

**Harmony Community
Development District**

ANNUAL FINANCIAL REPORT

September 30, 2023

Harmony Community Development District

ANNUAL FINANCIAL REPORT

September 30, 2023

TABLE OF CONTENTS

	<u>Page Number</u>
REPORT OF INDEPENDENT AUDITORS	1-3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4-9
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	16
Notes to Financial Statements	17-33
INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	34-35
MANAGEMENT LETTER	36-39
INDEPENDENT ACCOUNTANTS’ REPORT/COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES	40



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REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors
Harmony Community Development District
Osceola County, Florida

Report on Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities and each major fund of Harmony Community Development District (the "District"), as of and for the year ended September 30, 2023, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harmony Community Development District as of September 30, 2023, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

To the Board of Supervisors
Harmony Community Development District

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

To the Board of Supervisors
Harmony Community Development District

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 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 June 5, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Harmony Community Development District's internal control over financial reporting and compliance.



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

June 5, 2024

**Harmony Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2023**

Management's discussion and analysis of Harmony 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 the change in net position. Governmental activities are primarily supported by special assessments.

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) net investment in capital assets, 2) restricted, and 3) unrestricted. Assets, liabilities, and net position are reported for all Governmental 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. Governmental activities financed by the District include general government, physical environment, culture/recreation and debt service.

Fund financial statements present financial information for governmental funds. 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.

**Harmony Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2023**

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. *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. 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 capital assets are reported in the **statement of net position**. All liabilities, including principal outstanding on bonds 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, 2023.

- ◆ The District's total assets and deferred outflows of resources exceeded liabilities by \$197,645 (net position). Unrestricted net position for Governmental Activities was \$(3,704,220). Governmental Activities restricted net position was \$725,090, and net investment in capital assets were \$3,176,775.

- ◆ Governmental activities revenues totaled \$5,238,295 while governmental activities expenses totaled \$3,629,692.

**Harmony Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2023**

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

	Governmental Activities	
	2023	2022
Current assets	\$ 1,015,730	\$ 1,503,797
Restricted assets	1,973,914	3,139,140
Capital assets	11,034,049	11,193,479
Total Assets	14,023,693	15,836,416
Deferred outflows of resources	310,684	342,342
Current liabilities	1,405,371	1,731,666
Non-current liabilities	12,731,361	15,858,050
Total Liabilities	14,136,732	17,589,716
Net position - net investment in capital assets	3,176,775	1,334,499
Net position - restricted	725,090	1,853,736
Net position - unrestricted	(3,704,220)	(4,599,193)
Total Net Position	\$ 197,645	\$ (1,410,958)

The decrease in current assets is related to expenditures exceeding revenues in the General Fund in the current year.

The decrease in restricted assets and restricted net position is related to the prepayments made on long-term debt in the current year.

The decrease in capital assets is due to depreciation in excess of additions in the current year.

The decrease in non-current liabilities is primarily the result of the principal payments on long-term debt.

The increase in net investment in capital assets is primarily due to capital asset additions and principal payments on long-term debt in excess of depreciation.

**Harmony Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2023**

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

	Governmental Activities	
	2023	2022
Program Revenues		
Charges for services	\$ 5,147,621	\$ 5,444,053
General Revenues		
Miscellaneous revenues	4,165	3,570
Gain on disposal of assets	-	2,995
Investment earnings	86,509	26,537
Total Revenues	<u>5,238,295</u>	<u>5,477,155</u>
Expenses		
General government	337,369	276,158
Physical environment	2,224,407	2,116,674
Culture/recreation	241,660	198,849
Interest and other charges	826,256	953,194
Total Expenses	<u>3,629,692</u>	<u>3,544,875</u>
Change in Net Position	1,608,603	1,932,280
Net Position - Beginning of Year	<u>(1,410,958)</u>	<u>(3,343,238)</u>
Net Position - End of Year	<u>\$ 197,645</u>	<u>\$ (1,410,958)</u>

The decrease in charges for services is related to the decrease in prepayments in the current year.

The increase in general government expenses is related to the increase in legal and engineering expenses in the current year.

The increase in physical environment is related to the increase in reserve projects in the current year.

The decrease in interest and other charges is related to the reduction in long-term debt outstanding.

**Harmony Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Capital Assets Activity

The following schedule provides a summary of the District's capital assets as of September 30, 2023 and 2022.

<u>Description</u>	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 8,991,508	\$ 8,991,508
Infrastructure	5,203,677	5,203,677
Improvements other than buildings	57,442	57,442
Recreational facilities	3,777,032	3,777,032
Equipment	305,167	294,206
Less: accumulated depreciation	(7,300,777)	(7,130,386)
Total	<u>\$ 11,034,049</u>	<u>\$ 11,193,479</u>

Capital activity for the year consisted of depreciation of \$170,391, and additions to equipment of \$10,961.

General Fund Budgetary Highlights

The budgeted expenditures exceeded actual expenditures primarily because repairs and maintenance, miscellaneous, and reserve expenditures were less than anticipated.

The September 30, 2023 budget was amended for reserve expenditures that were higher than originally anticipated.

Debt Management

Governmental Activities debt includes the following:

- ◆ In June 2014, the District issued \$13,945,000 Series 2014 Capital Improvement Revenue Refunding Bonds. These bonds were issued to defease and refund the Series 2001 Capital Improvement Revenue Bonds. The balance outstanding at September 30, 2023 was \$8,090,000.
- ◆ In April 2015, the District issued \$13,530,000 Series 2015 Capital Improvement Revenue Refunding Bonds. These bonds were issued to defease and refund the Series 2004 Capital Improvement Revenue Bonds and to finance the acquisition and construction of certain improvements within areas of the District related to the 2015 Project. The balance outstanding at September 30, 2023 was \$5,295,000.

**Harmony Community Development District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Debt Management (Continued)

- ◆ In October 2019, the District acquired land for the future debt service assessments associated with the acquired land. The effective interest rate (4.96%) of the Series 2015 Bonds was used to determine the present value of the land and the note payable. The balance outstanding at September 30, 2023 was \$250,473.

Economic Factors and Next Year's Budget

Harmony 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 2024.

Request for Information

The financial report is designed to provide a general overview of Harmony 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 Harmony Community Development District, Inframark Infrastructure Management Services, 210 North University Drive, Suite 702, Coral Springs, Florida 33071.

Harmony Community Development District
STATEMENT OF NET POSITION
September 30, 2023

	Governmental Activities
ASSETS	
Current Assets	
Cash	\$ 955,854
Accounts receivable	319
Due from other governments	32,137
Prepaid expenses	27,420
Total Current Assets	1,015,730
Non-current Assets	
Restricted assets	
Investments	1,973,914
Capital assets, not being depreciated	
Land and improvements	8,991,508
Capital assets, being depreciated	
Infrastructure	5,203,677
Improvements other than building	57,442
Recreational facilities	3,777,032
Equipment	305,167
Less: accumulated depreciation	(7,300,777)
Total Non-current Assets	13,007,963
Total Assets	14,023,693
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on refunding, net	310,684
 LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	81,147
Other liabilities	2,500
Accrued interest	287,547
Notes payable	14,177
Bonds payable	1,020,000
Total Current Liabilities	1,405,371
Non-current liabilities	
Notes payable	236,296
Bonds payable, net	12,495,065
Total Non-Current Liabilities	12,731,361
Total Liabilities	14,136,732
 NET POSITION	
Net investment in capital assets	3,176,775
Restricted for debt service	725,090
Unrestricted	(3,704,220)
Total Net Position	\$ 197,645

See accompanying notes to financial statements.

Harmony Community Development District
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenues and Changes in Net Position Governmental Activities</u>
Governmental Activities			
General government	\$ (337,369)	\$ 298,540	\$ (38,829)
Physical environment	(2,224,407)	1,943,361	(281,046)
Culture/recreation	(241,660)	94,920	(146,740)
Interest and other charges	(826,256)	2,810,800	1,984,544
Total Governmental Activities	<u>\$ (3,629,692)</u>	<u>\$ 5,147,621</u>	<u>1,517,929</u>
General revenues:			
			86,509
			4,165
			<u>90,674</u>
			1,608,603
			(1,410,958)
			<u>\$ 197,645</u>

See accompanying notes to financial statements.

Harmony Community Development District
BALANCE SHEET –
GOVERNMENTAL FUNDS
September 30, 2023

ASSETS	General	Debt Service 2014	Debt Service 2015	Total Governmental Funds
Cash	\$ 955,854	\$ -	\$ -	\$ 955,854
Accounts receivable	319	-	-	319
Due from other funds	13,964	-	-	13,964
Due from other governments	32,137	-	-	32,137
Prepaid expenses	27,420	-	-	27,420
Restricted assets:				
Investments	-	1,278,357	695,557	1,973,914
Total Assets	\$ 1,029,694	\$ 1,278,357	\$ 695,557	\$ 3,003,608
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	\$ 81,147	\$ -	\$ -	\$ 81,147
Due to other funds	-	13,964	-	13,964
Other liabilities	2,500	-	-	2,500
Total Liabilities	83,647	13,964	-	97,611
FUND BALANCES				
Restricted:				
Debt service	-	1,264,393	695,557	1,959,950
Assigned:				
Capital reserves	60,440	-	-	60,440
Operating reserves	467,801	-	-	467,801
Unassigned	417,806	-	-	417,806
Total Fund Balances	946,047	1,264,393	695,557	2,905,997
Total Liabilities and Fund Balances	\$ 1,029,694	\$ 1,278,357	\$ 695,557	\$ 3,003,608

See accompanying notes to financial statements.

Harmony Community Development District
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2023

Total Governmental Fund Balances	\$	2,905,997
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets not being depreciated, land and improvements, used in governmental activities are not current financial resources and therefore, are not reported at the fund level.		8,991,508
Capital assets being depreciated, infrastructure, \$5,203,677, improvements other than building, \$57,442, recreational facilities, \$3,777,032, and equipment, \$305,167, net of accumulated depreciation, \$(7,300,777), used in governmental activities are not current financial resources and therefore, are not reported at the fund level.		2,042,541
Long-term liabilities, including bonds payable, \$(13,385,000), bond premium, net, \$(219,314), bond discount, net, \$89,249, and note payable, \$(250,473), are not due and payable in the current period and therefore, are not reported at the fund level.		(13,765,538)
Deferred outflow of resources are not current financial resources and therefore, are not reported at the fund level.		310,684
Accrued interest expense for long-term debt is not a current financial use and therefore, is not reported at the fund level.		(287,547)
Net Position of Governmental Activities	\$	<u>197,645</u>

See accompanying notes to financial statements.

Harmony Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2023

	<u>General</u>	<u>Debt Service 2014</u>	<u>Debt Service 2015</u>	<u>Total Governmental Funds</u>
Revenues				
Special assessments	\$ 2,335,785	\$ 1,189,709	\$ 1,621,091	\$ 5,146,585
Charges for services	1,036	-	-	1,036
Investment earnings	66,938	12,880	6,691	86,509
Miscellaneous revenues	4,165	-	-	4,165
Total Revenues	<u>2,407,924</u>	<u>1,202,589</u>	<u>1,627,782</u>	<u>5,238,295</u>
Expenditures				
Current				
General government	337,369	-	-	337,369
Physical environment	2,196,120	-	-	2,196,120
Culture/recreation	107,265	-	-	107,265
Capital outlay	10,961	-	-	10,961
Debt service				
Principal	13,507	770,000	2,400,000	3,183,507
Interest	13,093	457,844	360,269	831,206
Other	-	23,790	13,499	37,289
Total Expenditures	<u>2,678,315</u>	<u>1,251,634</u>	<u>2,773,768</u>	<u>6,703,717</u>
Excess of revenues over/(under) expenditures	(270,391)	(49,045)	(1,145,986)	(1,465,422)
Other Financing Sources/(Uses)				
Insurance proceeds	<u>7,709</u>	<u>-</u>	<u>-</u>	<u>7,709</u>
Net change in fund balances	(262,682)	(49,045)	(1,145,986)	(1,457,713)
Fund Balances - October 1, 2022	<u>1,208,729</u>	<u>1,313,438</u>	<u>1,841,543</u>	<u>4,363,710</u>
Fund Balances - September 30, 2023	<u>\$ 946,047</u>	<u>\$ 1,264,393</u>	<u>\$ 695,557</u>	<u>\$ 2,905,997</u>

See accompanying notes to financial statements.

Harmony 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, 2023

Net Change in Fund Balances - Total Governmental Funds \$ (1,457,713)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation. This is the amount that depreciation, \$(170,391), exceeded capital outlay, \$10,961, in the current period. (159,430)

Governmental funds report bond discounts and premiums as other financing sources and uses. However, in the Statement of Activities, bond premiums and discounts are amortized over the life of the bonds. This is the amount that amortization of bond premiums, \$17,429, exceeded bond discounts, \$(9,917), in the current period. 7,512

Repayment of note and bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Position. 3,183,507

The deferred outflow of resources for refunding of debt is recognized as a component of interest expense in the Statement of Activities, but not in the governmental funds. This is the amount of current year interest. (31,658)

In the Statement of Activities, interest is accrued on outstanding bonds; whereas in governmental funds, interest expenditures are reported when due. This is the net amount between the prior year and the current year accruals. 66,385

Change in Net Position of Governmental Activities \$ 1,608,603

See accompanying notes to financial statements.

Harmony Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL FUND

For the Year Ended September 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Special assessments	\$ 2,325,400	\$ 2,325,400	\$ 2,335,785	\$ 10,385
Charges for services	1,800	1,800	1,036	(764)
Investment earnings	3,678	3,678	66,938	63,260
Miscellaneous revenues	16,207	16,207	4,165	(12,042)
Total Revenues	<u>2,347,085</u>	<u>2,347,085</u>	<u>2,407,924</u>	<u>60,839</u>
Expenditures				
Current				
General government	318,714	318,714	337,369	(18,655)
Physical environment	1,957,107	2,443,673	2,196,120	247,553
Culture/recreation	70,000	70,000	107,265	(37,265)
Capital outlay	30,000	30,000	10,961	19,039
Debt service				
Principal	13,507	13,507	13,507	-
Interest	13,093	13,093	13,093	-
Total Expenditures	<u>2,402,421</u>	<u>2,888,987</u>	<u>2,678,315</u>	<u>210,672</u>
Excess of revenues over/(under) expenditures	(55,336)	(541,902)	(270,391)	271,511
Other Financing Sources/(Uses)				
Insurance proceeds	-	-	7,709	7,709
Net change in fund balances	(55,336)	(541,902)	(262,682)	279,220
Fund Balances - October 1, 2022	<u>524,965</u>	<u>1,071,971</u>	<u>1,208,729</u>	<u>136,758</u>
Fund Balances - September 30, 2023	<u>\$ 469,629</u>	<u>\$ 530,069</u>	<u>\$ 946,047</u>	<u>\$ 415,978</u>

See accompanying notes to financial statements.

Harmony Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

The District was established on February 28, 2000 by the Board of County Commissioners of Osceola County, Florida pursuant to Ordinance 00-05 created by the provisions of the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act"), as a Community Development District. The District was established for the purposes of managing with a related tool of financing the acquisition, construction, maintenance and operation of the infrastructure necessary for community development within its jurisdiction. The District is authorized to issue bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing district roads, landscaping, and other basic infrastructure projects within or without the boundaries of the Harmony Community Development District. The District is governed by a five-member Board of Supervisors, who are elected for terms of four years. The District operates within the criteria established by Chapter 190, Florida Statutes.

The reporting entity for the District includes all functions of government in which the District’s Board exercises oversight responsibility. Oversight responsibility 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. As required by GAAP, these financial statements present the Harmony Community Development District (the primary government) as a stand-alone government.

Based upon the application of the above-mentioned criteria as set forth in principles established 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

a. Government-wide Financial Statements

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

Harmony Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

a. Government-wide Financial Statements (Continued)

Governmental activities, which normally are supported by special assessments, developer assessments 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 financing 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 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.

Harmony Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Measurement Focus and Basis of Accounting (Continued)

b. Fund Financial Statements (Continued)

Governmental Funds (Continued)

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 for funds 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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.

Harmony Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

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 financing 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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 are recorded only when payment is due.

Harmony Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

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.

Debt Service Fund 2014 – Accounts for the debt service requirements to retire certain capital improvement revenue bonds, which were used to finance the construction of District infrastructure improvements and finance certain additional improvements.

Debt Service Fund 2015 – Accounts for the debt service requirements to retire certain capital improvement revenues bonds, which were used to finance the construction of District infrastructure improvements and finance certain additional improvements.

b. 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 special assessment bonds, be reported in the governmental activities column in the government-wide statement of net position.

4. Assets, Deferred Outflows of Resources, 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.

Harmony Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assets, Deferred Outflows of Resources, 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.

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 Section 280.02, Florida Statutes.

b. Restricted Net Position

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.

c. Capital Assets

Capital assets, which include land and improvements, infrastructure, improvements other than buildings, recreational facilities, and equipment, are reported in the applicable governmental 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 market 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.

**Harmony Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**4. Assets, Deferred Outflows of Resources, Liabilities and Net Position or Equity
(Continued)**

c. Capital Assets (Continued)

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	10-30 years
Improvements other than building	10-20 years
Recreational facilities	15-30 years
Equipment	5-20 years

d. Deferred Outflows of Resources

Deferred outflow of resources is the consumption of net position by the government that is applicable to a future reporting period. Deferred amount on refunding is amortized and recognized as a component of interest expense over the life of the bond.

e. Unamortized Bond Discounts/Premiums

Bond discounts/premiums are presented on the government-wide financial statements. The costs are amortized over the life of the bonds using the straight-line method. For financial reporting, the unamortized bond discounts/premiums are netted against the applicable long-term debt.

f. Budgets

Budgets are prepared and adopted after public hearings for the governmental funds, pursuant to Chapter 190, 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 variance columns of the accompanying financial statements may occur.

**Harmony Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

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, \$2,905,997, differs from “net position” of governmental activities, \$197,645, 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 balances. The effect of the differences is illustrated below.

Capital related items

When capital assets (land, buildings, improvements, 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	\$ 8,991,508
Infrastructure	5,203,677
Improvements other than buildings	57,442
Recreational facilities	3,777,032
Equipment	305,167
Less: accumulated depreciation	<u>(7,300,777)</u>
Total	<u>\$ 11,034,049</u>

Deferred outflows of resources

Deferred outflows of resources applicable to the District’s governmental activities are not financial resources and therefore, are not reported at the fund level:

Deferred amount on refunding, net	<u>\$ 310,684</u>
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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, 2023 were:

Bonds payable	\$ (13,385,000)
Bond premium, net	(219,314)
Bond discount, net	89,249
Note payable	<u>(250,473)</u>
Total	<u>\$ (13,765,538)</u>

**Harmony Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

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

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

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 on bonds payable	<u>\$ (287,547)</u>
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2. Explanation of Differences Between the Governmental Fund Operating Statements and the Statement of Activities

The “net change in fund balances” for government funds, \$(1,457,713), differs from the “change in net position” for governmental activities, \$1,608,603, 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	\$ (170,391)
Capital outlay	<u>10,961</u>
Net Change in Capital Related Items	<u><u>\$ (159,430)</u></u>

Harmony Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

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

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

Long-term debt transactions

Repayments of bond principal are reported as an expenditure in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. At the government wide level, these payments are reflected as a reduction of bonds payable.

Debt principal payments	\$ 3,183,507
Bond premium amortization	17,429
Bond discount amortization	<u>(9,917)</u>
Total	<u><u>\$ 3,191,019</u></u>

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 decrease in accrued interest payable	\$ 66,385
Decrease in deferred amount on refunding	<u>(31,658)</u>
Total	<u><u>\$ 34,727</u></u>

**Harmony Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

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, 2023, the District's bank balance was \$1,029,639 and the carrying value was \$955,854. 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.

Investments

As of September 30, 2023, the District had the following investments and maturities:

Investment	Maturity	Fair Value
U S Bank Money Market	N/A	\$ 1,973,914

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 use 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 investment listed above is a Level 1 asset.

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.

**Harmony Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

NOTE C – CASH AND INVESTMENTS (CONTINUED)

Credit Risk

The District's investments 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 U S Bank Money Market are 100% of the District's total investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2023 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary.

NOTE D – SPECIAL ASSESSMENT REVENUES

Special assessment revenues recognized for the 2022-2023 fiscal year were levied in July 2022. All levies 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. Amounts paid in March are without discount.

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

NOTE E – INTERFUND BALANCES

Interfund balances at September 30, 2023, consisted of the following:

Receivable Fund	Payable Fund
General Fund	Debt Service Fund
	\$ 13,964

Interfund balances are due to receipts collected by one fund on behalf of another fund that were not repaid as of year-end.

Harmony Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE F – CAPITAL ASSETS

Capital Asset activity for the year ended September 30, 2023 was as follows:

	Balance October 1, 2022	Additions	Deletions	Balance September 30, 2023
<u>Governmental Activities:</u>				
Capital assets, not depreciated:				
Land and improvements	\$ 8,991,508	\$ -	\$ -	\$ 8,991,508
Capital assets, being depreciated:				
Infrastructure	5,203,677	-	-	5,203,677
Improvements other than building	57,442	-	-	57,442
Recreational facilities	3,777,032	-	-	3,777,032
Equipment	294,206	10,961	-	305,167
Total Capital Assets, Being Depreciated	<u>9,332,357</u>	<u>10,961</u>	<u>-</u>	<u>9,343,318</u>
Less accumulated depreciation for:				
Infrastructure	(5,068,661)	(15,506)	-	(5,084,167)
Improvements other than building	(17,729)	(4,006)	-	(21,735)
Recreational facilities	(1,893,864)	(127,104)	-	(2,020,968)
Equipment	(150,132)	(23,775)	-	(173,907)
Total Accumulated Depreciation	<u>(7,130,386)</u>	<u>(170,391)</u>	<u>-</u>	<u>(7,300,777)</u>
Total Capital Assets Depreciated, Net	<u>2,201,971</u>	<u>(159,430)</u>	<u>-</u>	<u>2,042,541</u>
Governmental Activities Capital Assets	<u>\$ 11,193,479</u>	<u>\$ (159,430)</u>	<u>\$ -</u>	<u>\$ 11,034,049</u>

Depreciation, \$170,391, was charged to physical environment, \$28,287, and culture/recreation, \$142,104.

NOTE G – LONG-TERM DEBT

The following is a summary of the activity of long-term debt of the District for the year ended September 30, 2023:

Bonds Payable at October 1, 2022	\$ 16,555,000
Principal payments	<u>(3,170,000)</u>
Bonds Payable at September 30, 2023	13,385,000
Plus: bond premium, net	219,314
Less: bond discount, net	<u>(89,249)</u>
Bonds Payable, Net	<u>\$ 13,515,065</u>

Harmony Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE G – LONG-TERM DEBT (CONTINUED)

Capital Improvement Revenue Refunding Bonds

Long-term debt is comprised of the following:

\$13,945,000 Series 2014 Capital Improvement Revenue Refunding Bonds due in annual principal installments beginning May 2015, maturing in May 2032. Interest is due semi-annually on May 1 and November 1, beginning November 1, 2014, at a rate of 5% on the \$6,845,000 bonds, with a maturity date of May 1, 2025 and 5.25% on the \$7,100,000 bonds, with a maturity date of May 2032. Current portion is \$725,000. \$ 8,090,000

\$13,530,000 Series 2015 Capital Improvement Revenue Refunding Bonds due in annual principal installments beginning May 2016, maturing in May 2036. Interest is due semi-annually on May 1 and November 1, beginning November 1, 2015, at a rate of 3.75% on the \$1,225,000 bonds, with a maturity date of May 1, 2018, 4.75% on the \$3,590,000 bonds, with a maturity date of May 1, 2025, and 5.125% on the \$8,715,000 bonds, with a maturity date of May 2036. Current portion is \$295,000. 5,295,000

Total Bonds Payable at September 30, 2023 13,385,000

Plus: bond premium, net 219,314
Less: bond discount, net (89,249)

Bonds Payable, Net at September 30, 2023 \$ 13,515,065

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2023 are as follows:

Year Ending September 30,	Principal	Interest	Total
2024	\$ 1,020,000	\$ 690,113	\$ 1,710,113
2025	1,070,000	639,850	1,709,850
2026	1,125,000	587,125	1,712,125
2027	1,190,000	528,469	1,718,469
2028	1,250,000	466,425	1,716,425
2029-2033	6,180,000	1,280,719	7,460,719
2034-2036	1,550,000	161,693	1,711,693
Totals	<u>\$ 13,385,000</u>	<u>\$ 4,354,394</u>	<u>\$ 17,739,394</u>

**Harmony Community Development District
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2023**

NOTE G – LONG-TERM DEBT (CONTINUED)

Summary of Significant Bonds Resolution Terms and Covenants

The District levies special assessments pursuant to Chapter 170, Chapter 197 and Section 190.022, Florida Statutes and the assessment rolls are approved by resolutions of the District Board. The collections are to be strictly accounted for and applied to the debt service of the bond series for which they were levied. The District covenants to levy special assessments in annual amounts adequate to provide for payment of principal and interest on the bonds. However, payment of principal and interest is dependent on the money available in the debt service fund and the District’s ability to collect special assessments levied.

The bonds are subject to extraordinary mandatory redemption prior to maturity, in whole on any date, or in part on an interest payment date, without premium, together with accrued interest to the redemption date if monies are available to retire the debt in accordance with the provisions of the indenture.

The bond resolution and the trust indenture provide for the establishment of certain accounts and an order in which revenues are to be deposited into these accounts. The accounts include a construction, revenue, redemption, reserve, interest and prepayment account and are maintained by a trustee.

The bond indenture provides for Debt Service Reserve Funds, which shall be held by the Trustee separate and apart from all other funds. The following is a schedule of reserve requirements and balances in the reserve accounts at September 30, 2023:

<u>Capital Improvement Revenue Refunding Bonds</u>	<u>Reserve Balance</u>	<u>Reserve Requirement</u>
Series 2014	\$ 607,313	\$ 607,313
Series 2015	\$ 340,000	\$ 340,000

**Harmony Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

NOTE H – NOTE PAYABLE

In October 2019, the District was conveyed property in exchange for future unpaid assessments. The assessments owed related to the property received was \$508,796 at the time of acquisition. The District will make annual debt service assessment payments on the property. The estimated value of the property at the time of conveyance was \$364,684.

The District established a note payable established in the amount of \$364,684. Scheduled payments are based on \$26,600 annually, over the life of the unpaid assessments on the Series 2015 Bonds. The effective interest rate of the Series 2015 Bonds was used as the interest rate of the established note payable (4.96%). The note payable will be reduced annually as payments are remitted from the General Fund to the Debt Service Fund.

The following is a summary of the activity for notes payable of the District for the year ended September 30, 2023:

Notes Payable at October 1, 2022	\$ 263,980
Principal payments	(13,507)
Notes Payable at September 30, 2023	<u>\$ 250,473</u>

The annual requirements to amortize the principal and interest of outstanding notes payable as of September 30, 2023 are as follows:

Year Ending September 30,	Principal	Interest	Total
2024	\$ 14,177	\$ 12,423	\$ 26,600
2025	14,880	11,720	26,600
2026	15,618	10,982	26,600
2027	16,392	10,208	26,600
2028	17,206	9,394	26,600
2029-2033	99,708	33,292	133,000
2034-2036	72,492	7,308	79,800
Totals	<u>\$ 250,473</u>	<u>\$ 95,327</u>	<u>\$ 345,800</u>

NOTE I – RISK MANAGEMENT

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

Harmony Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE J – SUBSEQUENT EVENT

The District made prepayments on the Series 2014 and Series 2015 Bonds on November 1, 2023 of \$20,000 and \$25,000, respectively.

The District made prepayments on the Series 2015 Bonds on May 1, 2024 of \$355,000.

On January 31, 2024, the District's General Fund paid the Series 2015 Debt Service Fund in the amount of \$275,059 as a payoff of the unpaid assessments owed which related to conveyed property received in October 2019. The unpaid amount had previously been recorded as a note payable reduced in the amount of \$26,600 annually over the remaining life of the Series 2015 Bonds.



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

To the Board of Supervisors
Harmony Community Development District
Osceola 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, as listed in the table of contents, of Harmony Community Development District, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated June 5, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, we considered Harmony Community Development District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harmony Community Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Harmony Community Development District's internal control.

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

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

To the Board of Supervisors
Harmony Community Development District

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harmony 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
Certified Public Accountants PL
Fort Pierce, Florida

June 5, 2024



Berger, Toombs, Elam, Gaines & Frank

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MANAGEMENT LETTER

To the Board of Supervisors
Harmony Community Development District
Osceola County, Florida

Report on the Financial Statements

We have audited the financial statements of the Harmony Community Development District as of and for the year ended September 30, 2023, and have issued our report thereon dated June 5, 2024.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Auditor's Report on an examination conducted in accordance with *AICPA Professionals Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 5, 2024, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. There were no findings or recommendations in the preceding audit.

Financial Condition and Management

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

To the Board of Supervisors
Harmony Community Development District

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for Harmony Community Development District. It is management's responsibility to monitor the Harmony 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 as of September 30, 2023.

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

Specific Information

The information provided below was provided by management and has not been audited; therefore, we do not express an opinion or provide any assurance on the information.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Harmony Community Development District reported:

- 1) The total number of district employees compensated in the last pay period of the District's fiscal year: 0
- 2) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year: 13
- 3) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency: 0
- 4) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency: \$1,336,920
- 5) Each construction project with a total cost of at least \$65,000 approved by the District that is scheduled to begin on or after October 1, 2022, together with the total expenditures for such project: Road Rehab - \$634,540
- 6) A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes: The budget was amended, see below.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)8, Rules of the Auditor General, the Harmony Community Development District reported:

- 1) The rate or rates of non-ad valorem special assessments imposed by the District: \$464-\$4,365 for the General Fund and \$606-\$52,624 for Debt Service.
- 2) The amount of special assessments collected by or on behalf of the District: Total special assessments collected was \$5,146,585.
- 3) The total amount of outstanding bonds issued by the District and the terms of such bonds: Series 2014 \$8,090,000 matures May 2032 and Series 2015 \$5,295,000 matures May 2036.

To the Board of Supervisors
Harmony Community Development District

	Original Budget	Actual	Variance with Original Budget Positive (Negative)
Revenues			
Special assessments	\$ 2,325,400	\$ 2,335,785	\$ 10,385
Charges for services	1,800	1,036	(764)
Investment earnings	3,678	66,938	63,260
Miscellaneous revenues	16,207	4,165	(12,042)
Total Revenues	<u>2,347,085</u>	<u>2,407,924</u>	<u>60,839</u>
Expenditures			
Current			
General government	318,714	337,369	(18,655)
Physical environment	1,957,107	2,196,120	(239,013)
Culture/recreation	70,000	107,265	(37,265)
Capital outlay	30,000	10,961	19,039
Debt service			
Principal	13,507	13,507	-
Interest	13,093	13,093	-
Total Expenditures	<u>2,402,421</u>	<u>2,678,315</u>	<u>(275,894)</u>
Excess of revenues over/(under) expenditures	(55,336)	(270,391)	(215,055)
Other Financing Sources/(Uses)			
Insurance proceeds	-	7,709	7,709
Net changes in fund balance	(55,336)	(262,682)	(207,346)
Fund Balances - October 1, 2022	<u>524,965</u>	<u>1,208,729</u>	<u>683,764</u>
Fund Balances - September 30, 2023	<u>\$ 469,629</u>	<u>\$ 946,047</u>	<u>\$ 476,418</u>

Additional Matters

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



To the Board of Supervisors
Harmony Community Development District

Purpose of this Letter

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

*Berger Toombs Elam
Gaines + Frank*

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

June 5, 2024



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

To the Board of Supervisors
Harmony Community Development District
Osceola County, Florida

We have examined Harmony Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2023. Management is responsible for Harmony Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Harmony 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 Harmony 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 Harmony Community Development District's compliance with the specified requirements.

In our opinion, Harmony Community Development District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2023.

*Berger Toombs Elam
Gaines + Frank*

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

June 5, 2024