<u>Program Revenues</u>						
Charges for services	\$ 1,008,944	\$ 1,008,420	\$ 1,263,522	\$ 1,268,884	\$ 2,272,466	\$ 2,277,304
<u>General Revenues</u>						
Investment earnings	3,113	3,426	300	256	3,413	3,682
Miscellaneous revenues	345	75	-	-	345	75
Gain on sale of capital assets	-	-	9,877	3,500	9,877	3,500
Total Revenues	<u>\$ 1,012,402</u>	<u>\$ 1,011,921</u>	<u>\$ 1,273,699</u>	<u>\$ 1,272,640</u>	<u>\$ 2,286,101</u>	<u>\$ 2,284,561</u>
<u>Expenses</u>						
General government	\$ 130,677	\$ 122,324	\$ -	\$ -	\$ 130,677	\$ 122,324
Physical environment	699,470	766,519	-	-	699,470	766,519
Interest on long-term debt	81,797	90,826 *	107,305	124,651	189,102	215,477
Golf course and restaurant	-	-	1,229,278	1,240,689	1,229,278	1,240,689
Total Expenses	<u>911,944</u>	<u>979,669</u>	<u>1,336,583</u>	<u>1,365,340</u>	<u>2,248,527</u>	<u>2,345,009</u>
Change in Net Position	100,458	32,252	(62,884)	(92,700)	37,574	(60,448)
Net Position - Beginning of Year	6,620,340	6,588,088 *	1,862,116	1,954,816	8,482,456	8,542,904
Net Position - End of Year	<u>\$ 6,720,798</u>	<u>\$ 6,620,340 *</u>	<u>\$ 1,799,232</u>	<u>\$ 1,862,116</u>	<u>\$ 8,520,030</u>	<u>\$ 8,482,456</u>

* Restated

The decrease in physical environment expenses for governmental activities was primarily due a decrease in repair and maintenance expenses.

Governmental Accounting Standards Board Statements No. 63 and 65 were implemented during the current year. As a result, net position as of October 1, 2011 was restated.

**Heritage Harbor Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013**

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, 2013.

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 906,667	\$ 1,204,598	\$ 2,111,265
Infrastructure	9,805,367	6,011,912	15,817,279
Furniture and equipment	-	870,165	870,165
Accumulated depreciation	<u>(3,191,129)</u>	<u>(5,187,826)</u>	<u>(8,378,955)</u>
 Total Capital Assets (Net)	 <u>\$ 7,520,905</u>	 <u>\$ 2,898,849</u>	 <u>\$ 10,419,754</u>

Current year depreciation expense for Governmental activities was \$252,873.

Business-Type activities had current year depreciation expense of \$164,582 and capital assets of \$95,000 were disposed.

General Fund Budgetary Highlights

Actual expenditures were less than budgeted amounts due to lower repair and maintenance expenditures than anticipated.

There were no amendments to the September 30, 2013 budget.

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, 2013, the outstanding balance was \$1,465,000.

**Heritage Harbor Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Debt Management (Continued)

Business 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 are 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, 2013, the outstanding balance was \$1,335,000.

Request for Information

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

Heritage Harbor Community Development District
STATEMENT OF NET POSITION
September 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and equivalents	\$ 401,471	\$ 134,040	\$ 535,511
Investments, at fair value	202,064	20,403	222,467
Accrued interest receivable	493	373	866
Accounts receivable	-	876	876
Internal balances	17,477	(17,477)	-
Prepaid items	10,758	36,258	47,016
Due from other governments	5,374	-	5,374
Inventory	-	13,472	13,472
Deposits	2,000	3,456	5,456
Restricted Assets:			
Cash for customer deposits	-	19,500	19,500
Total Current Assets	<u>639,637</u>	<u>210,901</u>	<u>850,538</u>
Non-current Assets			
Restricted assets			
Investments, at fair value	94,512	142,187	236,699
Capital assets:			
Assets not being depreciated			
Land and improvements	906,667	1,204,598	2,111,265
Assets being depreciated			
Furniture and equipment	-	870,165	870,165
Infrastructure	9,805,367	6,011,912	15,817,279
Less: accumulated depreciation	(3,191,129)	(5,187,826)	(8,378,955)
Total Non-current Assets	<u>7,615,417</u>	<u>3,041,036</u>	<u>10,656,453</u>
Total Assets	<u>8,255,054</u>	<u>3,251,937</u>	<u>11,506,991</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	43,252	50,681	93,933
Taxes payable	-	4,415	4,415
Accrued interest payable	26,004	43,109	69,113
Bonds payable, current portion	220,000	90,000	310,000
Payable from restricted assets:			
Customer deposits	-	19,500	19,500
Total Current Liabilities	<u>289,256</u>	<u>207,705</u>	<u>496,961</u>
Non-current Liabilities			
Bonds payable	1,245,000	1,245,000	2,490,000
Total Liabilities	<u>1,534,256</u>	<u>1,452,705</u>	<u>2,986,961</u>
NET POSITION			
Invested in capital assets, net of related debt	6,084,234	1,563,849	7,648,083
Restricted for debt service	43,061	142,187	185,248
Unrestricted	593,503	93,196	686,699
Total Net Position	<u>\$ 6,720,798</u>	<u>\$ 1,799,232</u>	<u>\$ 8,520,030</u>

Heritage Harbor Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Governmental Activities	Business-type Activities	
Governmental Activities					
General government	\$ (130,677)	\$ 112,079	\$ (18,598)	\$ -	\$ (18,598)
Physical environment	(699,470)	599,922	(99,548)	-	(99,548)
Interest on long-term debt	(81,797)	296,943	215,146	-	215,146
Total Governmental Activities	<u>(911,944)</u>	<u>1,008,944</u>	<u>97,000</u>	<u>-</u>	<u>97,000</u>
Business-type Activities					
Golf course	(1,153,743)	1,183,920	-	30,177	30,177
Restaurant	(75,535)	79,602	-	4,067	4,067
Interest on long-term debt	(107,305)	-	-	(107,305)	(107,305)
Total Business-type Activities	<u>(1,336,583)</u>	<u>1,263,522</u>	<u>-</u>	<u>(73,061)</u>	<u>(73,061)</u>
Total Primary Government	<u>\$ (2,248,527)</u>	<u>\$ 2,272,466</u>	<u>97,000</u>	<u>(73,061)</u>	<u>23,939</u>
General Revenues					
Investment earnings			3,113	300	3,413
Miscellaneous revenues			345	-	345
Gain on sale of capital asset			-	9,877	9,877
Total General Revenues			<u>3,458</u>	<u>10,177</u>	<u>13,635</u>
Change in Net Position			100,458	(62,884)	37,574
Net Position - October 1, 2012			<u>6,620,340</u> *	<u>1,862,116</u>	<u>8,482,456</u>
Net Position - September 30, 2013			<u>\$ 6,720,798</u>	<u>\$ 1,799,232</u>	<u>\$ 8,520,030</u>

* Restated (Note L)

See accompanying notes to financial statements.

Heritage Harbor Community Development District
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2013

	General	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalent	\$ 401,471	\$ -	\$ 401,471
Investments, at fair value	202,064	-	202,064
Accrued interest receivable	493	-	493
Due from other governments	5,374	-	5,374
Prepaid items	10,758	-	10,758
Due from other funds	17,477	2,882	20,359
Deposits	2,000	-	2,000
Restricted assets			
Investments, at fair value	-	94,512	94,512
Total Assets	\$ 639,637	\$ 97,394	\$ 737,031
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued expenses	\$ 43,252	\$ -	\$ 43,252
Due to other funds	2,882	-	2,882
Total Liabilities	46,134	-	46,134
Fund Balances			
Nonspendable			
Prepaid expense	10,758	-	10,758
Deposits	2,000	-	2,000
Restricted			
Debt service	-	97,394	97,394
Assigned			
Landscape	40,800	-	40,800
Gate/entry features	31,191	-	31,191
Lake embankments	40,800	-	40,800
Fountains	13,600	-	13,600
Operating reserve	177,663	-	177,663
Unassigned	276,691	-	276,691
Total Fund Balances	593,503	97,394	690,897
Total Liabilities and Fund Balances	\$ 639,637	\$ 97,394	\$ 737,031

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, 2013**

Total Governmental Fund Balances	\$ 690,897
 Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets not being depreciated, land and improvements, \$906,667, used in governmental activities are not financial resources and; therefore, are not reported in the funds.	906,667
Capital assets being depreciated, infrastructure, \$9,805,367; net of accumulated depreciation, \$(3,191,129), used in governmental activities are not financial resources and; therefore, are not reported in the funds.	6,614,238
Long-term liabilities, including bonds payable, are not due and payable in the current period and; therefore, are not reported in the funds	(1,465,000)
Accrued interest expense for long-term debt is not a financial use and; therefore, is not reported in the funds.	<u>(26,004)</u>
 Net Position of Governmental Activities	 <u><u>\$ 6,720,798</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, 2013

	General	Debt Service Fund	Capital Projects Fund	Totals Governmental Funds
Revenues				
Special assessments	\$ 712,001	\$ 296,943	\$ -	\$ 1,008,944
Investment earnings	3,035	76	2	3,113
Miscellaneous revenues	345	-	-	345
Total Revenues	<u>715,381</u>	<u>297,019</u>	<u>2</u>	<u>1,012,402</u>
Expenditures				
Current				
General government	130,677	-	-	130,677
Physical environment	446,597	-	-	446,597
Debt service				
Principal	-	220,000	-	220,000
Interest	-	71,781	-	71,781
Other	-	13,921	-	13,921
Total Expenditures	<u>577,274</u>	<u>305,702</u>	<u>-</u>	<u>882,976</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>138,107</u>	<u>(8,683)</u>	<u>2</u>	<u>129,426</u>
Other Financing Sources (Uses)				
Transfers in	-	8,715	-	8,715
Transfers out	-	-	(8,715)	(8,715)
Total Other Financing Sources (Uses)	<u>-</u>	<u>8,715</u>	<u>(8,715)</u>	<u>-</u>
Net change in fund balances	<u>138,107</u>	<u>32</u>	<u>(8,713)</u>	<u>129,426</u>
Fund Balances - October 1, 2012	<u>455,396</u>	<u>97,362</u>	<u>8,713</u>	<u>561,471</u>
Fund Balances - September 30, 2013	<u>\$ 593,503</u>	<u>\$ 97,394</u>	<u>\$ -</u>	<u>\$ 690,897</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, 2013

Net Change in Fund Balances -Total Governmental Funds	\$	129,426
Amounts reported for governmental activities in the Statement of Activities are different because:		
Depreciation on capital assets is not recognized in the governmental fund statement but is reported as an expense in the statement of activities.		(252,873)
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.		220,000
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.		<u>3,905</u>
Change in Net Position of Governmental Activities	\$	<u><u>100,458</u></u>

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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Assessments	\$708,850	\$ 708,850	\$ 712,001	\$ 3,151
Investment earnings	1,800	1,800	3,035	1,235
Miscellaneous revenues	-	-	345	345
Total Revenues	<u>710,650</u>	<u>710,650</u>	<u>715,381</u>	<u>4,731</u>
Expenditures				
Current				
General government	157,061	157,061	130,677	26,384
Physical environment	553,589	553,589	446,597	106,992
Total Expenditures	<u>710,650</u>	<u>710,650</u>	<u>577,274</u>	<u>133,376</u>
Net change in fund balances	-	-	138,107	138,107
Fund Balance - October 1, 2012	<u>451,871</u>	<u>451,871</u>	<u>455,396</u>	<u>3,525</u>
Fund Balance - September 30, 2013	<u><u>\$451,871</u></u>	<u><u>\$ 451,871</u></u>	<u><u>\$ 593,503</u></u>	<u><u>\$ 141,632</u></u>

See accompanying notes to financial statements.

Heritage Harbor Community Development District
STATEMENT OF NET POSITION –
ENTERPRISE FUND
September 30, 2013

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 134,040
Investments	20,403
Accounts receivable	876
Accrued interest receivable	373
Inventory	13,472
Prepaid items	36,258
Deposits	3,456
Restricted Assets	
Cash for customer deposits	19,500
Total Current Assets	<u>228,378</u>
Non-current Assets	
Restricted Assets	
Investments	142,187
Capital Assets	
Land	1,204,598
Equipment and furniture	870,165
Infrastructure	6,011,912
Accumulated depreciation	<u>(5,187,826)</u>
Total Non-current Assets	<u>3,041,036</u>
Total Assets	<u>3,269,414</u>
 LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	50,681
Taxes payable	4,415
Due to other funds	17,477
Accrued interest	43,109
Bonds payable, current portion	90,000
Payable from restricted assets-	
Customer deposits	19,500
Total Current Liabilities	<u>225,182</u>
Non-Current Liabilities	
Bonds payable	<u>1,245,000</u>
Total Liabilities	<u>1,470,182</u>
 NET POSITION	
Invested in capital assets, net of related debt	1,563,849
Restricted for debt service	142,187
Unrestricted	93,196
Total Net Position	<u>\$ 1,799,232</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, 2013

Operating revenues	
Charges for Services	
Golf course	\$ 1,183,920
Restaurant	79,602
Total Operating Revenues	<u>1,263,522</u>
 Operating Expenses	
Cost of sales and services	18,517
Golf course and pro shop	970,644
Restaurant	75,535
Depreciation	164,582
Total Operating Expenses	<u>1,229,278</u>
 Operating Income	<u>34,244</u>
 Non-operating revenues/(expenses)	
Interest earnings	300
Interest expense	(107,305)
Gain on sale of capital assets	9,877
Total Non-operating Revenues/(Expenses)	<u>(97,128)</u>
 Change in Net Position	(62,884)
 Net Position - October 1, 2012	<u>1,862,116</u>
 Net Position - September 30, 2013	<u><u>\$ 1,799,232</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, 2013

	Enterprise Fund
Cash Flows From Operating Activities	
Cash received from customers	\$ 1,265,722
Cash paid to suppliers	(1,053,826)
Net Cash Provided By Operating Activities	211,896
Cash Flows From Capital Activities	
Sale of capital asset	9,877
Interest paid on capital debt	(110,050)
Principal payments on long-term debt	(85,000)
Net Cash Used By Capital And Related Financing Activities	(185,173)
Cash Flows From Investing Activities	
Sales of investments	203,050
Purchases of investments	(195,099)
Interest income	75
Net Cash Provided By Investing Activities	8,026
Net increase in cash and equivalents	34,749
Cash and equivalents, October 1, 2012	118,791
Cash and equivalents, September 30, 2013	\$ 153,540
Reconciliation of Net Operating Income to Net Cash Provided By Operating Activities	
Cash Flows From Operating Activities:	
Operating income	\$ 34,244
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	164,582
Changes in assets and liabilities:	
Increase in accounts receivable	(441)
Increase in prepaid expenses	(4,763)
Decrease in due from other funds	2,641
Increase in inventory	(1,989)
Increase in accounts payable	145
Increase in due to other funds	17,477
Total Adjustments	177,652
Net Cash Provided By Operating Activities	\$ 211,896

See accompanying notes to financial statements.

Heritage Harbor Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT 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 Heritage Harbor Community Development District (the primary government), as a stand-alone government. The reporting entity for the District includes all functions of government in which the District's Board exercises oversight responsibility which includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters.

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

2. Measurement Focus and Basis of Accounting

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

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

Heritage Harbor Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT 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 and interest, are reported separately from business-type activities. Program revenues include charges for services and special assessments. Program revenues are netted with program expenses in the Statement of Activities to present the net cost of each program.

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

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

b. Fund Financial Statements

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

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

Governmental Funds

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.

Heritage Harbor Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

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.

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

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

Heritage Harbor Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

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

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

Enterprise Funds

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

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.

Heritage Harbor Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

Capital Projects Fund – The Capital Projects Fund accounts for the District's financial resources used for the acquisition, construction, installation and equipping of infrastructure improvements.

b. Enterprise Major Fund

Enterprise Fund - The Enterprise Fund accounts for the operations of the Golf Course, Pro Shop and Restaurant, which are funded by proceeds from operations of these facilities, including green fees, cart fees and 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, due to developer and accrued compensated absences be reported in the governmental activities column in the government-wide Statement of Net Position.

4. Assets, Liabilities, and Net Position or Equity

a. Cash and Investments

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

Heritage Harbor Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

a. Cash and Investments (Continued)

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

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

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

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. Restricted Assets

Certain net position of the District are classified as restricted assets 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 assets, qualified expenses are considered to be paid first from restricted net position and then from unrestricted net position.

Heritage Harbor Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

d. Capital Assets

Capital assets, which include land, buildings, 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 range from 5 to 40 years.

e. Budgets

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

Heritage Harbor Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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 (\$690,897) differs from “net assets” of governmental activities (\$6,720,798) reported in the Statement of Net Assets. This difference primarily results from the long-term economic focus of the Statement of Net Assets versus the current financial resources focus of the governmental fund balance sheet. The effect of the differences is illustrated below.

Capital related items

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

Land and improvements	\$	906,667
Infrastructure		9,805,367
Accumulated depreciation		<u>(3,191,129)</u>
Total		<u><u>\$ 7,520,905</u></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. Balances at September 30, 2013 were:

Bonds payable	\$	<u>(1,465,000)</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 bonds.

Accrued interest	\$	<u>(26,004)</u>
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Heritage Harbor Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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 changes in fund balances” for government funds (\$129,426) differs from the “change in net position” for governmental activities (\$100,458) 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 are 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 expense charged for the year.

Depreciation expense	<u>\$ (252,873)</u>
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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>\$ 220,000</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>\$ 3,905</u>
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Heritage Harbor Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE C - CASH AND INVESTMENTS

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk, however, they follow the provisions of Chapter 280, Florida Statutes regarding deposits and investments. As of September 30, 2013, the District's bank balance was \$703,073 and the carrying value was \$554,411. 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, 2013, the District had the following investments and maturities:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Commercial Paper	N/A	\$ 236,512
Certificates of Deposit	2/2/14 - 2/2/15	222,427
First American Governement Obligation Fund Class Y	N/A	187
Local Government Surplus Fund A	N/A	30
Fund B	N/A	10
Total		<u>\$ 459,166</u>

Investments

The District's investment policy allows management to invest funds in investments permitted under Section 218.415, Florida Statutes. Among other investments, the policy allows the District to invest in the State Board of Administration Local Government Surplus Trust Funds.

Cash placed with the State Board of Administration represents the District's participation in the Local Government Surplus Trust Funds Investment Pool and is reported at fair value. As a pool participant the District invests in pools of investments in which shares are owned in the pool rather than the underlying investments. These funds are divided into the LGIP fund and Fund B.

Heritage Harbor Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE C - CASH AND INVESTMENTS (CONTINUED)

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. The Local Government Surplus Funds Trust is an authorized investment under Section 218.415, Florida Statutes. The District's investments in the state investment pool and government loans are limited by state statutory requirements and bond compliance. The District has monies invested with the Local Government Surplus Funds Trust Fund (Fund), at September 30, 2013. This fund met the requirements of a "2a7-like pool" as defined in Government Accounting Standards Board, Statement 31.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one investment type. The investments in Commercial Paper represent 52% of the District's total investments. The investment in the Certificate of Deposit represents 48% of the District's total investments. The remaining investments in First American Government Obligation Fund Class Y and the Local Government Surplus Funds Trust represent less than 1% of the District's total investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2013 were typical. The First American Government Obligations Fund Class Y were rated Aaa per Moody's and AAAM per Standard & Poor's. The Commercial Paper was rated A-1+ per Standard & Poor's.

NOTE D – SPECIAL ASSESSMENT REVENUES

Special assessment revenues recognized for the 2012-2013 fiscal year were levied in October 2012. 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, 2013

NOTE E – CAPITAL ASSETS

Capital Asset activity for the year ended September 30, 2013 was as follows:

	<u>Balance 10/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2013</u>
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 906,667	\$ -	\$ -	\$ 906,667
Capital assets, being depreciated:				
Infrastructure - water and sewer systems	5,725,401	-	-	5,725,401
Infrastructure - roadways and other	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	(1,718,960)	(145,480)	-	(1,864,440)
Infrastructure - roadways and other	(1,173,100)	(98,800)	-	(1,271,900)
Infrastructure - recreational and security	(46,196)	(8,593)	-	(54,789)
Total Accumulated Depreciation	<u>(2,938,256)</u>	<u>(252,873)</u>	<u>-</u>	<u>(3,191,129)</u>
Total Capital Assets Depreciated, Net	<u>6,867,111</u>	<u>(252,873)</u>	<u>-</u>	<u>6,614,238</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,773,778</u>	<u>\$ (252,873)</u>	<u>\$ -</u>	<u>\$ 7,520,905</u>

Depreciation expense is charged to the following functions:

Physical environment	<u>\$ 252,873</u>
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Heritage Harbor Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE E – CAPITAL ASSETS (CONTINUED)

The following is a summary of changes in the Business-Type activities capital assets for the year ended September 30, 2013.

	Balance 10/01/12	Additions	Deletions	Balance 09/30/13
<u>Business - Type Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 1,204,598	\$ -	\$ -	\$ 1,204,598
Capital assets, being depreciated:				
Furniture, fixtures and equipment	965,165	-	(95,000)	870,165
Infrastructure - recreational	6,011,912	-	-	6,011,912
Total Capital Assets, Being Depreciated	<u>6,977,077</u>	<u>-</u>	<u>(95,000)</u>	<u>6,882,077</u>
Less accumulated depreciation for:				
Furniture, fixtures and equipment	(916,598)	(23,856)	95,000	(845,454)
Infrastructure - recreational	(4,201,646)	(140,726)	-	(4,342,372)
Total accumulated depreciation	<u>(5,118,244)</u>	<u>(164,582)</u>	<u>95,000</u>	<u>(5,187,826)</u>
Total capital assets depreciated, net	<u>1,858,833</u>	<u>(164,582)</u>	<u>-</u>	<u>1,694,251</u>
Business-Type Activities Capital Assets	<u>\$ 3,063,431</u>	<u>\$ (164,582)</u>	<u>\$ -</u>	<u>\$ 2,898,849</u>

NOTE F – LONG-TERM DEBT

The following is a summary of the long-term debt of the Governmental Activities for the year ended September 30, 2013:

Special Assessment Revenue Refunding Bonds payable at September 30, 2013 are comprised of the following:

\$2,465,000 Series 2008 Special Assessment Revenue Refunding Bonds due in annual principal installments. Interest at 4.26% is due in May and November. Current portion is \$220,000.

\$ 1,465,000

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

**Heritage Harbor Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013**

NOTE F – LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize the principal and interest of governmental activity debt outstanding for the next five years and thereafter are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 220,000	\$ 62,409	\$ 282,409
2015	230,000	53,037	283,037
2016	240,000	43,239	283,239
2017	250,000	33,015	283,015
2018	255,000	22,365	277,365
2019	270,000	11,502	281,502
Totals	<u>\$ 1,465,000</u>	<u>\$ 225,567</u>	<u>\$ 1,690,567</u>

Summary of Significant Bond Resolution Terms and Covenants

Special Assessment Revenue Refunding Bonds Series 2008

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

The following is a schedule of required reserve deposits as of September 30, 2013:

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

The following is a summary of the long-term debt activity of the Business-Type Activities for the year ended September 30, 2013:

\$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 \$90,000. \$ 1,335,000

Heritage Harbor Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE F – LONG-TERM DEBT (CONTINUED)

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 to be provided by the District.

The annual requirements to amortize the principal and interest of enterprise fund bonds as of September 30, 2013 are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 90,000	\$ 103,463	\$ 193,463
2015	100,000	96,488	196,488
2016	110,000	88,738	198,738
2017	115,000	80,213	195,213
2018	125,000	71,300	196,300
2019-2023	<u>795,000</u>	<u>194,525</u>	<u>989,525</u>
Totals	<u>\$ 1,335,000</u>	<u>\$ 634,727</u>	<u>\$ 1,969,727</u>

Summary of Significant Bond Resolution Terms and Covenants

Recreational Revenue Bonds, Series 1997

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, 2013:

	<u>Reserve Requirement</u>	<u>Reserve Balance</u>
Series 1997 Recreational Revenue Bond	<u>\$ 142,000</u>	<u>\$ 142,000</u>

Heritage Harbor Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE G – OPERATING LEASES

The District leases golf carts and equipment under various operating lease agreements which have noncancelable lease terms in excess of one year. During the year, golf cart and equipment lease payments totaled \$105,409.

The following is a schedule of future minimum lease payments as September 30, 2013:

Business-Type Activities	
Year ending September 30,	Amount
2014	\$ 104,541
2015	72,244
2016	70,560
2017	70,560
Total minimum lease payments	\$ 317,905

NOTE H – RELATED PARTIES

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

NOTE I – 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.

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 an additional three 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 \$79,602.

NOTE K – NET POSITION

Governmental Accounting Standards Board Statement No. 63 amends net asset reporting by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. No changes to the financial statements were required as a result of GASB 63 except for renaming net assets to net position.

Heritage Harbor Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE L – BOND ISSUANCE COSTS

Governmental Accounting Standards Board Statement No. 65 altered accounting for bond issuance costs by requiring such cost be expensed in the period incurred. Bond issuance costs were previously capitalized and amortized over the life of the bond. Net position was restated to reflect this change in accounting principles. The effect on net position is illustrated below.

Net position, October 1, 2012 as previously reported	\$ 6,677,860
Prior period adjustment - removal of bond issuance costs	<u>(57,520)</u>
Net position, October 1, 2012 restated	<u><u>\$ 6,620,340</u></u>



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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 the financial statements of Heritage Harbor Community Development District as of and for the year ended September 30, 2013, and have issued our report thereon dated March 6, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Heritage Harbor Community Development District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Heritage Harbor Community Development District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than those specified parties.

*Berger, Toombs, Elam,
Gaines & Frank*

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

March 6, 2014



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MANAGEMENT LETTER

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

We have audited the financial statements of the Heritage Harbor Community Development District, Florida as of and for the year ended September 30, 2013, and have issued our report thereon dated March 6, 2014.

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. We have issued our 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*. Disclosures in that report which is dated March 6, 2014 should be considered in conjunction with this Management Letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General which governs the conduct of local entity audits performed in the State of Florida.

The Rules of the Auditor General (Section 10.554(1)(i)1.) require 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.

As required by the Rules of the Auditor General (Section 10.554(1)(i)2.) the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes regarding the investment of public funds. In connection with our audit, we determined that Heritage Harbor Community Development District complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(i)3, 4 and 5.) require that we address in the Management Letter, if not already addressed in the auditor's report on compliance and internal controls: improvements in financial management and violations of contracts or grant agreements, fraud, illegal acts or abuse and deficiencies in internal control that are not significant deficiencies, other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of the auditor. Our audit did not discover any of the above items that require to be disclosed.

To the Board of Supervisors
Heritage Harbor Community Development District

As required by the Rules of the Auditor General (Section 10.554(1)(i)7.c and Section 10.556(7)), we applied financial conditions assessment procedures. It is Management's responsibility to monitor the entity'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.

Heritage Harbor Community Development District has not met one or more of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(i)7.b.), we determined that the annual financial report for the District for the fiscal year ended September 30, 2013, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with our annual financial audit report for the fiscal year ended September 30, 2013.

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, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

*Berger, Toombs, Elam,
Gaines & Frank*

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

March 6, 2014