

**HIGHLAND MEADOWS
COMMUNITY DEVELOPMENT DISTRICT
DAVENPORT, FLORIDA
ANNUAL FINANCIAL REPORTS
SEPTEMBER 30, 2016**

TABLE OF
CONTENTS

INDEPENDENT AUDITOR’S REPORT	1 - 3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4 - 9
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Balance Sheet – Governmental Funds	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	14
Notes to the Financial Statements	15 – 26
Required Supplemental Information:	
Budgetary Comparison Schedule Governmental Fund – General Fund	27
Notes to the Budgetary Comparison Schedule	28
COMPLIANCE SECTION	
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	29 - 30
Independent Accountant’s Report on Compliance with Section 218.45, Florida Statutes	31
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	32 - 34



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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Highland Meadows Community Development District
Davenport, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of Highland Meadows Community Development District, as of and for the year ended September 30, 2016, 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.

Auditor's 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 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

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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 Highland Meadows Community Development District, as of September 30, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9, and the budgetary comparison information on pages 28-29 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 7, 2017 on our consideration of the Highland Meadows Community Development District's internal control over financial reporting and on 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 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 Highland Meadows Community Development District's internal control over financial reporting and compliance.

In accordance with the *Rules of the Florida Auditor General*, we have also issued our management letter dated June 7, 2017.

BRIMMER, BUREK & KEELAN, LLP

Brimmer, Burek & Keelan LLP

Certified Public Accountants

June 7, 2017

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

Our discussion and analysis of Highland Meadows Community Development District (the "District") financial accomplishments provides an overview of the District's financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the District's Independent Auditor's Report, financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- The District's total assets exceeded total liabilities by \$7,148,078 (net position). Unrestricted net position for Governmental Activities was \$236,057.
- Governmental activities revenues total \$226,093 while governmental activities expenses totaled \$304,354.
- At September 30, 2016 the District's governmental funds reported a combined fund balance of \$339,971, an increase in the fund balance of \$761,176 in comparison with the prior year. The increase is the result of a gain in the amount of \$779,400 resulting from payment of a portion of the outstanding defaulted bond debt by the bond trustee.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Highland Meadows Community Development District's basic financial statements. The District's basic financial statements comprise three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector businesses.

The statement of net position presents information on all of the District's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information on how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide Financial Statements (Continued)

The government-wide financial statements include all District activities that are principally supported by special assessment revenues. The District does not have any business-type activities. The governmental activities of the District include general government and physical environment related functions.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund category: Governmental Funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governments near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, debt service fund and capital projects fund. The general fund and debt service funds are considered to be major funds.

The District adopts an annual appropriation budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities at the close of the most recent fiscal year.

Key components of the District's net position are reflected in the following table:

	Net Position	
	September 30,	
	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Assets, excluding capital assets	\$ 345,544	\$ 831,842
Capital assets, net of depreciation	<u>7,887,284</u>	<u>7,989,336</u>
Total assets	<u>8,232,828</u>	<u>8,821,178</u>
Liabilities, excluding long-term liabilities	29,750	1,382,672
Long-term liabilities	<u>1,055,000</u>	<u>2,435,000</u>
Total liabilities	<u>1,084,750</u>	<u>3,817,672</u>
Net Position		
Net investment in capital assets	6,907,157	5,513,726
Restricted for capital projects	26	26
Restricted for debt service	4,838	-
Unrestricted	<u>236,057</u>	<u>(510,246)</u>
Total net position	<u>\$ 7,148,078</u>	<u>\$ 5,003,506</u>

The District's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's other obligations.

The decrease of \$588,350 in total assets is primarily related to a decrease in cash and investments of \$472,622 used to pay down bond debt, and a reduction of capital assets through depreciation of \$102,053.

Key elements of the Statement of Activities are reflected in the following table:

**Statement of Activities
For the Fiscal Year Ended September 30,**

	Governmental Activities	
	2016	2015
Revenues:		
Program Revenues		
Charges for services	\$ 226,093	\$ 225,919
General revenues		
Gain on troubled debt restructuring	2,222,747	-
Investment earnings	86	105
Total revenues	2,448,926	226,024
Expenses:		
General government	95,782	211,667
Physical environment	154,557	157,762
Interest on debt	54,015	155,100
Total expenses	304,354	524,529
Change in net position	2,144,572	(298,505)
Net position, beginning of year	5,003,506	5,302,011
Net position, end of year	\$ 7,148,078	\$ 5,003,506

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Total revenue, excluding the gain on troubled debt restructuring, was consistent between the two years while expenses were \$220,175 lower in 2016, primarily due to decreased debt service expenses. In conjunction with the \$2,222,747 gain on troubled debt restructuring, the positive change in net position was significant in the current year.

FUND ACCOUNTING FINANCIAL ANALYSIS

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At September 30, 2016, the District's governmental funds reported a combined fund balance of \$339,971. Of this total, \$11,366 is non-spendable, \$103,909 is restricted and the remainder is an unassigned fund balance of \$224,696.

The fund balance of the District's general fund increased by \$19,003 from the prior year.

The debt service fund balance increased by \$742,173 primarily from a gain on troubled debt restructuring in the amount of \$779,400.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2016, the District had \$7,887,284 invested in capital assets, net of depreciation. More detailed information is presented in the notes to the financial statements.

Capital Debt

At September 30, 2016, the District had \$1,055,000 in bonds outstanding. More detailed information about the District's capital debt is presented in the notes to the financial statements.

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact the Highland Meadows Community Development District's finance department at 12750 Citrus Park Lane, Suite 115, Tampa, Florida 33625.

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 230,269
Investments - restricted	102,122
Prepays and deposits	13,153
Capital assets	
Land and improvements	5,680,071
Other capital assets, net of depreciation	2,207,213
Total capital assets	7,887,284
Total Assets	8,232,828
LIABILITIES	
Accounts payable and accrued expenses	5,573
Accrued interest payable	24,177
Long-term liabilities	
Bonds payable, due within one year	30,000
Bonds payable, due in more than one year	1,025,000
Total Liabilities	1,084,750
NET POSITION	
Net investment in capital assets	6,907,157
Restricted for capital projects	26
Restricted for debt service	4,838
Unrestricted	236,057
Total Net Position	\$ 7,148,078

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Expenses	Program Revenue Charges for Services	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
<u>Functions/Programs</u>			
Governmental activities:			
General government	\$ (95,782)	\$ 136,322	\$ 40,540
Physical environment	(154,557)	-	(154,557)
Interest on debt	(54,015)	89,771	35,756
Total governmental activities	(304,354)	226,093	(78,261)
<u>General revenues:</u>			
Gain from troubled debt restructuring			2,222,747
Unrestricted investment earnings			86
Total general revenues			2,222,833
Change in net position			2,144,572
Net position - beginning of year			5,003,506
Net position - end of year			\$ 7,148,078

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
ASSETS				
Cash and cash equivalents	\$ 230,269	\$ -	\$ -	\$ 230,269
Restricted assets:				
Investments	-	102,096	26	102,122
Due from other funds	-	1,787	-	1,787
Prepays and deposits	11,366	-	-	11,366
Total Assets	<u>\$ 241,635</u>	<u>\$ 103,883</u>	<u>\$ 26</u>	<u>\$ 345,544</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 3,786	\$ -	\$ -	\$ 3,786
Due to other funds	1,787	-	-	1,787
Total Liabilities	<u>5,573</u>	<u>-</u>	<u>-</u>	<u>5,573</u>
FUND BALANCES				
Nonspendable	11,366	-	-	11,366
Restricted for capital projects	-	-	26	26
Restricted for debt service	-	103,883	-	103,883
Unassigned (deficit)	224,696	-	-	224,696
Total Fund Balances	<u>236,062</u>	<u>103,883</u>	<u>26</u>	<u>339,971</u>
Total Liabilities and Fund Balances	<u>\$ 241,635</u>	<u>\$ 103,883</u>	<u>\$ 26</u>	

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

Capital assets not being depreciated are as follows: Land (\$5,295,500) and Land Improvements (\$384,571) used in governmental activities are not financial resources and therefore, are not reported in the funds.	5,680,071
Capital assets to be depreciated are as follows: Sewer and Water (\$1,595,627), Roadways (\$988,700) and Infrastructure (\$581,617), net of accumulated depreciation (\$958,731) used in governmental activities are not financial resources and therefore, not reported in the funds.	2,207,213
Long-term liabilities, including bonds payable (\$1,055,000) are not due and payable in the current period and therefore, are not reported in the funds.	(1,055,000)
Accrued interest expense for general long-term debt is not a financial use and therefore, is not reported in the funds.	(24,177)
Total net position of governmental activities	<u>\$ 7,148,078</u>

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
REVENUES:				
Special assessments	\$ 136,322	\$ 89,770	\$ -	\$ 226,092
Gain from troubled debt restructuring	-	779,400	-	779,400
Investment earnings	-	86	-	86
Total Revenues	<u>136,322</u>	<u>869,256</u>	<u>-</u>	<u>1,005,578</u>
EXPENDITURES:				
Current				
General government	64,815	30,967	-	95,782
Physical environment	52,504	-	-	52,504
Debt Service				
Principal	-	66,278	-	66,278
Interest	-	29,838	-	29,838
Total expenditures	<u>117,319</u>	<u>127,083</u>	<u>-</u>	<u>244,402</u>
Excess (Deficiency) of revenues over (under) expenditures and net change in fund balances	19,003	742,173	-	761,176
Fund balances (deficit), beginning of year	217,059	(638,290)	26	(421,205)
Fund balances (deficit), end of year	<u>\$ 236,062</u>	<u>\$ 103,883</u>	<u>\$ 26</u>	<u>\$ 339,971</u>

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

Reconciliation of the change in fund balances - total governmental funds to the change in net position of governmental activities:

Net change in fund balances - total governmental funds	
Amounts reported for governmental activities in the Statement of Activities are different because:	\$ 761,176
Depreciation of capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.	(102,053)
Governmental funds report forgiveness of matured interest payable as a gain on troubled debt restructuring. However, the statement of activities also includes forgiveness of debt principal as part of this gain.	1,443,348
In the statement of activities, interest is accrued on outstanding bonds; whereas in governmental funds, interest expenditures are reported when due. The net amount of accrued interest expense during the year is.	(24,177)
Unpaid payments of debt principal is reported as an expenditure in the governmental fund statement but such payments reduce liabilities in the statement of net assets and are eliminated in the statement of activities.	66,278
Change in net position of governmental activities	<u><u>\$2,144,572</u></u>

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 - NATURE OF ORGANIZATION AND REPORTING ENTITY

The Highland Meadows Community Development District, (the “District”), was established by City of Davenport Ordinance No. 573 enacted on April 24, 2006, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190 Florida Statutes. The Act provides among other things, the power to manage basic services for community development, the power to borrow money and issue bonds, and the power to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure. The District was established for the purpose 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 the Board of Supervisors (the “Board”), which is composed of five members. The Supervisors are elected on an at large basis by qualified electors residing within the District. 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. Allocating 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.

The financial statements were prepared in accordance with Governmental Accounting Standards Board (“GASB”) Statement 14, and Statements 61 and 39, amendments of GASB Statement 14 and Statement 34. Under provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District Board of Supervisors is considered to be financially accountable, and other organizations (component units) for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. Management has determined that there are no entities considered to be component units of the District.

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report on all non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants, contributions and investment earnings that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) operating-type special assessments that are treated as charges for services (including assessments for maintenance and debt service). Other items not included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement 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 related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues 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 are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Assessments

Assessments, including debt service assessments and operation and maintenance assessments, are non-ad valorem assessments imposed on all lands located within the District and benefited by the District's activities. Operation and maintenance special assessments are levied by the District prior to the start of the fiscal year which begins October 1st and ends on September 30th. These 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 and interest associated with the current financial period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of assessments received and due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund

The debt service fund accounts for the accumulation of resources for the annual payment of principal and interest on long-term general obligation debt.

The District non-major fund is:

Capital Projects Fund

The capital projects fund accounts for the acquisition or construction of major infrastructure within the boundaries of the District.

As a general rule, the effect of the 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.

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to bond covenants or other contractual restrictions.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

Investments of the District are reported at fair value. The District's investments consist of investments authorized per their investment policy adopted in accordance with Section 218.415, Florida Statutes.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable 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 or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

All capital asset acquisitions and construction is considered land, improvements and infrastructure at September 30, 2016.

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

Infrastructure	10-40 years
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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.

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Unearned Revenue

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

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 assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of premiums or discounts. Debt issuance costs are expensed in the year incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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 expenditures.

Fund Balance Categories and Classification

The District uses the following fund balance classifications: nonspendable, restricted, committed, assigned, and unassigned. The District's general spending prioritization policy is to consider restricted resources to have been used first, followed by assigned and unassigned amounts when expenditures have been incurred for which resources in more than one classification could be used.

Nonspendable Fund Balance - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Spendable Fund Balance:

- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by debt covenants or amounts constrained due to constitutional provision or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, which is the Board of Supervisors.

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- Assigned - includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board of Supervisors has authorized the District Manager to assign amounts for specific purposes.
- Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position in the government-wide statement are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net 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.

Other Disclosures

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Budgetary Information

The District is required to establish a budgetary system and an approved annual budget for the General Fund. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at the fiscal year end. The legal level of budgetary control is at the fund level. Any budget amendments that increase the aggregate budgeted appropriations, at the fund level, must be approved by the Board of Supervisors.

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Disclosures (Continued)

Budgetary Information (Continued)

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

1. Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
2. A public hearing is conducted to obtain comments.
3. Prior to October 1, the budget is legally adopted by the District Board.
4. All budget changes must be approved by the District Board.
5. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Management Company

The District has contracted with a management company to perform management services, which include financial and accounting services. Certain employees of the management company also serve as officers of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative services.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. "The percentage of eligible collateral (generally, U.S. Government and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Investments

Investments are stated at fair value which is the amount for which an investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Fair value is based on quoted market prices. Changes in the fair value of investments are recognized as revenue and included in investment revenue. Investment revenue is recognized as earned and is recorded in the respective fund related to the investment activity.

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

The District's investment policy is governed by state Statutes and the District Trust Indenture. The District's investment policy allows investments in any financial institution that is a qualified public depository of the State of Florida as identified by the State Treasurer, in accordance with Chapter 280 of the Florida Statutes. Authorized District investments include, but are not limited to:

1. Local Government Surplus Funds Trust Fund (SBA);
2. Securities and Exchange Commission Registered Money Market Funds with the highest credit quality rating from a nationally recognized rating agency;
3. Interest-bearing time deposits or saving accounts in qualified public depositories;
4. Direct obligations of the U.S. Treasury;
5. Short-term bond funds investing in U.S. Government securities or U.S. Government Agency Securities;
6. Securities of registered investment companies (mutual funds) that are limited to obligations of the U.S. Government or any agency or instrumentality thereof;

Investments made by the District at September 30, 2016 are summarized below. In accordance with GASB 31, investments are reported at fair value.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
US Bank Money Market Account-Managed	N/A	<u>\$ 102,122</u>

Credit Risk:

The District's investment policy limits credit risk by restricting authorized investments to those described above. Investments in U.S. Government securities and agencies must be backed by the full faith and credit of the United States Government. Short term bond funds shall be rated by a nationally recognized ratings agency and shall maintain the highest credit quality rating.

Custodial Credit Risk:

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida and creates the Public Deposit Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2016, all of the District's bank deposits were in qualified public depositories.

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Custodial Credit Risk: (Continued)

For an investment, this is the risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2016, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Interest Rate Risk:

The District's investment policy does not specifically address interest rate risk; however, the general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act. With discretion and intelligence, to seek reasonable income, preserve capital, and in general avoid speculative investments. The District manages its exposure to declines in fair values by investing primarily in pooled investments that have a weighted average maturity of less than three months.

Concentration of Credit Risk:

The District places no limit on the amount it may invest in any one investment. The investments in US Bank Money Market are 100% of the District's total investments. The types of deposits and investments and their level of risk exposure as of September 30, 2016 were typical of these items during the fiscal year then ended. The District considers any decline in fair value for certain investments to be temporary.

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:

The 2006A Reserve Account is funded from the proceeds of the Series 2006A Bonds in the amount equal to the lesser of the maximum annual debt service requirement for all outstanding bonds, 10% of the original proceeds of the bonds, or 125% of the average annual debt service requirements for the outstanding bonds. Monies held in the reserve accounts will be used only for the purposes established in the Trust Indenture.

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 4 - CAPITAL ASSETS

Capital Asset activity for the year ended September 30, 2016 was as follows:

<u>Description</u>	<u>Balance October 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance September 30, 2016</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 5,680,071	\$ -	\$ -	\$ 5,680,071
Capital assets, not being depreciated	<u>5,680,071</u>	<u>-</u>	<u>-</u>	<u>5,680,071</u>
Capital assets, being depreciated:				
Sewer and water	1,595,627	-	-	1,595,627
Roadways	988,700	-	-	988,700
Infrastructure	581,617	-	-	581,617
Capital assets being depreciated	<u>3,165,944</u>	<u>-</u>	<u>-</u>	<u>3,165,944</u>
Less accumulated depreciation				
Sewer and water	(296,612)	(32,957)	-	(329,569)
Roadways	(359,019)	(39,891)	-	(398,909)
Infrastructure	(201,048)	(29,205)	-	(230,253)
Total accumulated depreciation	<u>(856,679)</u>	<u>(102,053)</u>	<u>-</u>	<u>(958,731)</u>
Net depreciated capital assets	<u>2,309,265</u>	<u>(102,053)</u>	<u>-</u>	<u>2,207,213</u>
Capital assets, net	<u><u>\$ 7,989,336</u></u>	<u><u>\$ (102,053)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,887,284</u></u>

Depreciation expense of \$102,053 was charged to physical environment.

NOTE 5 - LONG TERM DEBT

On May 1, 2006, the District issued \$2,945,000 of Capital Improvement Revenue Bonds Series 2006A with a fixed interest rate of 5.50%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the District. Interest is paid semiannually on each May 1 and November 1. Principal on the bonds is payable annually, commencing May 1, 2007 through May 1, 2036.

The Series 2006A Bonds are subject to redemption at the option of the District, in whole or in part at anytime on or after May 1, 2016 at a redemption price as set forth in the Bond Indenture.

The Series 2006A Bonds are subject to extraordinary mandatory redemption prior to maturity in the manner determined by the Bond Indenture. The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirements as defined in the indenture. The District is in compliance with this requirement at September 30, 2016.

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5 - LONG TERM DEBT (CONTINUED)

The Bond 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 agreed to 1) levy special assessments in annual installments adequate to provide payment of debt service and 2) to meet the reserve requirements. Payment of the principal and interest on the Series 2006A Bonds is secured by a pledge of and first lien upon the pledged special assessment revenue. The District was not in compliance with certain requirements of the Bond Indenture.

<u>Description</u>	<u>Balance October 1, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance September 30, 2016</u>
Special Assessment Revenue Bonds Series 2006A at 5.5%, maturing	<u>\$ 2,500,000</u>	<u>\$ -</u>	<u>\$ (1,445,000)</u>	<u>\$ 1,055,000</u>

The remaining debt service requirements to maturity, including principal and interest are as follows:

<u>Year Ending September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 30,000	\$ 58,025	\$ 88,025
2018	30,000	56,375	86,375
2019	35,000	54,725	89,725
2020	35,000	52,800	87,800
2021	35,000	50,875	85,875
2022-2026	220,000	215,875	435,875
20247-2031	290,000	146,300	436,300
2032-2036	<u>380,000</u>	<u>54,450</u>	<u>434,450</u>
	<u>\$ 1,055,000</u>	<u>\$ 689,425</u>	<u>\$ 1,744,425</u>

The District was unable to make the November 1, 2009 and subsequent debt service payments due to uncollected assessments. In November 2015, the bond trustee applied \$296,278 of the reserve funds against debt principal and interest in default and forgave debt in an amount to reschedule the outstanding debt to \$1,085,000. On May 1, 2016, the District began servicing the outstanding debt based on the revised debt service schedule. The District has recorded a gain on troubled debt restructuring in the amount of \$2,222,747.

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 6 - RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. Significant losses are covered by commercial insurance for all major areas. The District has not filed any claims under this commercial coverage during the last three years.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

The District is committed under various contracts for grounds maintenance, administrative services and legal consultations. These agreements are generally cancellable upon written notice.

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUND - GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 137,009	\$ 137,009	\$ 136,322	\$ (687)
Total Revenues	<u>137,009</u>	<u>137,009</u>	<u>136,322</u>	<u>(687)</u>
EXPENDITURES:				
Current:				
General government	79,519	79,519	64,815	14,704
Physical environment	66,583	66,583	52,504	14,079
Total expenditures	<u>146,102</u>	<u>146,102</u>	<u>117,319</u>	<u>28,783</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(9,093)</u>	<u>(9,093)</u>	<u>19,003</u>	<u>28,096</u>
OTHER FINANCING SOURCES (USES):				
Fund balance carryforward	9,093	9,093	-	(9,093)
Total other financing sources (uses)	<u>9,093</u>	<u>9,093</u>	<u>-</u>	<u>(9,093)</u>
Net change in fund balances	-	-	19,003	19,003
Fund balances (deficit), beginning of year	<u>217,059</u>	<u>217,059</u>	<u>217,059</u>	<u>-</u>
Fund balances (deficit), end of year	<u>\$ 217,059</u>	<u>\$ 217,059</u>	<u>\$ 236,062</u>	<u>\$ 19,003</u>

**HIGHLAND MEADOWS COMMUNITY DEVELOPMENT DISTRICT
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
SEPTEMBER 30, 2016**

NOTE 1 - BUDGETARY ACCOUNTING

Budgets are prepared and adopted after a public hearing for the governmental funds, pursuant to Chapter 190 and Sec 200.065, Florida Statutes. The District utilizes the same basis of accounting for budgeting 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 fund. As a result, deficits in the budget columns of the accompanying financial statements may occur.



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

Board of Supervisors
Highland Meadows Community Development District
Davenport, Florida

Members of:
Center for Audit Quality

American Institute of
Certified Public Accountants

Florida Institute of Certified
Public Accountants

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 Community Development District as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Highland Meadows Community Development District's basic financial statements and have issued our report thereon dated June 7, 2017.

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 determine the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Highland Meadows 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 misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency, or a combination of deficiencies, in internal control 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 those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

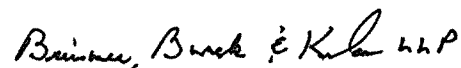
As part of obtaining reasonable assurance about whether Highland Meadows Community Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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*.

We noted certain matters that we reported to management of the District in a separate management letter dated June 7, 2017.

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 result 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.

BRIMMER, BUREK & KEELAN, LLP



Certified Public Accountants

June 7, 2017



Brimmer, Burek & Keelan, LLP

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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

Board of Supervisors
Highland Meadows Community Development District
Davenport, Florida

We have examined Highland Meadows Community District's (the "District") compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2016. Management is responsible for the District's compliance with those 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 and, accordingly, included examining on a test basis, evidence about the 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 the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2016.

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 those specified parties.

BRIMMER, BUREK & KEELAN, LLP

Certified Public Accountants

June 7, 2017



Brimmer, Burek & Keelan, LLP

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MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Board of Supervisors
Highland Meadows Community Development District
Davenport, Florida

Report on the Financial Statements

We have audited the financial statements of the Highland Meadows Community Development District, whose headquarters is located in Davenport, Florida, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated June 7, 2017.

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; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards* and Independent Accountant's report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550 Rules of the Florida Auditor General. Disclosures in those reports should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial report.

Official Title and Legal Authority

The Rules of the Auditor General require 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. Such information has been disclosed in the notes to the financial statements.

Financial Condition

The Rules of the Auditor General require that we apply appropriate procedures and report the results of our determination as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Highland Meadows Community Development District did not meet any of those conditions.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Highland Meadows Community Development 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. Our procedures did not indicate that the District is in a state of financial emergency.

Annual Financial Report

Rules of the Auditor General require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for Highland Meadows Community Development District for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

The Rules of the Auditor General require that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

The Rules of the Auditor General require that we address 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 have 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, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

BRIMMER, BUREK & KEELAN, LLP

Brimmer, Burek & Keelan LLP

Certified Public Accountants

June 7, 2017