

Financial Report

Year Ended September 30, 2022

Scenic Highway Community Development District

	<u>Page</u>
I. Financial Section:	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet - Governmental Funds	9
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	11
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	12
Notes to Financial Statements	13
II. Compliance Section:	
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 <i>Government Auditing Standards</i>	22
Management Letter	23
Independent Auditor's Report on Compliance with the Requirements of Section 218.415, Florida Statutes	25

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Scenic Highway Community Development District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of *Scenic Highway Community Development District*, (the "District") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, the respective financial position of the governmental activities, and each major fund of the District as of September 30, 2022, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis starting on page 3, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge 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 26, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

McDiarmid Davis

Orlando, Florida
June 26, 2023

Our discussion and analysis of the *Scenic Highway Community Development District* (the "District") financial accomplishments provide an overview of the District's financial activities for the year ended September 30, 2022. Please read it in conjunction with the District's Independent Auditor's Report, financial statements and accompanying notes.

This information is being presented to provide additional information regarding the activities of the District and to meet the disclosure requirements of Government Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999.

Financial Highlights

- The assets of the District exceeded its liabilities at September 30, 2022 by \$423,056 a decrease in net position of \$617,574 in comparison with the prior year.
- At September 30, 2022, the District's governmental funds reported fund balances of \$760,735, an increase in fund balance of \$191,480 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the *Scenic Highway Community Development District's* financial statements. The District's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to 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 a private-sector business.

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 showing how the government'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 only result in cash flows in future fiscal periods.

The government-wide financial statements include all governmental 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.

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 government's 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 balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds.

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

Notes to 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

Statement of Net Position

The District's net position was \$423,056 at September 30, 2022. The following analysis focuses on the net position of the District's governmental activities.

	September 30, 2022	September 30, 2021
Assets, excluding capital assets	\$ 806,337	\$ 1,351,254
Capital assets, net of depreciation	<u>7,858,059</u>	<u>8,717,839</u>
Total assets	<u>8,664,396</u>	<u>10,069,093</u>
Liabilities, excluding long-term liabilities	170,290	908,463
Long-term liabilities	<u>8,071,050</u>	<u>8,120,000</u>
Total liabilities	<u>8,241,340</u>	<u>9,028,463</u>
Net Position:		
Net investment in capital assets	(212,991)	216,086
Restricted for debt service	491,120	485,239
Restricted for capital projects	985	-
Unrestricted	<u>143,942</u>	<u>339,305</u>
Total net position	<u>\$ 423,056</u>	<u>\$ 1,040,630</u>

Scenic Highway Community Development District
Management's Discussion and Analysis

Changes to Net Position

The following is a summary of the District's governmental activities for the year ended September 30, 2022.

	<u>2022</u>	<u>2021</u>
Revenues:		
Program revenues	\$ 1,852,401	\$ 1,710,544
General revenues	92,876	126
Total revenues	<u>1,945,277</u>	<u>1,710,670</u>
Expenses:		
General government	82,618	426,388
Culture and recreation	64,130	-
Physical environment	162,369	-
Interest on long-term debt	308,159	236,066
Assets conveyed to other governments	1,945,575	-
Total expenses	<u>2,562,851</u>	<u>662,454</u>
Change in net position	(617,574)	1,048,216
Net position, beginning of year	<u>1,040,630</u>	<u>(7,586)</u>
Net position, ending	<u>\$ 423,056</u>	<u>\$ 1,040,630</u>

As noted above and in the statement of activities, the cost of all governmental activities during the year ended September 30, 2022 was \$2,562,851. The majority of these cost are comprised of interest on long-term debt, and assets conveyed to other governments.

Financial Analysis of the Government's Funds

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, 2022, the District's governmental funds reported a combined ending fund balance of \$760,735. Of this total, \$27,845 is nonspendable, \$615,808 and \$986 is restricted for debt service and capital projects, respectively, and the remainder is an unassigned fund balance of \$116,096.

In the current year, the fund balance of the District's general fund increased by \$69,515 because assessments and miscellaneous income exceeded expenses. The fund balance of the debt service fund increased by \$4,105 due to assessments exceeding the debt service expenditures. The fund balance of the capital projects fund increased by \$117,860 due to developer contributions and miscellaneous income exceeding capital outlay expenditures.

General Fund Budgetary Highlights

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. There were no budget amendments during the year. The legal level of budgetary control is at the fund level.

Capital Asset and Debt Administration

Capital Assets

At September 30, 2022 the District had \$3,037,365 invested in capital assets and \$4,820,694 in infrastructure under construction. More detailed information about the District's capital assets is presented in the notes to financial statements.

Capital Debt

At September 30, 2022, the District had \$7,965,000 in bonds outstanding and \$106,050 in financed purchases outstanding. More detailed information about the District's capital debt is presented in the notes to the financial statements.

Requests for Information

If you have questions about this report or need additional financial information, contact the *Scenic Highway Community Development District's* Finance Department at 219 E. Livingston Street, Orlando, Florida 32801.

FINANCIAL STATEMENTS

Scenic Highway Community Development District
Statement of Net Position
September 30, 2022

	Governmental Activities
Assets	
Cash	\$ 140,748
Assessments receivable	973
Due from developer	21,550
Prepaid expenses	27,845
Restricted assets:	
Temporarily restricted investments	615,221
Capital Assets:	
Capital assets not being depreciated	4,820,694
Capital assets being depreciated, net	3,037,365
Total assets	8,664,396
Liabilities	
Accounts payable and accrued expenses	45,602
Accrued interest payable	124,688
Noncurrent liabilities:	
Due within one year	177,743
Due in more than one year	7,893,307
Total liabilities	8,241,340
Net Position	
Net investment in capital assets	(212,991)
Restricted for:	
Debt service	491,120
Capital projects	985
Unrestricted	143,942
Total net position	\$ 423,056

Scenic Highway Community Development District
Statement of Activities
Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenue		Net (Expense)
		Charges for Services	Capital Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
General government	\$ 82,618	\$ 73,979	\$ 1,114,741	\$ 1,106,102
Culture and recreation	64,130	57,424	-	(6,706)
Physical environment	162,369	145,390	-	(16,979)
Interest on long-term debt	308,159	460,867	-	152,708
Total governmental activities	\$ 617,276	\$ 737,660	\$ 1,114,741	1,235,125
General Revenues:				
Investment income				1,756
Miscellaneous				91,120
Assets conveyed to other governments				(1,945,575)
Total general revenues and special items				(1,852,699)
Change in net position				(617,574)
Net position, beginning				1,040,630
Net position - ending				\$ 423,056

Scenic Highway Community Development District
Balance Sheet
Governmental Funds
September 30, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$ 139,763	\$ -	\$ 985	\$ 140,748
Assessments receivable	385	588	-	973
Investments	-	615,220	1	615,221
Due from developer	-	-	21,550	21,550
Prepaid expenses	27,845	-	-	27,845
Total assets	<u>\$ 167,993</u>	<u>\$ 615,808</u>	<u>\$ 22,536</u>	<u>\$ 806,337</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued expenses	24,052	-	21,550	45,602
Total liabilities	<u>24,052</u>	<u>-</u>	<u>21,550</u>	<u>45,602</u>
Fund Balances:				
Nonspendable	27,845	-	-	27,845
Restricted for:				
Debt service	-	615,808	-	615,808
Capital projects	-	-	986	986
Unassigned	116,096	-	-	116,096
Total fund balances	<u>143,941</u>	<u>615,808</u>	<u>986</u>	<u>760,735</u>
Total liabilities and fund balances	<u>\$ 167,993</u>	<u>\$ 615,808</u>	<u>\$ 22,536</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 7,858,059

Liabilities not due and payable from current available resources are not reported in governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide statements.

Accrued interest payable	(124,688)	
Loans payable	(106,050)	
Bonds payable	(7,965,000)	(8,195,738)
Net position of governmental activities		<u>\$ 423,056</u>

Scenic Highway Community Development District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues				
Assessments	\$ 276,793	\$ 460,867	\$ -	\$ 737,660
Developer contributions	-	-	1,114,741	1,114,741
Investment income	-	1,751	5	1,756
Miscellaneous income	36,545	-	54,575	91,120
Total revenues	<u>313,338</u>	<u>462,618</u>	<u>1,169,321</u>	<u>1,945,277</u>
Expenditures				
Current				
General government	82,604	-	14	82,618
Maintenance and operations	119,226	-	-	119,226
Culture and recreation	141,621	-	-	141,621
Debt service:				
Interest	6,422	303,513	-	309,935
Principal	6,695	155,000	-	161,695
Capital Outlay	-	-	1,051,447	1,051,447
Total expenditures	<u>356,568</u>	<u>458,513</u>	<u>1,051,461</u>	<u>1,866,542</u>
Excess (deficit) of revenues over expenditures	<u>(43,230)</u>	<u>4,105</u>	<u>117,860</u>	<u>78,735</u>
Other Financing Sources (Uses):				
Loan proceeds	112,745	-	-	112,745
Total other financing sources	<u>112,745</u>	<u>-</u>	<u>-</u>	<u>112,745</u>
Net change in fund balances	69,515	4,105	117,860	191,480
Fund balances, beginning of year	74,426	611,703	(116,874)	569,255
Fund balances, end of year	<u>\$ 143,941</u>	<u>\$ 615,808</u>	<u>\$ 986</u>	<u>\$ 760,735</u>

Scenic Highway Community Development District
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds to the Statement of Activities**
 Year Ended September 30, 2022

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

Net change in fund balances - total governmental funds	\$ 191,480
Governmental Funds report outlays for Capital Assets as expenditures because such outlays use current financial resources; however, in the statement of net position the cost of those assets is recorded as capital assets.	1,164,192
Depreciation on capital assets is not recognized in the governmental fund statement; however, it is reported as an expense in the statement of activities.	(78,397)
Loan proceeds are reported as other financing sources in governmental funds and an increase to long-term liabilities in the statement of net position.	(112,745)
Conveyance of capital assets is recorded as an expense in the statement of activities while the amount does not effect the fund financial statements as the amount had previously been recorded as an expenditure.	(1,945,575)
Repayments of long-term liabilities are reported as expenditures in governmental funds, while repayments reduce long-term liabilities in the statement of net position.	161,695
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in accrued interest	1,776
Change in Net Position of Governmental Activities	<u><u>\$ (617,574)</u></u>

Scenic Highway Community Development District
**Statement of Revenues, Expenditures and Changes in
Fund Balance Budget and Actual - General Fund**
Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Assessments	\$ 276,000	\$ 276,000	\$ 276,793	\$ 793
Developer contributions	73,380	73,380	-	(73,380)
Miscellaneous income	-	-	36,545	36,545
Total revenues	349,380	349,380	313,338	(36,042)
Expenditures				
Current:				
General government	139,260	139,260	82,604	56,656
Operations and maintenance	127,000	127,000	119,226	7,774
Amenity expenditures	83,120	83,120	141,621	(58,501)
Debt Service:				
Principal	-	-	6,695	(6,695)
Interest	-	-	6,422	(6,422)
Total expenditures	349,380	349,380	356,568	(7,188)
Excess (Deficit) of Revenues Over Expenditures	-	-	(43,230)	(43,230)
Other Financing Sources (Uses):				
Loan proceeds	-	-	112,745	112,745
Total other financing sources (uses)	-	-	112,745	112,745
Net change in fund balance	-	-	69,515	69,515
Fund balance, beginning	74,426	74,426	74,426	-
Fund balance, ending	\$ 74,426	\$ 74,426	\$ 143,941	\$ 69,515

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The *Scenic Highway Community Development District*, (the "District") was established on March 7, 2019 by the Haines City, Florida Ordinance No. 19-1634, 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 collect 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. All Supervisors are elected by landowners within the District. The Board of Supervisors of the District exercises all powers granted to the District pursuant to Chapter 190, Florida Statutes. At September 30, 2022, all board members were affiliated with the Developer, JMBI Real Estate LLC.

The Board has the final responsibility for, among other things:

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") Statements 14, 39 and 61. Under the 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 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. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

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 information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund 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 income 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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 fiscal 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 receivable 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 - 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 - Accounts for the accumulation of resources for the annual payment of principal and interest on long-term debt.

Capital Projects Fund - Accounts for the financial resources to be used for the acquisition or construction of major infrastructure within the District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Restricted Assets

These assets represent cash and investments set aside pursuant to bond covenants.

Accounts Receivable

Accounts receivable are reported net of an allowance for doubtful accounts.

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 and are categorized within the fair value hierarchy established in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The District's investments consists of investments authorized 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., utilities system, stormwater system, landscaping and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government 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 acquisition value at the date of donation.

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

Property, plant and equipment of the primary government will be depreciated using the straight-line method over the estimated useful lives when the assets are completed and placed into service. Estimated useful lives for financial reporting purposes are as follows:

<u>Assets</u>	<u>Years</u>
Stormwater management	75
Paving	50
Amenities	30
Furniture and equipment	5

Long Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of premiums or discounts.

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any item that qualifies for reporting in this category for the year ended September 30, 2022.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any item that qualifies for reporting in this category for the year ended September 30, 2022.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes fund balance amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Supervisors has authorized the District Manager to assign amounts for specific purposes. The Board of Supervisors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above an additional action is essential to either remove or revise a commitment.

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 disclosure 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.

New Accounting Standards Issued

In fiscal year 2022, the District implemented Government Accounting Standards Board (GASB) Statement No. 87, *Leases*. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use underlying asset. There was no effect on the beginning balances of the District for implementation of this statement.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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.

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 proposed budgets for the fiscal year commencing the following October 1.
2. A public hearing is conducted to obtain public comments.
3. Prior to October 1, the budget is legally adopted by the District Board.
4. Subject to certain limited exceptions set forth in the District's appropriation resolutions adopted each year, 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.

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. Governmental 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

The District categorizes its fair value measurements within the fair value hierarchy 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.

Under GASB 72, 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 uses the best information available under the circumstances, which includes the District's own data in measuring unobservable inputs.

The District has the following recurring fair value measurements as of September 30, 2022:

- Money market mutual funds of \$615,221 are valued using Level 2 inputs.

Instead of establishing a written investment policy, the District elected to limit investments to those approved by Florida Statutes and the District Trust Indenture. Authorized District investments include, but are not limited to:

1. The State Board of Administration Local Government Investment Pool (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 savings accounts and certificates of deposit in state-certified qualified public depositories;
4. Direct obligations of the U.S. Treasury.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments made by the District at September 30, 2022 are summarized below.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
First American Treasury Obligation Fund, Class Y	\$ 615,221	AAAm	9 Days
Total	<u>\$ 615,221</u>		

Credit Risk

For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. 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. Investment ratings by investment type are included in the preceding summary of investments.

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 Deposits 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, 2022, all of the District's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government 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, 2022, 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.

Concentration of Credit Risk

The District's investment policy does not specify limits on the amount the District may invest in any one issuer.

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.

NOTE 4 DEVELOPER TRANSACTIONS

The Developer owns a portion of land within the District; therefore, assessment revenue in the general fund includes assessments levied on land owned by the Developer. For the fiscal year ended September 30, 2022, the Developer contributed 57% of District revenue. The District is economically dependent on the Developer.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, not being depreciated:				
Construction in progress	\$ 8,717,839	\$ 1,051,447	\$ (4,948,592)	\$ 4,820,694
Total capital assets, not being depreciated	<u>8,717,839</u>	<u>1,051,447</u>	<u>(4,948,592)</u>	<u>4,820,694</u>
Capital Assets Being Depreciated:				
Stormwater management	-	717,663	-	717,663
Paving	-	1,678,737	-	1,678,737
Amenities	-	606,617	-	606,617
Equipment and furniture	-	112,745	-	112,745
Total capital assets, being depreciated	<u>-</u>	<u>3,115,762</u>	<u>-</u>	<u>3,115,762</u>
Less Accumulated Depreciation for:				
Stormwater management	-	(9,569)	-	(9,569)
Paving	-	(33,574)	-	(33,574)
Amenities	-	(20,221)	-	(20,221)
Equipment and furniture	-	(15,033)	-	(15,033)
Total accumulated depreciation	<u>-</u>	<u>(78,397)</u>	<u>-</u>	<u>(78,397)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>3,037,365</u>	<u>-</u>	<u>3,037,365</u>
Governmental activities capital assets, net	<u>\$ 8,717,839</u>	<u>\$ 4,088,812</u>	<u>\$ (4,948,592)</u>	<u>\$ 7,858,059</u>

The total project cost of the infrastructure has been estimated at approximately \$9.3 million, of which approximately \$7 million is expected to be financed with the proceeds from the 2020 Bond Series and the remainder to be funded by the Landowners. The infrastructure will include storm water management, water and sewer facilities, roadways, landscaping and hardscaping and amenities. Upon completion, certain assets will be conveyed to other entities for ownership and/or maintenance.

Depreciation of \$43,143 was charged to physical environment expense and \$35,254 was charged to culture and recreation expense.

NOTE 6 LONG-TERM LIABILITIES

Series 2020 Capital Improvement Revenue Bonds – Public Offering

On December 11, 2020 the District issued \$8,120,000 of Special Assessment Revenue Bonds Series 2020 consisting of \$650,000 Series 2020 Term Bonds due May 1, 2025 with a fixed interest rate of 2.75%, \$935,000 Series 2020 Term Bonds due on May 1, 2030 with a fixed interest rate of 3.25%, \$2,460,000 Series 2020 Term Bonds due May 1, 2040 with a fixed interest rate of 3.75%, and \$4,075,000 Series 2020 Term Bonds due May 1, 2051 with a fixed rate of 4.00%. The Bonds were issued to finance the acquisition and construction of certain improvements for the benefit of the property within the District. Interest is due semiannually on each May 1 and November 1. Principal on the Series 2020 Bonds is due annually commencing May 1, 2022 through May 1, 2051.

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

The Series 2020 Bonds are subject to redemption at the option of the District, in whole or in part at any time on or after May 1, 2030 at a redemption price as set forth in the Bond Indenture. The Series 2020 Bonds are subject to extraordinary mandatory redemption prior to maturity, in the manner determined by the Bond Registrar, if certain event occur as outlined in the Bond Indenture.

The Bond Indenture established a debt service reserve requirement as well as other 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 assessment 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. The District is in compliance with those requirements of the Bond Indenture at September 30, 2022.

The principal and interest remaining on Series 2020 Bonds as of September 30, 2022 is \$13,428,751. For the current fiscal year, interest and principal of \$458,513 was paid on these bonds. Special assessment revenue pledged was \$460,867 in the current year.

At September 30, 2022, the scheduled debt service requirements on the bonds payable were as follows:

<u>Year Ending September 30,</u>	Governmental Activities	
	Principal	Interest
2023	\$ 160,000	\$ 299,250
2024	165,000	294,850
2025	170,000	290,313
2026	175,000	285,638
2027	180,000	279,950
2028-2032	1,000,000	1,306,750
2033-2037	1,200,000	1,111,250
2038-2042	1,455,000	866,750
2043-2047	1,765,000	556,200
2048-2051	1,695,000	172,800
	<u>\$ 7,965,000</u>	<u>\$ 5,463,751</u>

Financed Purchase

The District has entered into an agreement for financing the acquisition of playground equipment. Payments of \$2,623 are due monthly. Total principal and interest remaining on the loan was \$144,285.

Principal and interest requirements to maturity are as follows:

<u>Year Ending September 30,</u>	Governmental Activities	
	Principal	Interest
2023	\$ 17,743	\$ 13,737
2024	20,393	11,087
2025	23,439	8,042
2026	26,939	4,541
2027	17,536	828
	<u>\$ 106,050</u>	<u>\$ 38,235</u>

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Long-term debt activity for the year ended September 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds Payable:					
Series 2020	\$ 8,120,000	\$ -	\$ (155,000)	\$ 7,965,000	\$ 160,000
Financed Purchases	-	112,745	(6,695)	106,050	17,743
Total	<u>\$ 8,120,000</u>	<u>\$ 112,745</u>	<u>\$ (161,695)</u>	<u>\$ 8,071,050</u>	<u>\$ 177,743</u>

NOTE 7 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 (Board appointed non-voting positions) of the District. Under the agreements, the District compensates the management company for management, accounting, financial reporting and other administrative costs.

NOTE 8 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance from independent third parties. The District did not file any claims under this commercial coverage during the last three years.

COMPLIANCE SECTION

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

To the Board of Supervisors
Scenic Highway Community Development District

We have audited, 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, the financial statements of the governmental activities and each major fund of the *Scenic Highway Community Development District* (the “District”) as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the District’s financial statements and have issued our report thereon dated June 26, 2023.

Report on 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) as a basis for designing the procedures that are appropriate in the circumstances for the purpose of expressing 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 the District’s internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, 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*.

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.

McDermitt Davis

Orlando, Florida
June 26, 2023

MANAGEMENT LETTER

Board of Supervisors
Scenic Highway Community Development District

Report on the Financial Statements

We have audited the financial statements of *Scenic Highway Community Development District*, (the "District") as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated June 26, 2023.

Auditor's Responsibility

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

Other Reporting Requirements

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 Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 26, 2023, 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. There were no such findings in the preceding annual financial audit report.

Official Title and Legal Authority

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

Financial Condition and Management

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

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

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

Specific Information (Unaudited)

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

- a. The total number of District employees compensated in the last pay period of the District's fiscal year as 0.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year as 9.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as 0.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$1,866,029.

- e. The District did not have any construction project with a total cost of at least \$65,000 approved by the District that is scheduled to begin on or after October 1 of the fiscal year being reported.
- f. 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 budget under Section 189.016(6), Florida Statutes, as included in the general fund budget statement.

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

- a. The rate or rates of non-ad valorem special assessments imposed by the District as O&M- \$806.45, Debt Service - \$1,344.
- b. The total amount of special assessments collected by or on behalf of the District as \$737,660.
- c. The total amount of outstanding bonds issued by the District and the terms of such bonds as disclosed in the notes.

Additional Matters

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

Purpose of this Letter

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

McDermitt Davis

Orlando, Florida
June 26, 2023



934 North Magnolia Avenue, Suite 100
Orlando, Florida 32803
407-843-5406
www.mcdermittdavis.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

Board of Supervisors
Scenic Highway Community Development District

We have examined *Scenic Highway Community Development District's* (the "District") compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2022. 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 the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States 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 year ended September 30, 2022.

McDermitt Davis

Orlando, Florida
June 26, 2023