

**Highlands Community
Development District**

ANNUAL FINANCIAL REPORT

September 30, 2021

Highlands Community Development District

ANNUAL FINANCIAL REPORT

September 30, 2021

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REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of Highlands 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

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To the Board of Supervisors
Highlands Community Development District

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and each major fund of Highlands 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

Governmental Accounting principles generally accepted in the United States of America require that the Management's 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 regarding the methods of preparing the information and comparing the information for consistency with management's response 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 June 14, 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 Highlands Community Development District's internal control over financial reporting and compliance.



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

June 14, 2022

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The *Government-wide financial statements* are the **statement of net position** and the **statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net position of governmental activities and the change in net position. Governmental activities are primarily supported by special assessments.

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

The **statement of activities** presents information on all revenues and expenses of the District and the change in net position. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions provided by the District. To assist in understanding the District's operations, expenses have been reported as governmental activities. Governmental activities financed by the District include general government, physical environment, culture/recreation and debt service.

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

**Highlands 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 buildings and improvements, and infrastructure 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*, reconciliations are 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 assets exceeded total liabilities by \$7,046,735 (net position). Net investment in capital assets for the District was \$4,970,145. Restricted net position was \$1,275,723. Unrestricted net position was \$800,867.
- ◆ Governmental activities revenues totaled \$3,029,192 while governmental activities expenses totaled \$2,300,325.

**Highlands 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

	Governmental Activities	
	2021	2020
Current assets	\$ 873,521	\$ 864,192
Restricted assets	2,628,379	2,581,730
Capital assets	29,472,117	29,496,774
Total Assets	32,974,017	32,942,696
Current liabilities	1,158,415	1,179,118
Non-current liabilities	24,768,867	25,445,710
Total Liabilities	25,927,282	26,624,828
 Net Position		
Net investment in capital assets	4,970,145	4,308,792
Restricted	1,275,723	1,360,271
Unrestricted	800,867	648,805
Total Net Position	\$ 7,046,735	\$ 6,317,868

The decrease in total liabilities is primarily related to principal payments on bonds payable in the current year.

The increase in net position is the result of revenues exceeding expenses in the current year.

**Highlands 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

	Governmental Activities	
	2021	2020
Program Revenues		
Charges for services	\$ 3,028,872	\$ 4,118,730
Capital contributions	-	297,044
General Revenues		
Miscellaneous revenues	55	-
Investment earnings	265	34,498
Total Revenues	<u>3,029,192</u>	<u>4,450,272</u>
Expenses		
General government	127,714	127,662
Physical environment	663,769	672,257
Culture/recreation	239,434	150,795
Interest and other charges	1,269,408	1,361,468
Total Expenses	<u>2,300,325</u>	<u>2,312,182</u>
Change in Net Position	728,867	2,138,090
Net Position - Beginning of Year	<u>6,317,868</u>	<u>4,179,778</u>
Net Position - End of Year	<u>\$ 7,046,735</u>	<u>\$ 6,317,868</u>

The decrease in charges for services is mainly related to prepayments of special assessments in the prior year.

The increase in culture/recreation is related to the increase in contingency and management expenses and depreciation in the current year.

The decrease in interest and other charges is related to a prepayment of principal in the prior year.

The decrease in capital contributions is related to a developer contribution in the prior year to complete a capital project.

**Highlands 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>
Capital Assets, not being depreciated		
Land and improvements	\$ 7,604,176	\$ 7,604,176
Construction in progress	17,496,935	17,445,389
Total Capital Assets not being depreciated	<u>25,101,111</u>	<u>25,049,565</u>
Capital Assets, being depreciated		
Infrastructure	7,392,727	7,381,967
Buildings and improvements	1,096,614	1,081,962
Equipment	69,460	-
Total Capital Assets being depreciated	<u>8,558,801</u>	<u>8,463,929</u>
Accumulated depreciation	<u>(4,187,795)</u>	<u>(4,016,720)</u>
Net Capital Assets being depreciated	<u>4,371,006</u>	<u>4,447,209</u>
Total Capital Assets (Net)	<u>\$ 29,472,117</u>	<u>\$ 29,496,774</u>

The activity for the year consisted of \$178,548 in depreciation and additions of \$51,546 to construction in progress, \$10,760, to infrastructure, \$29,304 to buildings and improvements and \$69,460 to equipment and \$14,652 was deleted from buildings and improvements.

General Fund Budgetary Highlights

The final budget exceeded actual expenditures in the current year because reserve expenditures were less than anticipated.

There were no amendments to the General Fund budget in the current year.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Debt Management

Governmental Activities debt includes the following:

- In January 2013, the District issued \$2,860,000 Series 2013 Special Assessment Bonds, Phase 2B. These bonds were issued to finance the acquisition and construction of Phase 2B improvements for the benefit of the property within the District. As of September 30, 2021, the balance outstanding was \$2,555,000.
- In January 2014, the District issued \$2,305,000 Series 2014 Special Assessment Bonds, Phase 2A. These bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the property within Phase 2A. As of September 30, 2021, the balance outstanding was \$2,090,000.
- In February 2016, the District issued \$4,875,000 Series 2016, Phase 3A Special Assessment Bonds. These bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the property within Phase 3A. As of September 30, 2021, the balance outstanding was \$3,680,000.
- In September 2016, the District issued \$7,195,000 Series 2016 Special Assessment Refunding Bonds. These bonds were issued to refund and redeem the remaining Series 2005 Special Assessment Bonds. As of September 30, 2021, the balance outstanding was \$5,810,000.
- In December 2016, the District issued \$3,925,000 Series 2016, Phase 3C Special Assessment Bonds. These bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the property within Phase 3C. As of September 30, 2021, the balance outstanding was \$3,565,000.
- In December 2018, the District issued \$5,515,000 Series 2018, Phase 3B & 5 Special Assessment Bonds and \$3,560,000 Series 2018, Phase 4 Special Assessment Bonds. These bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the property within Phases 3B & 5 and Phase 4. As of September 30, 2021, the balances outstanding were \$5,325,000 and \$2,280,000, respectively.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Economic Factors and Next Year's Budget

Highlands 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 the fiscal year ended September 30, 2022.

Request for Information

The financial report is designed to provide a general overview of Highlands 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 Highlands Community Development District's Accounting Department at 3434 Colwell Avenue, Suite 200, Tampa, Florida 33614.

Highlands Community Development District
STATEMENT OF NET POSITION
September 30, 2021

	Governmental Activities
ASSETS	
Current Assets	
Cash	\$ 825,380
Restricted cash	150
Prepaid expenses	29,251
Deposits	18,740
Total Current Assets	873,521
Non-Current Assets	
Restricted Assets	
Investments	2,628,379
Capital Assets, Not Being Depreciated	
Land and improvements	7,604,176
Construction in progress	17,496,935
Capital Assets, Being Depreciated	
Infrastructure	7,392,727
Buildings and improvements	1,096,614
Equipment	69,460
Less: accumulated depreciation	(4,187,795)
Total Non-Current Assets	32,100,496
Total Assets	32,974,017
 LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	26,706
Bonds payable	670,000
Deposits payable from restricted cash	150
Accrued interest	461,559
Total Current Liabilities	1,158,415
Non-Current Liabilities	
Bonds payable, net	24,768,867
Total Liabilities	25,927,282
 NET POSITION	
Net investment in capital assets	4,970,145
Restricted for debt service	625,859
Restricted for capital projects	649,864
Unrestricted	800,867
Total Net Position	\$ 7,046,735

See accompanying notes to financial statements.

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

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expenses) Revenues and Change in Net Position Governmental Activities
Governmental Activities			
General government	\$ (127,714)	\$ 154,146	\$ 26,432
Physical environment	(663,769)	644,333	(19,436)
Culture/recreation	(239,434)	221,633	(17,801)
Interest and other charges	(1,269,408)	2,008,760	739,352
Total Governmental Activities	\$ (2,300,325)	\$ 3,028,872	728,547
	General Revenues		
	Miscellaneous revenues		55
	Investment income		265
	Total General Revenues		320
	Change in Net Position		728,867
	Net Position - Beginning of Year		6,317,868
	Net Position - End of Year		\$ 7,046,735

See accompanying notes to financial statements.

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

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash	\$ 779,732	\$ -	\$ 45,798	\$ 825,530
Prepaid expenses	29,251	-	-	29,251
Deposits	18,740	-	-	18,740
Restricted assets				
Investments, at fair value	-	2,024,309	604,070	2,628,379
Total Assets	<u>\$ 827,723</u>	<u>\$ 2,024,309</u>	<u>\$ 649,868</u>	<u>\$ 3,501,900</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	\$ 26,706	\$ -	\$ -	\$ 26,706
Deposits	150	-	-	150
Total Liabilities	<u>26,856</u>	<u>-</u>	<u>-</u>	<u>26,856</u>
FUND BALANCES				
Nonspendable:				
Prepaid expenses	29,251	-	-	29,251
Deposits	18,740	-	-	18,740
Restricted:				
Debt service	-	2,024,309	-	2,024,309
Capital projects	-	-	649,868	649,868
Unassigned	752,876	-	-	752,876
Total Fund Balances	<u>800,867</u>	<u>2,024,309</u>	<u>649,868</u>	<u>3,475,044</u>
Total Liabilities and Fund Balances	<u>\$ 827,723</u>	<u>\$ 2,024,309</u>	<u>\$ 649,868</u>	<u>\$ 3,501,900</u>

See accompanying notes to financial statements.

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

Total Governmental Fund Balances	\$ 3,475,044
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, land and improvements, \$7,604,176, construction in progress, \$17,496,935, infrastructure, \$7,392,727, buildings and improvements, \$1,096,614, and equipment, \$69,460, net of accumulated depreciation, \$(4,187,795), used in governmental activities are not current financial resources, and therefore, are not reported at the fund level.	29,472,117
Long-term liabilities, bonds payable, \$(25,305,000), net of bond premium, net \$(235,681) and bond discount, net, \$101,814, are not due and payable in the current period, and therefore, are not reported at the fund level.	(25,438,867)
Accrued interest expense for long-term debt is not a current financial use, and therefore, is not reported at the fund level.	<u>(461,559)</u>
Net Position of Governmental Activities	<u><u>\$ 7,046,735</u></u>

See accompanying notes to financial statements.

Highlands Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Special assessments	\$ 1,020,112	\$ 2,008,760	\$ -	\$ 3,028,872
Miscellaneous revenues	55	-	-	55
Investment income	85	143	37	265
Total Revenues	<u>1,020,252</u>	<u>2,008,903</u>	<u>37</u>	<u>3,029,192</u>
EXPENDITURES				
Current				
General government	127,714	-	-	127,714
Physical environment	533,847	-	-	533,847
Culture/recreation	183,629	-	-	183,629
Capital outlay	23,000	-	138,070	161,070
Debt service				
Principal	-	645,000	-	645,000
Interest	-	1,317,291	-	1,317,291
Total Expenditures	<u>868,190</u>	<u>1,962,291</u>	<u>138,070</u>	<u>2,968,551</u>
Total Revenues Over/(Under) Expenditures	152,062	46,612	(138,033)	60,641
Total Other financing Sources/(Uses)				
Transfers in	-	-	4	4
Transfers out	-	(4)	-	(4)
Total Other Financing Sources/(Uses)	<u>-</u>	<u>(4)</u>	<u>4</u>	<u>-</u>
Net Change in Fund Balance	152,062	46,608	(138,029)	60,641
Fund Balances - Beginning of Year	<u>648,805</u>	<u>1,977,701</u>	<u>787,897</u>	<u>3,414,403</u>
Fund Balances - End of Year	<u>\$ 800,867</u>	<u>\$ 2,024,309</u>	<u>\$ 649,868</u>	<u>\$ 3,475,044</u>

See accompanying notes to financial statements.

Highlands 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	\$ 60,641
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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 expense. This is the amount that depreciation, \$(178,548), and disposals of buildings and improvements, \$(7,179), exceeded capital outlay, \$161,070, in the current period.	(24,657)
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Repayment of bond principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	645,000
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Bond premium and bond discount are amortized over the life of the bonds, this is the current year amortization.	11,843
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In the Statement of Activities, interest is accrued on outstanding bonds; whereas in the governmental funds, interest expenditures are reported when due. This is the change in accrued interest in the current period.	<u>36,040</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 728,867</u></u>
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See accompanying notes to financial statements.

Highlands Community Development District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Special assessments	\$ 1,010,575	\$ 1,010,575	\$ 1,020,112	\$ 9,537
Miscellaneous revenues	5,000	5,000	55	(4,945)
Investment income	-	-	85	85
Total Revenues	<u>1,015,575</u>	<u>1,015,575</u>	<u>1,020,252</u>	<u>4,677</u>
Expenditures				
Current				
General government	157,250	157,250	127,714	29,536
Physical environment	563,475	563,475	533,847	29,628
Culture/recreation	294,850	294,850	183,629	111,221
Capital outlay	-	-	23,000	(23,000)
Total Expenditures	<u>1,015,575</u>	<u>1,015,575</u>	<u>868,190</u>	<u>147,385</u>
Net Change in Fund Balances	-	-	152,062	152,062
Fund Balances - Beginning of Year	-	-	648,805	648,805
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 800,867</u>	<u>\$ 800,867</u>

See accompanying notes to financial statements.

Highlands Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of 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 June 6, 2006, pursuant to 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 financing and managing 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 outside the boundaries of the Highlands Community Development District. The District is governed by a five member Board of Supervisors who are elected on an at large basis by landowners of the District. The District operates within the criteria established by Chapter 190, Florida Statutes.

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

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

2. Measurement Focus and Basis of Accounting

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

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

Highlands 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

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 all the governmental activities of the primary government. The effect of interfund activity has been removed from these statements.

Governmental activities are supported by special assessments and interest. 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.

Highlands 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

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

The District has various policies governing the fund balance classifications.

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

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

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

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

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

Highlands 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)

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.

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.

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 are 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.

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.

Highlands Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Presentation (Continued)

a. Governmental Major Funds (Continued)

Debt Service Funds – Accounts for the accumulation of resources for the annual payment of principal and interest on long-term general obligation debt.

Capital Projects Funds – The Capital Projects Funds account for the construction of infrastructure improvements within the boundaries of the District.

b. Non-current Governmental Assets/Liabilities

GASB Statement 34 requires that non-current governmental assets, such as land and improvements, and non-current governmental liabilities, such as general obligation bonds and due to developer be reported in the governmental activities column in the government-wide Statement of Net Position.

4. Assets, Liabilities, and Net Position or Equity

a. Cash and Investments

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

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.

Highlands Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

b. Restricted Net Position

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

c. Capital Assets

Capital assets, which include land and improvements, construction in progress, buildings and improvements, infrastructure and equipment, are reported in the 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.

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

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

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

Infrastructure	30 years
Buildings and improvements	25 years
Equipment	5 years

d. Budgets

Budgets are prepared and adopted after a public hearing 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 columns of the accompanying financial statements may occur.

Highlands Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE B – 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 \$836,411 and the carrying value was \$825,530. 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:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
First American Treasury Obligation	13 Days*	\$ 776,143
First American Government Obligation	14 Days*	1,852,236
Total		<u>\$ 2,628,379</u>

*Weighted average maturity

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 investments listed above are level one assets.

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.

Highlands Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE B – CASH AND INVESTMENTS (CONTINUED)

Credit Risk

The District's investments are limited by state statutory requirements and bond compliance. The District has no investment policy that would further limit its investment choices. As of September 30, 2021, the District's investment in First American Treasury Obligation and First American Government Obligation was rated AAAM by Standard & Poor's.

Concentration of Credit Risk

The District places no limit on the amount it may invest in any one fund. The District's investment in the First American Treasury Obligation represent 30% of total investments. The District's investment in the First American Government Obligation represent 70% of 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 to be temporary.

NOTE C – SPECIAL ASSESSMENT REVENUES

Assessment revenues recognized for the 2020-2021 fiscal year were levied in October 2020. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Per Section 197.162, Florida Statutes, discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount.

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

Highlands Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE D – 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 being depreciated:				
Land and land improvements	\$ 7,604,176	\$ -	\$ -	\$ 7,604,176
Construction in progress	17,445,389	51,546	-	17,496,935
Total capital assets not being depreciated	<u>25,049,565</u>	<u>51,546</u>	<u>-</u>	<u>25,101,111</u>
Capital assets, being depreciated:				
Infrastructure	7,381,967	10,760	-	7,392,727
Buildings and improvements	1,081,962	29,304	(14,652)	1,096,614
Equipment	-	69,460	-	69,460
Total Capital Assets, Being Depreciated	<u>8,463,929</u>	<u>109,524</u>	<u>(14,652)</u>	<u>8,558,801</u>
Less accumulated depreciation for:				
Infrastructure	(3,525,384)	(129,922)	-	(3,655,306)
Buildings and improvements	(491,336)	(43,604)	7,473	(527,467)
Equipment	-	(5,022)	-	(5,022)
Total Accumulated Depreciation	<u>(4,016,720)</u>	<u>(178,548)</u>	<u>7,473</u>	<u>(4,187,795)</u>
Total Capital Assets Depreciated, Net	<u>4,447,209</u>	<u>(69,024)</u>	<u>(7,179)</u>	<u>4,371,006</u>
Governmental Activities Capital Assets, net	<u>\$ 29,496,774</u>	<u>\$ (17,478)</u>	<u>\$ (7,179)</u>	<u>\$ 29,472,117</u>

Current year depreciation was charged to physical environment, \$129,922 and culture/recreation, \$48,626.

NOTE E – LONG-TERM DEBT

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

Long-term debt at October 1, 2020	\$ 25,950,000
Principal payments	<u>(645,000)</u>
Long-term debt at September 30, 2021	<u>\$ 25,305,000</u>
Less: bond discount, net	(101,814)
Plus: bond premium, net	<u>235,681</u>
Bonds payable, net at September 30, 2021	<u>\$ 25,438,867</u>

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

NOTE E – LONG-TERM DEBT (CONTINUED)

Long-term debt for Governmental Activities is comprised of the following:

Special Assessment Revenue and Refunding Bonds

<p>\$2,860,000 Series 2013 Special Assessment Bonds, Phase 2B are due in annual principal installments beginning November 2014 maturing November 2043. Terms bonds with interest rates between 5.50% and 6.75% is due May and November beginning May 2013. Current portion is \$55,000.</p>	<p>\$ 2,555,000</p>
<p>\$2,305,000 Series 2014 Special Assessment Bonds, Phase 2A are due in annual principal installments beginning November 2015 maturing November 2044. Term bonds with interest rates between 6.25% and 7.25% is due May and November beginning May 2014. Current portion is \$40,000.</p>	<p>2,090,000</p>
<p>\$4,875,000 Series 2016 Special Assessments Bonds, Phase 3A are due in annual principal installments beginning May 2017 maturing May 2046. Interest at various rates between 4.00% and 5.50% is due May and November beginning May 2016. Current portion is \$75,000.</p>	<p>3,680,000</p>
<p>\$7,195,000 Series 2016 Special Assessment Refunding bonds are due in annual principal installments beginning May 2017 maturing May 2036. Interest at various rates between 2.00% and 4.25% is due May and November beginning May 2017. Current portion is \$295,000.</p>	<p>5,810,000</p>
<p>\$3,925,000 Series 2016 Special Assessment Bonds, Phase 3C are due in annual principal installments beginning December 2017 maturing 2046. Term bonds with interest rates between 3.875% and 5.500% is due June and December beginning June 2017. Current portion is \$65,000.</p>	<p>3,565,000</p>
<p>\$5,515,000 Series 2018 Special Assessment Bonds, Phase 3B & 5, are due in annual principal installments beginning December 2019 maturing 2048. Interest at various rates between 4.00% and 5.00% is due June and December beginning June 2019. Current portion is \$100,000.</p>	<p>5,325,000</p>
<p>\$3,560,000 Series 2018 Special Assessments Bonds, Phase 4 are due in annual principal installments beginning June 2020 maturing June 2049. Interest at various rates between 4.250% and 5.375% is due June and December beginning June 2019. Current portion is \$40,000.</p>	<p><u>2,280,000</u></p>
<p>Bonds Payable</p>	<p><u>\$ 25,305,000</u></p>

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

NOTE E – LONG-TERM DEBT (CONTINUED)

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	\$ 670,000	\$ 1,266,600	\$ 1,936,600
2023	695,000	1,242,263	1,937,263
2024	720,000	1,216,250	1,936,250
2025	745,000	1,187,388	1,932,388
2026	775,000	1,156,144	1,931,144
2027-2031	4,495,000	5,183,175	9,678,175
2032-2036	5,760,000	3,951,353	9,711,353
2037-2041	4,485,000	2,568,706	7,053,706
2042-2046	5,345,000	1,157,025	6,502,025
2047-2049	1,615,000	122,625	1,737,625
Totals	<u>\$ 25,305,000</u>	<u>\$ 19,051,529</u>	<u>\$ 44,356,529</u>

Summary of Significant Bond Resolution Terms and Covenants

Special Assessment Revenue and Refunding Bonds

Significant Bond Provisions

The Series 2013 Bonds are subject to redemption at the option of the District prior to their maturity, in whole or in part, at any time after November 1, 2033 at a redemption price equal to the principal amount of the Series 2013 Bonds to be redeemed, together with accrued interest to the date of redemption. The Series 2013 Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Trust Indenture.

The Series 2014 Bonds are subject to redemption at the option of the District prior to their maturity, in whole or in part, at any time after November 1, 2028 at a redemption price equal to the principal amount of the Series 2014 Bonds to be redeemed, together with accrued interest to the date of redemption. The Series 2014 Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Trust Indenture.

Highlands Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE E – LONG-TERM DEBT (CONTINUED)

Summary of Significant Bond Resolution Terms and Covenants (Continued)

Special Assessment Revenue and Refunding Bonds (Continued)

Significant Bond Provisions (Continued)

The Series 2016 Refunding Bonds maturing 2031 and 2036 are subject to redemption at the option of the District prior to their maturity, in whole or in part, at any time after May 1, 2026 at a redemption price outlined in the Trust Indenture. The Series 2016 Refunding Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Trust Indenture.

The Series 2016 3A Bonds are subject to redemption at the option of the District prior to their maturity, in whole or in part, at any time after May 1, 2028 at a redemption price outlined in the Trust Indenture. The Series 2016 3A Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Trust Indenture.

The Series 2016 3C Bonds are subject to redemption at the option of the District prior to their maturity, in whole or in part, at any time after December 15, 2026 at a redemption price outlined in the Trust Indenture. The Series 2016 3C Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Trust Indenture.

The Series 2018 Assessment Areas 3B and 5 Bonds are subject to redemption at the option of the District prior to their maturity, in whole or in part, at any time after December 15, 2029 at a redemption price outlined in the Trust Indenture. The Series 2018 Assessment Areas 3B and 5 Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Trust Indenture.

The Trust Indentures established certain amounts be maintained in a reserve account. In addition, the Trust Indenture has certain restrictions and requirements relating principally to the use of proceeds to pay for the infrastructure improvements and the procedures to be followed by the District on assessments to property owners. The District agrees to levy special assessments in annual amounts adequate to provide payment of debt service and to meet the reserve requirements.

Highlands Community Development District
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE E – LONG-TERM DEBT (CONTINUED)

Depository Funds

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

Reserve Fund – All Reserve Accounts were funded from the proceeds of the issuing Bonds. The 2013, 2016 Refunding, and 2016 3A, Reserve Accounts were funded in amounts equal to 50 percent of the maximum annual debt service outstanding for the indicated Bonds. The Series 2014 Reserve Account was funded in an amount equal to \$60,000. The Series 2016 3C Reserve Account was funded in an amount equal to 40 percent of the maximum annual debt service outstanding for the Series 2016 3C Bonds. The Series 2018, Assessment Areas 3B and 5, Reserve Accounts were funded in an amount equal to 30 percent of the maximum annual debt service outstanding for the Series 2018, Assessment Area 3B and 5 Bonds. And lastly, the Series 2018, Assessment Area 4 Reserve Account was funded in an amount equal to 100 percent of the maximum annual debt service outstanding or the Series 2018, Assessment Area 4 Bonds. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture.

The following is a schedule of required reserve balances as of September 30, 2021:

	Reserve Balance	Reserve Requirement
Special Assessment Bonds, Series 2013	\$ 110,856	\$ 110,606
Special Assessment Bonds, Series 2014	\$ 60,000	\$ 60,000
Special Assessment Refunding Bonds, Series 2016	\$ 261,847	\$ 261,847
Special Assessment Bonds, Series 2016 3A	\$ 134,777	\$ 133,250
Special Assessment Bonds, Series 2016 3C	\$ 104,670	\$ 103,600
Special Assessment Bonds, Series 2018 (3B & 5)	\$ 106,929	\$ 106,926
Special Assessment Bonds, Series 2018 (4)	\$ 127,732	\$ 160,666

NOTE F – 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. The District has not filed any claims under this commercial coverage during the last three years.



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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
Highlands Community Development District
Hillsborough County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Highlands 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 June 14, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Highlands 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 Highlands Community Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Highlands 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.

Board of Supervisors
Highlands Community Development District

Compliance and Other Matters

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

Purpose of this Report

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



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

June 14, 2022



Berger, Toombs, Elam, Gaines & Frank

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MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Highlands Community Development District as of and for the year ended September 30, 2021, and have issued our report thereon dated June 14, 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 June 14, 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 financial audit report.

To the Board of Supervisors
Highlands Community Development District

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 Highlands 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 Highlands Community Development District did not meet any of the conditions described in Section 218.503(1) Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for Highlands Community Development District. It is management's responsibility to monitor the Highlands 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) and Section 218.32(1)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Highlands Community Development District reported:

- 1) The total number of district employees compensated in the last pay period of the District's fiscal year: 0
- 2) The total number of independent contractors to whom nonemployee compensation, defined as individuals or entities that receive 1099s, was paid in the last month of the District's fiscal year: 1
- 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, defined as entities or individuals that receive 1099s, whether paid or accrued, regardless of contingency: \$11,918
- 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.
- 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: There were no amendments to the FY 2021 budget.



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To the Board of Supervisors
Highlands Community Development District

As required by Section 218.39(3)(c) and Section 218.32(1)(c), Florida Statutes, and Section 10.554(1)(i)8, Rules of the Auditor General, the Highlands Community Development District reported:

- 7) The rate or rates of non-ad valorem special assessments imposed by the District: The General Fund, \$576.14. and the Debt Service Fund, \$772.49 - \$1,980.37.
- 8) The amount of special assessments collected by or on behalf of the District: \$3,028,872
- 9) The total amount of outstanding bonds issued by the District and the terms of such bonds: Bonds outstanding at September 30, 2021 \$25,305,000, see Note E for more detailed information.

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

June 14, 2022



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

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

We have examined Highlands Community Development District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2021. Management is responsible for Highlands Community Development District's compliance with those requirements. Our responsibility is to express an opinion on Highlands 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 Highlands 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 Highlands Community Development District's compliance with the specified requirements.

In our opinion, Highlands 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
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Fort Pierce, Florida

June 14, 2022