



**Highland Meadows West Community
Development District**

FINANCIAL STATEMENTS

September 30, 2021



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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Highland Meadows West Community Development District
Polk County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Highland Meadows West Community Development District (hereinafter referred to as "District"), as of and for the year ended September 30, 2021, and the related notes to the 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.

Auditors' Responsibility

Our responsibility is to express opinions 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 Auditing 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 auditors' 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance 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's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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 our report dated June 29, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 the District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
June 29, 2022

Management's Discussion and Analysis

Highland Meadows West Community Development District Management's Discussion and Analysis

Our discussion and analysis of the Highland Meadows West Community Development District's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2021. Please read it in conjunction with the District's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- At September 30, 2021, the liabilities of the District exceed its assets by approximately \$3.1 million (deficit net position).
- During the year ended September 30, 2021, the District made principal and interest payments totaling \$227,005 and \$385,114, respectively.
- During the year ended September 30, 2021, the District incurred approximately \$95,000 of capital outlay expenditures, placed assets totaling approximately \$5 million into service, and conveyed capital assets totaling approximately \$3.4 million.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 9 – 10 provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

Reporting the District as a Whole

Our analysis of the District as a whole begins on page 4. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and related changes during the current year. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors; however, such as changes in the District's assessment base and the condition of the District's infrastructure, to assess the overall health of the District.

Highland Meadows West Community Development District Management's Discussion and Analysis

Reporting the District's Most Significant Funds

Our analysis of the District's major funds begins on page 6. The fund financial statements begin on page 11 and provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. All of the District's funds are governmental fund-types.

- *Governmental funds* – All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

THE DISTRICT AS A WHOLE

The following table reflects the condensed Statement of Net Position and is compared to the prior year.

<i>September 30,</i>	2021	2020	Change
Assets			
Current and other assets	\$ 769,046	\$ 974,346	\$ (205,300)
Capital assets, net	4,879,019	8,304,490	(3,425,471)
Total assets	5,648,065	9,278,836	(3,630,771)
Liabilities			
Current liabilities	\$ 359,416	\$ 604,794	\$ (245,378)
Other liabilities	8,361,220	8,595,329	(234,109)
Total liabilities	8,720,636	9,200,123	(479,487)
Net position			
Net investment in capital assets	99,397	60,170	39,227
Restricted for:			
Debt service	141,613	70,842	70,771
Capital projects	4,216	-	4,216
Unrestricted	(3,317,797)	(52,299)	(3,265,498)
Total net position (deficit)	(3,072,571)	78,713	(3,151,284)
Total liabilities and net position	\$ 5,648,065	\$ 9,278,836	\$ (3,630,771)

For more detailed information, see the accompanying Statement of Net Position.

Highland Meadows West Community Development District Management's Discussion and Analysis

During the fiscal year ended September 30, 2021, total assets and liabilities decreased by approximately \$3.6 million and \$479,000, respectively. The decrease in assets and liabilities is due to current year capital asset conveyances and scheduled principal payments on the Series 2019 and 2020 Bonds, respectively.

The following schedule compares the Statement of Activities for the current and previous fiscal year.

<i>For the year ended September 30,</i>	2021	2020	Change
Revenue:			
Program revenue:			
Charges for services	\$ 853,612	\$ 1,750,503	\$ (896,891)
Grants and contributions	122,837	355,274	(232,437)
General revenue:			
Miscellaneous revenue	498	-	498
Total revenue	976,947	2,105,777	(1,128,830)
Expenses:			
General government	249,441	218,457	30,984
Maintenance and operations	137,760	-	137,760
Bond issue costs	-	258,318	(258,318)
Conveyance of capital assets	3,358,429	-	3,358,429
Interest	382,601	383,796	(1,195)
Total expenses	4,128,231	860,571	3,267,660
Change in net position	(3,151,284)	1,245,206	(4,396,490)
Net position (deficit), beginning of year	78,713	(1,166,493)	1,245,206
Net position (deficit), end of year	\$ (3,072,571)	\$ 78,713	\$ (3,151,284)

For more detailed information, see the accompanying Statement of Activities.

Revenue decreased from the prior year by approximately \$1.1 million. The decrease in revenue is primarily due to a decrease in lot purchasers making optional prepayments in the current year. Expenses increased by approximately \$3.3 million. The increase in expenses is primarily due to capital asset conveyances in the current year. The overall result was a decrease of \$3,151,284 in net position for fiscal year 2021.

Highland Meadows West Community Development District Management's Discussion and Analysis

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 10) reported a combined fund balance of \$766,307, which is an increase from last year's fund balance that totaled \$721,638. Significant transactions are discussed below.

- During the year ended September 30, 2021, the District made principal and interest payments totaling \$227,005 and \$385,114, respectively.
- During the year ended September 30, 2021, the District incurred approximately \$95,000 of capital outlay expenditures.

The overall increase in fund balance for the year ended September 30, 2021 totaled approximately \$45,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2021, the District had approximately \$4.9 million invested in capital assets. This amount represents a net decrease of approximately \$3.4 million from the fiscal year 2020 total.

A listing of capital assets for the current and prior year follows:

<i>September 30,</i>	2021	2020	Change
Capital assets not being depreciated	\$ -	\$ 8,228,570	\$ (8,228,570)
Capital assets being depreciated	5,043,204	78,016	4,965,188
Total, prior to depreciation	5,043,204	8,306,586	(3,263,382)
Accumulated depreciation	(164,185)	(2,096)	(162,089)
Net capital assets	\$ 4,879,019	\$ 8,304,490	\$ (3,425,471)

More information about the District's capital assets is presented in Note 4 to the financial statements.

Highland Meadows West Community Development District Management's Discussion and Analysis

Debt

At September 30, 2021, the District had approximately \$8.5 million of outstanding debt. This amount represents a decrease of \$210,000 from the fiscal year 2020 total.

A listing of debt amounts outstanding for the current and prior year is as follows:

<i>September 30,</i>	2021	2020	Change
Special Assessment Bonds:			
Series 2019	\$ 4,865,000	\$ 5,000,000	\$ (135,000)
Series 2020A2	2,715,000	2,770,000	(55,000)
Series 2020A3	935,000	955,000	(20,000)
Total	\$ 8,515,000	\$ 8,725,000	\$ (210,000)

More information about the District's long term debt is presented in Note 5 to the financial statements.

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

An Operating budget was established in the current year by the governing board for the District pursuant to the requirements of Florida Statutes. The budget to actual comparison for the general fund, including the original budget and final adopted budget, is shown at page 26.

The District experienced an unfavorable variance in revenue as compared to the budget in the amount of \$18,550. Conversely, the district experienced a favorable variance in expenditures as compared to the budget in the amount of \$79,960. The variance in expenditures occurred primarily due to anticipated landscape and maintenance and professional services expenditures that were not incurred during the year. Revenue varied due to developer contributions that were budgeted in the event of a shortfall, which did not occur in the current year.

FUTURE FINANCIAL FACTORS

Highland Meadows West Community Development District is an independent special district that operates under the provisions of Chapter 190, Florida Statutes. The District operates under an elected Board of Supervisors, which establishes policy and sets assessment rates. Assessment rates for fiscal year 2022 were established to provide for the operations of the District as well as the necessary debt service requirements.

Highland Meadows West Community Development District Management's Discussion and Analysis

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. If you have questions about this report or need additional financial information, contact the Highland Meadows West Community Development District's management company at 6200 Lee Vista Boulevard, Suite 300, Orlando, FL, 32822.

Basic Financial Statements

Highland Meadows West Community Development District Statement of Net Position

<i>September 30,</i>	2021
	Governmental Activities
Assets	
Cash and cash equivalents	\$ 78,155
Investments	671,622
Assessment receivables	1,711
Prepaid expenses	17,558
Capital assets:	
Depreciable, net	4,879,019
Total assets	5,648,065
Liabilities	
Accounts payable	2,739
Accrued interest payable	152,440
Non-current liabilities:	
Due within one year	204,237
Due in more than one year	8,361,220
Total liabilities	8,720,636
Net position	
Net investment in capital assets	99,397
Restricted for:	
Capital projects	4,216
Debt service	141,613
Unrestricted	(3,317,797)
Total net position (deficit)	\$ (3,072,571)

The accompanying notes are an integral part of these financial statements.

**Highland Meadows West Community Development District
Statement of Activities**

For the year ended September 30,

2021

Functions/Programs	Expenses	Charges for Services	<u>Program Revenue</u>		Governmental Activities	Net (Expense) Revenue and Changes in <u>Net Position</u>
			Operating Grants and Contributions	Capital Grants and Contributions		
Primary government:						
Governmental activities:						
General government	\$ (249,441)	\$ 201,518	\$ 3,000	\$ 113,777		\$ 68,854
Maintenance and operations	(137,760)	111,294	-	-		(26,466)
Capital asset conveyance	(3,358,429)	-	-	-		(3,358,429)
Interest	(382,601)	540,800	6,058	2		164,259
Total governmental activities	\$ (4,128,231)	\$ 853,612	\$ 9,058	\$ 113,779		(3,151,782)

General revenue

Miscellaneous revenue	498
Total general revenue	498

Change in net position (3,151,284)

Net position - beginning of year 78,713

Net position (deficit) - end of year \$ (3,072,571)

The accompanying notes are an integral part of these financial statements.

**Highland Meadows West Community Development District
Balance Sheet – Governmental Funds**

September 30,

2021

	General	Debt Service	Capital Projects	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 78,155	\$ -	\$ -	\$ 78,155
Investments	-	667,406	4,216	671,622
Assessments receivable	1,711	-	-	1,711
Prepaid expenditures	17,558	-	-	17,558
Total assets	\$ 97,424	\$ 667,406	\$ 4,216	\$ 769,046
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 2,739	\$ -	\$ -	\$ 2,739
Total liabilities	2,739	-	-	2,739
Fund balances				
Nonspendable	17,558	-	-	17,558
Restricted for debt service	-	667,406	-	667,406
Restricted for capital projects	-	-	4,216	4,216
Unassigned	77,127	-	-	77,127
Total fund balance	94,685	667,406	4,216	766,307
Total liabilities and fund balance	\$ 97,424	\$ 667,406	\$ 4,216	\$ 769,046

The accompanying notes are an integral part of these financial statements.

**Highland Meadows West Community Development District
Reconciliation of the Balance Sheet to the Statement of Net Position**

<u>September 30,</u>	<u>2021</u>
Total fund balances, governmental funds	\$ 766,307
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.	4,879,019
Liabilities not due and payable from current resources, including accrued interest, are not reported in the fund financial statements.	(8,717,897)
<u>Total net position (deficit) - governmental activities</u>	<u>\$ (3,072,571)</u>

The accompanying notes are an integral part of these financial statements.

**Highland Meadows West Community Development District
Statement of Revenue, Expenditures and Changes in Fund Balances –
Governmental Funds**

For the year ended September 30,

2021

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenue				
Assessments	\$ 312,812	\$ 540,800	\$ -	\$ 853,612
Prepayment revenue	3,000	6,020	-	9,020
Developer contributions	-	-	113,777	113,777
Miscellaneous revenue	498	-	-	498
Interest	-	38	2	40
Total revenue	316,310	546,858	113,779	976,947
Expenditures				
Current:				
General government	87,352	-	-	87,352
Maintenance and operations	137,760			137,760
Debt service:				
Principal	17,005	210,000	-	227,005
Interest	12,783	372,331	-	385,114
Capital outlay	-	-	95,047	95,047
Total expenditures	254,900	582,331	95,047	932,278
Excess (deficit) of revenue over expenditures	61,410	(35,473)	18,732	44,669
Fund balance (deficit), beginning of year	33,275	702,879	(14,516)	721,638
Fund balance, end of year	\$ 94,685	\$ 667,406	\$ 4,216	\$ 766,307

The accompanying notes are an integral part of these financial statements.

**Highland Meadows West Community Development District
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities**

<i>For the year ended September 30,</i>	2021
Net change in fund balances - governmental fund	\$ 44,669
Capital outlay, reported as expenditures in the governmental funds, is shown as capital assets on the Statement of Net Position.	95,047
Governmental funds report principal payments on bonds and notes payable when debt is paid, whereas these payments are eliminated in the Statement of Activities and recognized as a decrease in bonds and notes payable in the Statement of Net Position.	227,005
The conveyance of capital assets has no impact on the fund level financial statements but is treated as revenue in the government-wide Statement of Activities.	(3,358,429)
Depreciation on capital assets is not recognized in the fund financial statements but is reported as an expense in the Statement of Activities.	(162,089)
Bond discount amortization is not recognized in the fund financial statements but is reported as an expense in the Statement of Activities.	(128)
The change in accrued interest between the current and prior year is recorded on the Statement of Activities but not on the fund financial statements.	2,641
Change in net position of governmental activities	\$ (3,151,284)

The accompanying notes are an integral part of these financial statements.

Highland Meadows West Community Development District Notes to Financial Statements

NOTE 1: NATURE OF ORGANIZATION

The Highland Meadows West Community Development District (the “District”) was established on July 10, 2018 pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes, by Polk County Ordinance No. 18-045. The Act provides, among other things, the power to manage basic services for community development, power to borrow money and issue bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of a portion of the infrastructure necessary for community development within the District.

The District is governed by a Board of Supervisors (“Board”), which is comprised of five members. The current Supervisors have been elected by the landowners. At September 30, 2021, all of the Supervisors are affiliated with the developer of the community, HMD West, LLC. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the final responsibility for:

1. Assessing and levying assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the hiring and firing of key personnel.
6. Financing improvements.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by Generally Accepted Accounting Principles (GAAP) as defined by the Governmental Accounting Standards Board (GASB). Based on the foregoing criteria, no potential component units were found.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to GAAP as applicable to governments in accordance with those promulgated by GASB. The following is a summary of the more significant policies:

Government-wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements.

Highland Meadows West Community Development District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by assessments, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The business-type activities are reported separately in government-wide financial statements; however, at September 30, 2021, the District did not have any significant business-type activities. Therefore, no business-type activities are reported. Assessments and other items not properly included as program revenues (i.e., charges to customers or applicants who purchase, use, or directly benefit from goods or services) are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and other similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough 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. However, debt service expenditures are recorded only when payment is due.

Assessments, including debt service assessments along with operation and maintenance assessments, are non-ad valorem special assessments imposed on all lands located within the District and benefited by the District's activities. Assessments are levied and certified for collection by the District prior to the start of the fiscal year which begins October 1st and ends on September 30th. Operation and maintenance special assessments are imposed upon all benefited lands located in the District. Debt service special assessments are imposed upon certain lots and lands as described in each resolution imposing the special assessment for each series of bonds issued by the District.

Assessments, developer contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Highland Meadows West Community Development District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term debt.

Capital Projects Fund – The Capital Projects Fund accounts for the financial resources to be used in the acquisition or construction of major infrastructure within the District.

For the year ended September 30, 2021, the District does not report any proprietary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use in the governmental fund financial statements, it is the government's policy to use committed resources first, followed by assigned resources, then unassigned resources as needed.

Cash, Deposits and Investments

The District maintains deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities in accordance with collateral requirements determined by the State's Chief Financial Officer. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

Under this method, all the District's deposits are fully insured or collateralized at the highest level of security as defined by GASB, Statement Number 40, *Deposits and Investment Disclosures (An Amendment of GASB, Statement Number 3)*.

The District is authorized to invest in financial instruments as established by Section 218.415, Florida Statutes. The authorized investments include among others negotiable direct or indirect obligations which are secured by the United States Government; the Local Government Surplus Trust Funds as created by Section 218.405, Florida Statutes; SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and interest-bearing time deposits or savings accounts in authorized financial institutions.

Highland Meadows West Community Development District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include primarily infrastructure assets (e.g., roads, sidewalks, water management systems and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial/individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated 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 asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the estimated useful lives. Estimated useful lives for financial reporting purposes are as follows: Equipment – 20 years; Infrastructure – 15 to 40 years.

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheet – governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any of this type of item at September 30, 2021.

In addition to liabilities, the statement of financial position and balance sheet – governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any of this type of item at September 30, 2021.

Highland Meadows West Community Development District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line or effective interest method. Bonds payable are reported net of these premiums or discounts. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current period expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

Net position in the government-wide financial statements represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents assets related to infrastructure and property, plant and equipment, net of any related debt. Restricted net position represents the assets restricted by the District's bond covenants.

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the District board through approval of resolutions. Assigned fund balance is a limitation imposed by a designee of the District board. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Highland Meadows West Community Development District Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

The District is required to establish a budgetary system and an approved annual budget. Annual budgets are legally adopted on a basis consistent with GAAP for the General Fund. Any revision to the budget must be approved by the District Board. The budgets are compared to actual expenditures. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent final authorization amounts.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
- B. A public hearing is conducted to obtain comments.
- C. Prior to October 1, the budget is legally adopted by the District Board.
- D. All budget changes must be approved by the District Board, unless otherwise delegated by the District Board.
- E. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 29, 2022, and determined there were no events that occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

NOTE 3: INVESTMENTS

The District's investments consist of money market funds in which shares are owned in the fund rather than the underlying investments. In accordance with GASB 72, *Fair Value Measurement and Application*, these amounts are reported at amortized cost.

Concentration risk – The District's investment policy requires diversification, but does not specify limits on types of investments.

Custodial credit risk – For an investment, custodial credit risk is the risk that the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The District has no formal policy for custodial risk. At September 30, 2021, the money market funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Highland Meadows West Community Development District Notes to Financial Statements

NOTE 3: INVESTMENTS (Continued)

Interest Rate Risk – The district does not have a formal policy for addressing interest rate risk; however, investments are made with discretion to seek reasonable returns, preserve capital, and in general, avoid speculative investments. The District manages its exposure to declines in fair values from interest rate changes by reviewing the portfolio on an ongoing basis for changes in effective yield amounts.

The following is a summary of the District’s investments:

<i>September 30,</i>	2021	Credit Risk	Maturities
Short-term Money Market Funds	\$ 671,622	S&P AAAM	13 days

NOTE 4: CAPITAL ASSETS

The following is a summary of changes in the capital assets for the year ended September 30, 2021:

	Beginning Balance	Additions	Transfers and Conveyances	Ending Balance
Governmental Activities:				
Capital assets not being depreciated				
Infrastructure under construction	\$ 8,228,570	\$ 95,047	\$ (8,323,617)	\$ -
Total capital assets, not being depreciated	8,228,570	95,047	(8,323,617)	-
Capital assets being depreciated				
Infrastructure	-	-	4,965,188	4,965,188
Equipment	78,016	-	-	78,016
Total capital assets, being depreciated	78,016	-	4,965,188	5,043,204
Less accumulated depreciation				
Infrastructure	-	(158,188)	-	(158,188)
Equipment	(2,096)	(3,901)	-	(5,997)
Total accumulated depreciation	(2,096)	(162,089)	-	(164,185)
Total capital assets, being depreciated, net	75,920	(162,089)	4,965,188	4,879,019
Governmental activities capital assets, net	\$ 8,304,490	\$ (67,042)	\$ (3,358,429)	\$ 4,879,019

The net proceeds from the Series 2019 Bonds have been used to fund a portion of the infrastructure associated with Phase 1 of the Development. Phase 1 includes 266 single-family residential lots. The net proceeds from the Series 2020 Bonds have been used to fund a portion of the infrastructure associated with Assessment Area 2 and Assessment Area 3 of the Development. The Assessment Area 2 Project includes 130 single-family units. The Assessment Area 3 Project includes 46 single-family units. The infrastructure includes stormwater management systems, utilities, roadways, entry features and signage, amenities, parks and recreation facilities and off-site improvements.

Highland Meadows West Community Development District Notes to Financial Statements

NOTE 4: CAPITAL ASSETS (Continued)

All three projects were certified to be complete in February 2021. The total cost of the capital improvement projects was approximately \$9.7 million including the Series 2019 project costs of approximately \$6.5 million and the Series 2020 projects' costs of approximately \$3.2 million. In connection with the project completion, approximately \$3.4 million of infrastructure assets was conveyed to other governments.

NOTE 5: BONDS PAYABLE

In April 2019, the District issued \$6,385,000 of Special Assessment Bonds, Series 2019, consisting of \$575,000 Term Bonds, \$695,000 Term Bonds, \$1,960,000 Term Bonds, and \$3,155,000 Term Bonds with interest rates of 4.000%, 4.125%, 4.875% and 5.000%. The Series 2019 bonds were issued to fund the planning, financing, acquisition, construction, equipping and installation of the Series 2019 Project. Interest is paid semiannually on each May 1 and November 1. Principal payments on the Series 2019 \$575,000 Term Bonds are made serially commencing on November 1, 2020 through November 1, 2024. Principal payments on the Series 2019 \$695,000 Term Bonds are made serially commencing on November 1, 2025 through November 1, 2029. Principal payments on the Series 2019 \$1,960,000 Term Bonds are made serially commencing on November 1, 2030 through November 1, 2039. Principal payments on the Series 2019 \$3,155,000 Term Bonds are made serially commencing on November 1, 2040 through November 1, 2049.

In February 2020, the District issued \$3,725,000 of Series 2020A Bonds, consisting of \$2,770,000 for the Assessment Area 2 Project and \$955,000 for the Assessment Area 3 project with interest rates ranging from 2.875% to 4.000%. The Series 2020A bonds were issued to fund the planning, financing, acquisition, construction, and installation of the Assessment Area 2 and 3 projects. Interest is paid semiannually on each May 1 and November 1. Principal payments on the \$2,770,000 Assessment Area 2 Project are made serially commencing on May 1, 2021 through May 1, 2050. Principal payments on the \$955,000 Assessment Area 3 Project are made serially commencing on May 1, 2021 through May 1, 2050.

The Bond Indentures require that the District maintain adequate funds in reserve accounts to meet the debt service reserve requirements as defined in the Indentures. The requirements have been met for the fiscal year ended September 30, 2021.

The Bond Indentures have certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedure to be followed by the District on assessments to property owners. The District agreed to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements. The District is in compliance with the requirements of the Bond Indentures.

**Highland Meadows West Community Development District
Notes to Financial Statements**

NOTE 5: BONDS PAYABLE (Continued)

At September 30, 2021, the scheduled debt service requirements on bonds payable were as follows:

<i>Year Ending September 30,</i>	Principal	Interest	Total Debt Service
2022	\$ 185,000	\$ 362,897	\$ 547,897
2023	195,000	355,482	550,482
2024	200,000	348,482	548,482
2025	205,000	341,282	546,282
2026	210,000	333,904	543,904
2027 - 2031	1,190,000	1,540,441	2,730,441
2032 - 2036	1,455,000	1,267,934	2,722,934
2037 - 2041	1,880,000	908,219	2,788,219
2042 - 2046	2,230,000	397,050	2,627,050
2047 - 2050	765,000	77,800	842,800
	\$ 8,515,000	\$ 5,933,491	\$ 14,448,491

NOTE 6: NOTES PAYABLE

In October 2019, the District obtained a note payable totaling \$28,750 for the purchase of playground equipment. The note is payable in 48 monthly payments of \$771 each, bears interest at 13.005% and matures in November 2023.

In June 2020, the District obtained a note payable totaling \$49,265 for the purchase of playground equipment. The note is payable in 48 monthly payments of \$1,298 each, bears interest at 12.01% and matures in July 2024.

At September 30, 2021, the future annual principal payments on the notes payable were as follows:

2022	\$ 19,237
2023	21,763
2024	13,052
	<u>\$ 54,052</u>

Highland Meadows West Community Development District Notes to Financial Statements

NOTE 7: LONG TERM DEBT

Long-term liability activity for the year ended September 30, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
Bonds payable:					
Series 2019	\$ 5,000,000	\$ -	\$ (135,000)	\$ 4,865,000	\$ 110,000
Series 2020A2	2,770,000	-	(55,000)	2,715,000	55,000
Series 2020A3	955,000	-	(20,000)	935,000	20,000
Bond discount	(3,723)	-	128	(3,595)	-
Total bonds payable	8,721,277	-	(209,872)	8,511,405	185,000
Notes Payable:					
Playground equipment	71,057	-	(17,005)	54,052	19,237
	\$ 8,792,334	\$ -	\$ (226,877)	\$ 8,565,457	\$ 204,237

NOTE 8: 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. The District maintains commercial insurance coverage to mitigate the risk of loss. Coverage may not extend to all situations. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. As of the date of this report, the District has not filed any claims against this commercial coverage.

NOTE 9: MANAGEMENT COMPANY

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers (Board appointed non-voting positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, and other administrative costs.

Highland Meadows West Community Development District Notes to Financial Statements

NOTE 10: RELATED PARTY TRANSACTIONS

In 2020, the District and the Developer, HMD West, LLC, entered into two agreements for the collateral assignment and assumption of development rights relating to the assessment area 2 project and assessment area 3 project. In accordance with these agreements, the Developer collaterally assigned to the District, to the extent assignable, all Developer's development rights, permits, entitlements and work product relating to the development of the Assessment Area 2 Project and Assessment Area 3 Project (see Note 4), and Developer's rights as declarant of any property owner or homeowner association with respect to both projects, as security for the Developer's payment and performance of its obligations arising under the Bond Documents.

In 2020, the District entered into two agreements with Orchid Terrace Development, LLC, an owner and developer of certain lands within the District, for the acquisition of work product, improvements and real property for the Assessment Area 2 Project and the Assessment Area 3 Project (see Note 4). In conjunction with these projects, the District and Orchid Terrace Development, LLC entered into a cost share agreement, whereby Orchid Terrace was responsible for the project costs including excavation or disposal of trash or any other unforeseen site conditions, any extended warranty, landscaping or irrigation, well abandonment, power relocation or removal, and fencing, which were not included in the District's capital improvement projects plan. Under the terms of these agreements, Orchid Terrace Development, LLC remitted \$113,777 to the District, which are recorded as Developer contributions on the accompanying Statement of Revenue, Expenses and Fund Balance – Governmental Funds. These projects were completed in February 2021.

NOTE 11: INTERLOCAL AGREEMENT

In 2019, the District entered into an interlocal agreement with Davenport Road South Community Development District for its share of the amenity costs. The allocation is based on the number of assessable units developed and to be developed within each District. The District's initial share of the amenity budget expenses is approximately 52%. During the year ended September 30, 2021, the District incurred expenses totaling \$62,409 for its share of the operations and maintenance of the amenity center.

**Required Supplemental Information
(Other than MD&A)**

**Highland Meadows West Community Development District
Budget to Actual Comparison Schedule – General Fund**

For the year ended September 30,

	2021		
	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenue			
Assessments	\$ 308,295	\$ 312,812	\$ 4,517
Developer contributions	26,565	-	(26,565)
Prepayment revenue	-	3,000	3,000
Miscellaneous revenue	-	498	498
Total revenue	334,860	316,310	(18,550)
Expenditures			
General government	142,275	87,352	54,923
Maintenance and operations	192,585	137,760	54,825
Debt service:			-
Principal	-	17,005	(17,005)
Interest	-	12,783	(12,783)
Total expenditures	334,860	254,900	79,960
Excess of revenue over expenditures	\$ -	\$ 61,410	\$ 61,410

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

To the Board of Supervisors
Highland Meadows West Community Development District
Polk 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 the governmental activities and each major fund of Highland Meadows West Community Development District (hereinafter referred to as the “District”), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated June 29, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to 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 the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

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

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida

June 29, 2022



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MANAGEMENT LETTER

To the Board of Supervisors
Highland Meadows West Community Development District
Polk County, Florida

Report on the Financial Statements

We have audited the financial statements of the Highland Meadows West Community Development District ("District") as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated June 29, 2022.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 29, 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 annual financial audit report. There were no findings or recommendations made in the preceding annual audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information required is disclosed in the notes to the financial statements.

Financial Condition and Management

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

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

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

Specific Information

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

- a. The total number of district employees compensated in the last pay period of the district's fiscal year as 0.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 0.
- c. All compensation earned by or awarded to employees whether paid or accrued, regardless of contingency as \$0.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$0.
- e. Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as \$95,047.
- f. The District did not amend its final adopted budget under Section 189.016(6).

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the Highland Meadows West Community Development District reported:

- a. The rate or rates of non-ad valorem special assessments posed by the district as \$2,052 and \$2,054 for single family residential units.
- b. The total amount of special assessment collected by or on behalf of the district as \$853,612.

c. The total amount of outstanding bonds issued by the District as \$8,515,000.

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
June 29, 2022



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INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Supervisors
Highland Meadows West Community Development District
Polk County, Florida

We have examined Highland Meadows West Community Development District 's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2021. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and performed the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
June 29, 2022