

**Harmony Community  
Development District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2021**

**Harmony Community Development District**

**ANNUAL FINANCIAL REPORT**

**September 30, 2021**

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## REPORT OF INDEPENDENT AUDITORS

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Harmony Community Development District as of and for the year ended September 30, 2021, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 Accounting Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Fort Pierce / Stuart

To the Board of Supervisors  
Harmony Community Development District

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Harmony Community Development District, as of September 30, 2021, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 21, 2022 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 Harmony Community Development District's internal control over financial reporting and compliance.



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

March 21, 2022

**Harmony Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2021**

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/rectreatment 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, 2021**

**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, 2021.

- ◆ The District's total liabilities exceeded total assets and deferred outflows of resources by \$(3,343,238) (net position). Unrestricted net position for Governmental Activities was \$(4,912,223). Governmental Activities restricted net position was \$729,303, and net investment in capital assets were \$839,682.
- ◆ Governmental activities revenues totaled \$4,308,778 while governmental activities expenses totaled \$3,136,907.

**Harmony Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2021**

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

**Financial Analysis of the District**

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

**Net Position**

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
Current assets	\$ 1,678,541	\$ 1,425,884
Restricted assets	2,048,581	2,203,645
Capital assets	11,682,609	12,140,264
Total Assets	15,409,731	15,769,793
Deferred outflows of resources	374,000	405,658
Current liabilities	1,642,900	1,556,111
Non-current liabilities	17,484,069	19,134,449
Total Liabilities	19,126,969	20,690,560
Net position - net investment in capital assets	839,682	294,052
Net position - restricted	729,303	851,279
Net position - unrestricted	(4,912,223)	(5,660,440)
Total Net Position	\$ (3,343,238)	\$ (4,515,109)

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

The decrease in restricted assets and restricted net position is related to the principal 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, 2021**

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

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

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

**Change in Net Position**

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
Program Revenues		
Charges for services	\$ 4,302,292	\$ 4,839,040
General Revenues		
Miscellaneous revenues	1,399	5,244
Intergovernmental revenues	-	1,158
Investment earnings	5,087	24,872
Total Revenues	<u>4,308,778</u>	<u>4,870,314</u>
Expenses		
General government	305,013	268,163
Physical environment	1,613,199	1,601,297
Culture/recreation	188,515	193,081
Interest and other charges	1,030,180	1,112,156
Total Expenses	<u>3,136,907</u>	<u>3,174,697</u>
Change in Net Position	1,171,871	1,695,617
Net Position - Beginning of Year	<u>(4,515,109)</u>	<u>(6,210,726)</u>
Net Position - End of Year	<u>\$ (3,343,238)</u>	<u>\$ (4,515,109)</u>

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

The decrease in interest on long-term debt 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, 2021**

**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, 2021 and 2020.

<u>Description</u>	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 8,991,508	\$ 8,991,508
Infrastructure	5,185,177	5,185,177
Improvements other than building	57,442	57,442
Recreational facilities	3,777,032	3,777,032
Equipment	306,487	265,577
Less: accumulated depreciation	(6,635,037)	(6,136,472)
Total	<u>\$ 11,682,609</u>	<u>\$ 12,140,264</u>

Capital activity for the year consisted of depreciation of \$498,565 and additions to equipment of \$40,910.

**General Fund Budgetary Highlights**

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

The September 30, 2021 budget was not amended.

**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, 2021 was \$9,610,000.
- ◆ 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, 2021 was \$8,525,000.

**Harmony Community Development District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended September 30, 2021**

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

**Debt Management**

- ◆ 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, 2021 was \$276,848.

**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 2022.

**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, 2021**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 1,650,991
Due from other governments	27,550
Total Current Assets	1,678,541
Non-current Assets	
Restricted assets	
Investments	2,048,581
Capital assets, not being depreciated	
Land and improvements	8,991,508
Capital assets, being depreciated	
Infrastructure	5,185,177
Improvements other than building	57,442
Recreational facilities	3,777,032
Equipment	306,487
Less: accumulated depreciation	(6,635,037)
Total Non-current Assets	13,731,190
Total Assets	15,409,731
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amount on refunding	374,000
 <b>LIABILITIES</b>	
Current Liabilities	
Accounts payable and accrued expenses	183,399
Accrued interest	386,633
Notes payable	12,868
Bonds payable	1,060,000
Total Current Liabilities	1,642,900
Non-current liabilities	
Notes payable	263,980
Bonds payable, net	17,220,089
Total Non-Current Liabilities	17,484,069
Total Liabilities	19,126,969
 <b>NET POSITION</b>	
Net investment in capital assets	839,682
Restricted for debt service	729,303
Unrestricted	(4,912,223)
Total Net Position	\$ (3,343,238)

See accompanying notes to financial statements.

**Harmony Community Development District**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2021**

<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	\$ (305,013)	\$ 346,650	\$ 41,637
Physical environment	(1,613,199)	1,429,355	(183,844)
Culture/recreation	(188,515)	51,684	(136,831)
Interest and other charges	(1,030,180)	2,474,603	1,444,423
Total Governmental Activities	<u>\$ (3,136,907)</u>	<u>\$ 4,302,292</u>	<u>1,165,385</u>
<b>General revenues:</b>			
			5,087
			1,399
			<u>6,486</u>
			1,171,871
			<u>(4,515,109)</u>
			<u>\$ (3,343,238)</u>

*See accompanying notes to financial statements.*

**Harmony Community Development District**  
**BALANCE SHEET –**  
**GOVERNMENTAL FUNDS**  
**September 30, 2021**

ASSETS	General	Debt Service 2014	Debt Service 2015	Total Governmental Funds
Cash	\$ 1,650,991	\$ -	\$ -	\$ 1,650,991
Due from other governments	12,882	8,637	6,031	27,550
Restricted assets:				
Investments, at fair value	-	1,232,101	816,480	2,048,581
Total Assets	\$ 1,663,873	\$ 1,240,738	\$ 822,511	\$ 3,727,122
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 183,399	\$ -	\$ -	\$ 183,399
<b>FUND BALANCES</b>				
Restricted:				
Debt service	-	1,240,738	822,511	2,063,249
Assigned:				
Renewal and replacement	23,270	-	-	23,270
Uninsured repairs	50,000	-	-	50,000
Sidewalks and alleyways	251,484	-	-	251,484
Operating reserves	401,042	-	-	401,042
Unassigned	754,678	-	-	754,678
Total Fund Balances	1,480,474	1,240,738	822,511	3,543,723
Total Liabilities and Fund Balances	\$ 1,663,873	\$ 1,240,738	\$ 822,511	\$ 3,727,122

*See accompanying notes to financial statements.*

**Harmony Community Development District**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**September 30, 2021**

Total Governmental Fund Balances	\$	3,543,723
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, \$5,185,177, improvements other than building, \$57,442, recreational facilities, \$3,777,032, and equipment, \$306,487, net of accumulated depreciation, \$(6,635,037), used in governmental activities are not current financial resources and therefore, are not reported at the fund level.		2,691,101
Long-term liabilities, including bonds payable, \$(18,135,000), bond premium, net \$(254,172), bond discount, net, \$109,083, and note payable, \$(276,848) are not due and payable in the current period and therefore, are not reported at the fund level.		(18,556,937)
Deferred outflow of resources are not current financial resources and therefore, are not reported at the fund level.		374,000
Accrued interest expense for long-term debt is not a current financial use and therefore, is not reported at the fund level.		<u>(386,633)</u>
Net Position of Governmental Activities	\$	<u><u>(3,343,238)</u></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, 2021**

	General	Debt Service 2014	Debt Service 2015	Total Governmental Funds
Revenues				
Special assessments	\$ 1,801,989	\$ 1,319,594	\$ 1,155,009	\$ 4,276,592
Charges for services	25,700	-	-	25,700
Miscellaneous revenues	1,399	-	-	1,399
Investment earnings	4,972	71	44	5,087
Total Revenues	<u>1,834,060</u>	<u>1,319,665</u>	<u>1,155,053</u>	<u>4,308,778</u>
Expenditures				
Current				
General government	305,013	-	-	305,013
Physical environment	1,257,673	-	-	1,257,673
Culture/recreation	45,476	-	-	45,476
Capital outlay	40,910	-	-	40,910
Debt service				
Principal	12,260	765,000	840,000	1,617,260
Interest	14,340	535,144	463,384	1,012,868
Other	-	15,536	10,846	26,382
Total Expenditures	<u>1,675,672</u>	<u>1,315,680</u>	<u>1,314,230</u>	<u>4,305,582</u>
Net change in fund balances	158,388	3,985	(159,177)	3,196
Fund Balances - October 1, 2020	<u>1,322,086</u>	<u>1,236,753</u>	<u>981,688</u>	<u>3,540,527</u>
Fund Balances - September 30, 2021	<u>\$ 1,480,474</u>	<u>\$ 1,240,738</u>	<u>\$ 822,511</u>	<u>\$ 3,543,723</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, 2021**

Net Change in Fund Balances - Total Governmental Funds	\$	3,196
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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, \$(498,565), exceeded capital outlay, \$40,910, in the current period.		(457,655)
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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
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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.		1,617,260
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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)
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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.		<u>33,216</u>
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Change in Net Position of Governmental Activities	\$	<u><u>1,171,871</u></u>
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*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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
Revenues				
Special assessments	\$ 1,778,729	\$ 1,778,729	\$ 1,801,989	\$ 23,260
Charges for services	7,000	7,000	25,700	18,700
Miscellaneous revenues	-	-	1,399	1,399
Investment earnings	9,381	9,381	4,972	(4,409)
Total Revenues	<u>1,795,110</u>	<u>1,795,110</u>	<u>1,834,060</u>	<u>38,950</u>
Expenditures				
Current				
General government	281,168	281,168	305,013	(23,845)
Physical environment	1,323,000	1,323,000	1,257,673	65,327
Culture/recreation	70,000	70,000	45,476	24,524
Capital outlay	20,000	20,000	40,910	(20,910)
Debt service				
Principal	12,260	12,260	12,260	-
Interest	14,340	14,340	14,340	-
Total Expenditures	<u>1,720,768</u>	<u>1,720,768</u>	<u>1,675,672</u>	<u>45,096</u>
Net change in fund balances	74,342	74,342	158,388	84,046
Fund Balances - October 1, 2020	<u>1,410,881</u>	<u>1,410,881</u>	<u>1,322,086</u>	<u>(88,795)</u>
Fund Balances - September 30, 2021	<u>\$ 1,485,223</u>	<u>\$ 1,485,223</u>	<u>\$ 1,480,474</u>	<u>\$ (4,749)</u>

See accompanying notes to financial statements.

**Harmony Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021**

**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, 2021**

**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, 2021**

**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, 2021**

**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, 2021**

**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, 2021**

**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, 2021**

**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	15-30 years
Improvements other than building	15-20 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, 2021**

**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, \$3,543,723, differs from “net position” of governmental activities, \$(3,343,238), 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	5,185,177
Improvements other than buildings	57,442
Recreational facilities	3,777,032
Equipment	306,487
Less: accumulated depreciation	<u>(6,635,037)</u>
Total	<u>\$ 11,682,609</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	<u>\$ 374,000</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, 2021 were:

Bonds payable	\$ (18,135,000)
Bond premium, net	(254,172)
Bond discount, net	109,083
Note payable	<u>(276,848)</u>
Total	<u>\$ (18,556,937)</u>

**Harmony Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021**

**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>\$ (386,633)</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, \$3,196, differs from the “change in net position” for governmental activities, \$1,171,871, 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	\$ (498,565)
Capital outlay	<u>40,910</u>
Net Change in Capital Related Items	<u><u>\$ (457,655)</u></u>

**Harmony Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021**

**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	\$ 1,617,260
Bond premium amortization	17,429
Bond discount amortization	<u>(9,917)</u>
Total	<u><u>\$ 1,624,772</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	\$ 33,216
Decrease in deferred amount on refunding	<u>(31,658)</u>
Total	<u><u>\$ 1,558</u></u>

**Harmony Community Development District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2021**

**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, 2021, the District's bank balance was \$1,705,763 and the carrying value was \$1,650,991. 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, 2021, the District had the following investments and maturities:

Investment	Maturity	Fair Value
Commercial Paper	N/A	\$ 2,048,581

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, 2021**

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

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. As of September 30, 2021, the District's investments in Commercial Paper was rated A-1+ by Standard & Poor's.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one fund. The investments in Commercial Paper are 100% of the District's total investments.

The types of deposits and investments and their level of risk exposure as of September 30, 2021 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 2020-2021 fiscal year were levied in July 2020. 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.

**Harmony Community Development District**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2021**

**NOTE E – CAPITAL ASSETS**

Capital Asset activity for the year ended September 30, 2021 was as follows:

	Balance October 1, 2020	Additions	Deletions	Balance September 30, 2021
<u>Governmental Activities:</u>				
Capital assets, not depreciated:				
Land and improvements	\$ 8,991,508	\$ -	\$ -	\$ 8,991,508
Capital assets, being depreciated:				
Infrastructure	5,185,177	-	-	5,185,177
Improvements other than building	57,442	-	-	57,442
Recreational facilities	3,777,032	-	-	3,777,032
Equipment	265,577	40,910	-	306,487
Total Capital Assets, Being Depreciated	<u>9,285,228</u>	<u>40,910</u>	<u>-</u>	<u>9,326,138</u>
Less accumulated depreciation for:				
Infrastructure	(4,382,239)	(342,363)	-	(4,724,602)
Improvements other than building	(9,717)	(4,006)	-	(13,723)
Recreational facilities	(1,639,656)	(127,104)	-	(1,766,760)
Equipment	(104,860)	(25,092)	-	(129,952)
Total Accumulated Depreciation	<u>(6,136,472)</u>	<u>(498,565)</u>	<u>-</u>	<u>(6,635,037)</u>
Total Capital Assets Depreciated, Net	<u>3,148,756</u>	<u>(457,655)</u>	<u>-</u>	<u>2,691,101</u>
Governmental Activities Capital Assets	<u>\$ 12,140,264</u>	<u>\$ (457,655)</u>	<u>\$ -</u>	<u>\$ 11,682,609</u>

Depreciation, \$498,565, was charged to physical environment, \$355,526, and culture/recreation, \$143,039.

**NOTE F – LONG-TERM DEBT**

The following is a summary of the activity of long-term debt of the District for the year ended September 30, 2021:

Bonds Payable at October 1, 2020	\$ 19,740,000
Principal payments	<u>(1,605,000)</u>
Bonds Payable at September 30, 2021	18,135,000
Plus: bond premium, net	254,172
Less: bond discount, net	<u>(109,083)</u>
Bonds Payable, Net	<u>\$ 18,280,089</u>

**Harmony Community Development District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2021**

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

**Capital Improvement Revenue Refunding Bonds**

Long-term debt is comprised of the following:

<p>\$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 \$670,000.</p>	<p>\$ 9,610,000</p>
<p>\$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 \$390,000.</p>	<p><u>8,525,000</u></p>
<p>Total Bonds Payable at September 30, 2021</p>	<p>18,135,000</p>
<p>Plus: bond premium, net</p>	<p>254,172</p>
<p>Less: bond discount, net</p>	<p><u>(109,083)</u></p>
<p>Bonds Payable, Net at September 30, 2021</p>	<p><u>\$ 18,280,089</u></p>

The annual requirements to amortize the principal and interest of bonded debt outstanding as of September 30, 2021 are as follows:

Year Ending September 30,	Principal	Interest	Total
2022	\$ 1,060,000	\$ 927,919	\$ 1,987,919
2023	1,110,000	875,894	1,985,894
2024	1,170,000	821,419	1,991,419
2025	1,225,000	763,994	1,988,994
2026	1,290,000	703,869	1,993,869
2027-2031	7,570,000	2,437,163	10,007,163
2032-2036	4,710,000	629,980	5,339,980
Totals	\$ 18,135,000	\$ 7,160,238	\$ 25,295,238

**Harmony Community Development District  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2021**

**NOTE F – 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, 2021:

<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, 2021**

**NOTE G – 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, 2021:

Notes Payable at October 1, 2020	\$ 289,108
Principal payments	(12,260)
Notes Payable at September 30, 2021	<u>\$ 276,848</u>

The annual requirements to amortize the principal and interest of outstanding notes payable as of September 30, 2021 are as follows:

Year Ending September 30,	Principal	Interest	Total
2022	\$ 12,868	\$ 13,732	\$ 26,600
2023	13,507	13,093	26,600
2024	14,177	12,423	26,600
2025	14,880	11,720	26,600
2026	15,618	10,982	26,600
2027-2031	90,507	42,493	133,000
2032-2036	115,291	17,709	133,000
Totals	<u>\$ 276,848</u>	<u>\$ 122,152</u>	<u>\$ 399,000</u>

**NOTE H – 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.

**NOTE I – SUBSEQUENT EVENT**

The District made prepayments on the Series 2014 and Series 2015 Bonds on November 1, 2021 of \$15,000 and \$160,000, respectively.



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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 of Harmony Community Development District, as of and for the year ended September 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated March 21, 2022.

### **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 may exist that have not been identified.

Fort Pierce / Stuart

To the Board of Supervisors  
Harmony Community Development District

### **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

March 21, 2022



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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, 2021, and have issued our report thereon dated March 21, 2022.

### 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 March 21, 2022, 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, 2021.

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: None.
- 2) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year: 9
- 3) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency: N/A
- 4) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency: \$232,739
- 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, 2020, together with the total expenditures for such project: The District had no construction projects that exceeded \$65,000 during the year.
- 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 not amended.

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:

- 7) The rate or rates of non-ad valorem special assessments imposed by the District: \$464-\$4,365 for the General Fund and \$605.71 – \$52,624 for Debt Service
- 8) The amount of special assessments collected by or on behalf of the District: Total Special Assessments collected was \$4,276,592.
- 9) The total amount of outstanding bonds issued by the District and the terms of such bonds: Series 2014 \$9,610,000 matures May 2032 and Series 2015 \$8,525,000 matures May 2036.

To the Board of Supervisors  
Harmony Community Development District

**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.

**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

March 21, 2022



**Berger, Toombs, Elam,  
Gaines & Frank**

Certified Public Accountants PL

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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, 2021. 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, 2021.

*Berger Toombs Elam  
Gaines & Frank*

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

March 21, 2022