Financial Report

September 30, 2021

The Woodlands Community Development District

The Woodlands Community Development District
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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
The Woodlands Community Development District

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities and each major fund of *The Woodlands Community Development District* (the "District"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
The District's 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 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2021, and the respective changes in financial position 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.

Other Matters
Emphasis of Matter
As discussed in the Notes to the Financial Statements, the District's debt service fund financial conditions have deteriorated. Certain major landowners within the District have failed to pay their share of the prior years' assessments. The District is economically dependent on these major landowners. The District did not have sufficient funds to make certain scheduled debt service payments and as a result, only partial payments were made in the current and prior years. The District is in default on the Series 2004 Bonds.

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, 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 17, 2022 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant 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 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.

McDirmit Davis

Orlando, Florida
June 17, 2022

Our discussion and analysis of *The Woodlands Community Development District's* (the "District") financial accomplishments provide an overview of the District's financial activities for the year ended September 30, 2021. 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 liabilities of the District exceeded its assets at September 30, 2021 resulting in a net position deficit balance of $(21,383,201), an increase in net position of $1,244,793 in comparison with the prior year.
- At September 30, 2021, the District's governmental funds reported a fund balance deficit of $(7,357,959), an increase in fund balance of $340,627 in comparison with the prior year.

Overview of the Financial Statements
This discussion and analysis are intended to serve as an introduction to *The Woodlands 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 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 a private-sector business.

The statement of net position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 maintenance and operations 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 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 two 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 and debt service 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 $(21,383,201) at September 30, 2021. The following analysis focuses on the net position of the District's governmental activities.

	2021	2020
Assets, excluding capital assets	$ 4,034,275	$ 5,133,407
Capital assets, net of depreciation	7,809,681	7,874,203
Total assets	11,843,956	13,007,610
Liabilities, excluding long-term liabilities	12,075,677	13,527,233
Long-term liabilities	21,151,480	22,108,371
Total liabilities	33,227,157	35,635,604
Net Position:		
Net investment in capital assets	(18,443,071)	(18,591,314)
Unrestricted	(2,940,130)	(4,036,680)
Total net position	$ (21,383,201)	$ (22,627,994)

The following is a summary of the District's governmental activities for the fiscal years ended September 30:

	2021	2020
Revenues:		
Program revenues	$ 3,010,031	$ 4,260,512
General revenues	14,564	50,601
Total revenues	3,024,595	4,311,113
Expenses:		
General government	121,552	163,978
Maintenance and operations	162,257	221,234
Interest on long-term debt	1,495,993	1,490,330
Total expenses	1,779,802	1,875,542
Change in net position	1,244,793	2,435,571
Net position, beginning	(22,627,994)	(25,063,565)
Net position, ending	$ (21,383,201)	$ (22,627,994)

As noted above and in the statement of activities, the cost of all governmental activities during the year ended September 30, 2021 was $1,779,802. The majority of these costs are comprised of interest on long-term debt.

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, 2021, the District's governmental funds reported a combined ending fund balance deficit of $(7,357,959). Of this total, $25,329 is nonspendable, $134,756 is assigned and the remainder is a negative unassigned fund balance of $(7,518,044).

The general fund balance increased by $44,615 in the current year because current year assessments exceeded expenditures. The debt service fund balance increased by $296,012 because prepayments of assessments and other miscellaneous income were collected.

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 amendments to the September 30, 2021 general fund budget. The legal level of budgetary control is at the fund level.

Capital Asset and Debt Administration
Capital Assets
At September 30, 2021, the District had $7,809,681 invested in assets, net of accumulated depreciation. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Capital Debt
At September 30, 2021, the District had $26,252,908 in bonds outstanding, including $5,057,908 of matured bonds payable. 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 Woodlands Community Development District's* Finance Department at 210 North University Drive, Suite 702, Coral Springs, Florida, 33071.

FINANCIAL STATEMENTS

The Woodlands Community Development District
Statement of Net Position
September 30, 2021

	Governmental Activities
Assets:	
Cash and cash equivalents	$ 1,004,844
Investments	1,118,936
Deposits	500
Prepaid expenses	24,829
Restricted Assets:	
Temporarily restricted investments	1,885,166
Capital Assets:	
Capital assets not being depreciated	6,605,013
Capital assets, net of depreciation	1,204,668
Total assets	11,843,956
Liabilities:	
Accounts payable and accrued expenses	4,586
Accrued interest payable	640,079
Matured bonds payable	5,057,908
Matured interest payable	6,329,740
Note payable to developer	43,364
Noncurrent liabilities:	
Due within one year	1,005,000
Due in more than one year	20,146,480
Total liabilities	33,227,157
Net Position:	
Net investment in capital assets	(18,443,071)
Unrestricted	(2,940,130)
Total net position	$ (21,383,201)

The Woodlands Community Development District
Statement of Activities
Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenue: Charges for Services	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:			
General government	$ 121,552	$ 103,420	$ (18,132)
Maintenance and operations	162,257	138,054	(24,203)
Interest on long-term debt	1,495,993	2,768,557	1,272,564
Total governmental activities	$ 1,779,802	$ 3,010,031	1,230,229
	General Revenues:		
	Investment and miscellaneous		14,564
	Change in net position		1,244,793
	Net position, beginning		(22,627,994)
	Net position, ending		$ (21,383,201)

The Woodlands Community Development District
Balance Sheet - Governmental Funds
September 30, 2021

	General	Debt Service	Total Governmental Funds
Assets:			
Cash and cash equivalents	$ 1,004,844	$ -	$ 1,004,844
Investments	1,118,936	1,885,166	3,004,102
Due from other funds	-	3,502	3,502
Deposits	500	-	500
Prepaid expenses	24,829	-	24,829
Total assets	$ 2,149,109	$ 1,888,668	$ 4,037,777
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued expenses	$ 4,586	$ -	$ 4,586
Due to other funds	3,502	-	3,502
Matured bonds payable	-	5,057,908	5,057,908
Matured interest payable	-	6,329,740	6,329,740
Total liabilities	8,088	11,387,648	11,395,736
Fund Balances:			
Nonspendable	25,329	-	25,329
Assigned - operating reserve	54,756	-	54,756
Assigned - lakes	30,000	-	30,000
Assigned - pump stations	50,000	-	50,000
Unassigned	1,980,936	(9,498,980)	(7,518,044)
Total fund balances	2,141,021	(9,498,980)	(7,357,959)
Total Liabilities and Fund Balances	$ 2,149,109	$ 1,888,668	$ 4,037,777

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.		7,809,681
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	(640,079)	
Bonds and note payable	(21,194,844)	(21,834,923)
Net Position of Governmental Activities		$ (21,383,201)

The Woodlands Community Development District
Statement of Revenues, Expenditures and Changes in the Fund Balances
Governmental Funds
Year Ended September 30, 2021

	General	Debt Service	Total Governmental Funds
Revenues:			
Special assessments	$ 241,474	$ 2,634,434	$ 2,875,908
Special assessments - prepayments	-	134,123	134,123
Investment and miscellaneous income	5,146	9,418	14,564
Total revenues	246,620	2,777,975	3,024,595
Expenditures:			
Current:			
General government	104,270	17,282	121,552
Maintenance and operations	97,735	-	97,735
Debt Service:			
Interest	-	1,504,681	1,504,681
Principal	-	960,000	960,000
Total expenditures	202,005	2,481,963	2,683,968
Excess (Deficit) of Revenues Over Expenditures	44,615	296,012	340,627
Net change in fund balances	44,615	296,012	340,627
Fund balances, beginning of year	2,096,406	(9,794,992)	(7,698,586)
Fund balances, end of year	$ 2,141,021	$ (9,498,980)	$ (7,357,959)

The Woodlands Community Development District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2021

Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Net change in fund balances - total governmental funds		$ 340,627
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. Depreciation of capital assets is not recognized in the governmental fund statements but is reported as an expense in the statement of activities.		
Assets capitalized	-	
Depreciation expense	(64,522)	
		(64,522)
Repayments of bond principal are expenditures in governmental funds while repayments reduce liabilities in the statement of net position. Also, governmental funds report the effect premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Matured bonds recorded as payable	960,000	
Reduction of note payable	5,874	
Amortization of bond discount	(3,109)	
		962,765
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		5,923
Change in net position of governmental activities		$ 1,244,793

The Woodlands Community Development District
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended September 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Special assessments	$ 241,526	$ 241,526	$ 241,474	$ (52)
Investment and miscellaneous income	10,000	10,000	5,146	(4,854)
Total revenues	251,526	251,526	246,620	(4,906)
Expenditures:				
Current:				
General government	115,406	115,406	104,270	11,136
Maintenance and operations	103,620	103,620	97,735	5,885
Capital Outlay	32,500	32,500	-	32,500
Total expenditures	251,526	251,526	202,005	49,521
Excess (Deficit) of Revenues Over Expenditures	-	-	44,615	44,615
Net change in fund balance	$ -	$ -	44,615	$ 44,615
Fund balance, beginning			2,096,406	
Fund balance, ending			$ 2,141,021	

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity
The Woodlands Community Development District, (the "District") was established on July 26, 2004 by the City of North Port, Florida, Ordinance 04-32 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 exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the final responsibility for:

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

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 District. 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.

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 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 fiscal period are all considered to be susceptible to accrual and 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 governmental funds, which are considered to be major 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.

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 government'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.

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 consist 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., 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 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 District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Irrigation & pumps	25
Stormwater systems	30

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. Issuance costs are expensed.

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 and 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, 2021.

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, 2021.

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 Assumptions
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
In fiscal year 2021, the District has not implemented any new accounting standards with a material effect on the District's financial statements.

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 a proposed operating budget for the fiscal year commencing the following October 1.
2. Public hearings are conducted to obtain taxpayer 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.

Deficit Fund Equity
The debt service fund has a deficit fund balance at September 30, 2021, causing a total deficit fund balance.

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 prices 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, 2021:

- Blackrock Institutional Funds Trust, T-Fund #60 of $1,885,166 are valued using Level 2 inputs.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED):

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:

1. The 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 savings accounts in qualified public depositories;
4. Direct obligations of the U.S. Treasury.

Investments made by the District at September 30, 2021 are summarized below.

Investment Type		Fair Value	Credit Rating	Weighted Average Maturity
Money Market Funds	$	1,118,936	NA	NA
Federal Securities T-Fund #60		1,885,166	AAAm	32 days
	$	3,004,102		

Credit Risk
The District's investment policy limits credit risk by restricting authorized investments to those described. 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, 2021, 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, 2021, 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 places no limit on the amount the District may invest in any one issuer.

Interest Rate Risk:
The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. 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 ASSESSMENTS RECEIVABLE

Receivables at September 30, 2021, included the applicable allowances for uncollectible accounts are as follows:

	Debt Service Fund
Assessments Receivable	12,708,232
Less: allowance for uncollectible accounts	(12,708,232)
Net Receivable	$ -

NOTE 5 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At September 30, 2021, the general fund owes the debt service fund $3,502 for assessments collected and due to the debt service fund.

NOTE 6 CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Construction in progress	$ 3,677,847	$ -	$ -	$ 3,677,847
Land	2,927,166	-	-	2,927,166
Total capital assets not being depreciated	6,605,013	-	-	6,605,013
Capital Assets Being Depreciated:				
Irrigation	790,723	-	-	790,723
Stormwater management systems	146,339	-	-	146,339
Hoover pump station	315,338	-	-	315,338
Irrigation pumps	385,069	-	-	385,069
Total capital assets being depreciated	1,637,469	-	-	1,637,469
Less Accumulated Depreciation for:				
Irrigation	(253,032)	(31,628)	-	(284,660)
Stormwater management systems	(19,512)	(4,878)	-	(24,390)
Hoover pump station	(35,836)	(12,613)	-	(48,449)
Irrigation pumps	(59,899)	(15,403)	-	(75,302)
Total accumulated depreciation	(368,279)	(64,522)	-	(432,801)
Total capital assets being depreciated, net	1,269,190	(64,522)	-	1,204,668
Governmental activities capital assets, net	$ 7,874,203	$ (64,522)	$ -	$ 7,809,681

Depreciation was charged to maintenance and operations for the current year.

NOTE 7 LONG-TERM LIABILITIES

Series 2004A Capital Improvement Revenue Bonds -Public Offering
On December 1, 2004, the District issued $31,615,000 of Series 2004A Capital Improvement Revenue Bonds to finance the acquisition and construction of certain improvements for the benefit of the property within the District. The Bonds are due May 1, 2035, with a fixed interest rate of 5.7%. Interest is due semiannually on each May 1 and November 1, commencing May 1, 2005. Principal is due annually on each May 1.

The Bonds are subject to optional redemption prior to their scheduled maturity in the manner outlined in the Bond Indenture. The Bonds are subject to extraordinary mandatory redemption prior to their scheduled maturity in the manner determined by the Bond Registrar if certain events occur as outlined in the Bond Indenture. In the event of default, all principal and interest of the Bond may become immediately due and payable.

The Bond Indenture requires that the District maintain adequate funds in a reserve account to meet the debt service reserve requirement as defined in the indenture. The requirement was not met as of September 30, 2021.

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 levy special assessments in annual amounts adequate to provide payment of debt service. Payment of principal and interest on the 2004 Bonds is secured by a pledge of and a first lien upon the pledged special assessment revenue. The District is not in compliance with the requirements of the Bond Indenture.

Total principal and interest remaining on the Series 2004 Revenue Bonds at September 30, 2021 is $42,969,473, including $11,387,648 which is accrued to matured bonds and matured interest payable. For the year ended September 30, 2021, principal due was $960,000 which was not paid. Principal on matured bonds of $210,000 was paid in the current year. Interest of $1,504,681 was due in the current year. Matured interest of $3,681,118 was paid. Total special assessment revenue pledged was $2,768,557.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
Series 2004	$ 22,155,000	$ -	$ (960,000)	$ 21,195,000	$ 1,005,000
Less issuance discount	(46,629)	-	3,109	(43,520)	-
Governmental activity long-term liabilities	$ 22,108,371	$ -	$ (956,891)	$ 21,151,480	$ 1,005,000

The beginning balance above excludes $4,307,908 of matured bonds payable. The current year reduction includes $960,000 which was not paid but was accrued to matured bonds payable. In addition, The District paid a total of $210,000 of matured bonds payable during the current year.

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

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

	Governmental Activities	
Year Ending September 30,	**Principal**	**Interest**
2022	$ 1,005,000	$ 1,208,115
2023	1,045,000	1,150,830
2024	1,105,000	1,091,265
2025	1,170,000	1,028,280
2026	1,240,000	961,590
2027 - 2031	7,325,000	3,665,385
2032 - 2035	8,305,000	1,281,360
	$ 21,195,000	$ 10,386,825

NOTE 8 RELATED PARTY PAYABLES

Note Payable
On April 9, 2009, the District entered into an agreement with the Bondholders for a special assessment note. The note is for a maximum amount of $100,000 which may be drawn upon. The Note is considered non-recourse and is secured solely by future special assessments collected by the District. Amounts drawn are to be utilized to fund the pursuit of collection remedies as a result of the default of the landowners. The loan bears interest at 3.17%. The Note was originally due on March 1, 2013; however, the maturity date was extended to March 1, 2015. Principal is payable in equal annual installments commencing on the payment date and ending on the maturity date. The payment date is each July 1 commencing in the fiscal year after title to the land is no longer in the name of the District, and Special Purpose Entity, original landowner, etc.

Interest accrues on amounts from the first date of draws and is payable on the payment date. At September 30, 2021, total draws on the loan were $71,082. This amount is reported as a current liability on the government-wide statement of net position and not the fund financial balance sheet. During the year, the District received payment of $5,874 to reduce the loan balance to $43,364 Additionally, accrued interest of $2,311 was paid. Interest due on the unpaid portion of the note is accrued at year end.

NOTE 9 LANDOWNER ASSESSMENTS AND FORBEARANCE AGREEMENT

The District is economically dependent on certain major landowners. A significant portion of the current year assessments was received from the major landowners. Of the total assessments collected in the current year, 68% was received from the major landowners. Additionally, significant assessments are due from certain landowners that have not been collected. The assessments receivable from these landowners have been fully reserved for due to the uncertainty as to the timing of collection.

The Trustee, acting on behalf of the Bondholders and the delinquent landowners entered into a forbearance agreement whereby the Trustee agrees to “stand-still” and instruct the District not to foreclose upon or otherwise seek to enforce collection of the debt assessments levied against the land owned by the delinquent landowners until the Termination Date. The Termination Date was October 31, 2017 and has not been modified or extended. The District has not received a request to institute foreclosure proceedings within the time provided by the Forbearance Agreement.

NOTE 9 LANDOWNER ASSESSMENTS AND FORBEARANCE AGREEMENT (CONTINUED)

On June 26, 2018, the District was served with a lawsuit in connection with a Quiet Title Action filed by tax deed holders related to 4 undeveloped parcels in the District. The lawsuit names the District, among other parties, and specifically seeks a judicial determination that the parcels are free and clear of any liens or assessments, including the District's lien and debt assessments securing the Series 2004 Bonds. The District and the Trustee entered into a joint defense agreement, pursuant to which the Trustee is defending against the tax deed holders' claim. On May 28, 2019 the court entered an amended order, incorporating a final judgment against the District and other defendants, declaring that the District is barred by the statute of limitations from enforcing the debt assessments on certain parcels for failure to enforce the debt assessments in a timely manner; the District's lack of enforcement of the debt assessments was done in accordance with the express direction of the bondholders. The order further precludes the District from enforcing or collecting any portion of the delinquent debt assessments on those parcels. The District appealed the amended order, however, on November 12, 2019 the Second District of the State of Florida dismissed the appeal on grounds it was based on a non-final order. The case has been inactive since the dismissal but is still pending.

In September 2018 and July 2019, the District was served with two additional lawsuits in connection with O&M Assessments. These O&M Assessment cases seek to invalidate the District's O&M Assessments on three parcels which were originally intended to be direct collected and were subsequently placed on the tax roll. The Plaintiff's claims could result in disgorgement of O&M assessments collected by the District. The cases are being vigorously defended by the District. Subsequent to year end, the cases have been settled, and as part of the settlement agreement all claims against the District have been released.

On March 7, 2019 the Board of Supervisors of the District adopted Resolution 2019-04 which approved the form of a settlement agreement with the Trustee and landowner relating to a proposed sale of 2 other parcels (not affiliated with the lawsuit), that may bring the delinquent debt assessments current for those 2 parcels. The agreement was executed in August 2020. Under the terms of the agreement, as the underlying properties are sold to a homebuilder, the landowner is required to pay all delinquent assessments to the District. During the year ended September 30, 2021, delinquent debt assessments totaling $1,683,776 were paid to the District in connection with this agreement.

NOTE 10 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. Settled claims from these risks have not exceeded commercial insurance coverage since inception of the District.

NOTE 11 DETERIORATING FINANCIAL CONDITION

The District's financial conditions have deteriorated due to the non-collection of assessments owed by major landowners. The debt service fund has a deficit fund balance and the District is in default on the Series 2004A Bonds and the Note Payable to the Bondholders due to non-payment of debt service amounts.

NOTE 12 SUBSEQUENT EVENTS

Subsequent to year end, the District approved refinancing the Series 2004 Bonds.

Subsequent to year end the District made principal payments of $160,000 and interest payments of $2,744,722 on the Series 2004 Bonds.

As disclosed in Note 9, subsequent to year end, the debt assessment case and the O&M cases have been settled. As part of the settlement agreement, both cases have been dismissed and all claims against the District have been released.

COMPLIANCE SECTION

McDirmit Davis

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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*

To the Board of Supervisors
The Woodlands 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 Woodlands Community Development District* (the "District") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 17, 2022. Our Independent Auditor's Report includes an emphasis of matter for deteriorating financial conditions.

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 audit 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in Appendix A to this report.

We noted certain other matters that we reported to management of the District in a separate letter dated June 17, 2022. The District's response to our findings identified in our audit is included in this report. We did not audit the District's response, and accordingly, we express no opinion on it.

Purpose of this Report

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

McDirmit Davis

Orlando, FL
June 17, 2022

McDirmit Davis

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MANAGEMENT LETTER

Board of Supervisors
The Woodlands Community Development District

Report on the Financial Statements
We have audited the financial statements of *The Woodlands Community Development District*, (the "District") as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated June 17, 2022. Our report includes an emphasis of matter for deteriorating financial conditions.

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 Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 17, 2022, 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 audit report except as noted below.

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2020-21 FY Finding #	2019-20 FY Finding #
13-01	13-01	13-01
13-02	13-02	13-02

Official Title and Legal Authority
Section 10.554(1)(i)4. And 10.556(7), 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 identification of the specific condition(s) met. In connection with our audit, we determined that District met one of the conditions described in Section 218.503(1), Florida Statutes. This condition is described in Appendix B.

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 in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Specific Information

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

a. The total number of District employees compensated in the last pay period of the District's fiscal year as zero.
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 zero.
d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as $94,281.
e. Each construction project with a total cost of at least $65,000 approved by the District that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as: none
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 see page 21 of financial statements.

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:

Phase	Village	General Fund	Debt Service
A	Townhomes	$34.57	$330.70
B-C-1	Cypress Falls Quad	103.16	998.83
B-C-1	Cypress Falls Single Family	123.84	1,187.06
B-C-1	Cypress Falls Villa	103.16	988.83
B-C-2	Cypress Falls Quad	103.16	984.47
B-C-2	Cypress Falls Single Family	123.84	1,181.84
D	Single Family	105.34	1,007.58
E	Single Family	104.95	1,003.79
F	Townhomes	49.09	469.56
G	Cedar Grove	137.62	1,316.29

b. The total amount of special assessments collected by or on behalf of the District as $1,042,847.
c. The total amount of outstanding bonds issued by the District and the terms of such bonds as see notes to financial statements.

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.

McDirmit Davis

Orlando, Florida
June 17, 2022

13-01 - Failure to Make Debt Service Payments When Due

Criteria
The Capital Improvement Revenue Bonds Series 2004A require interest and principal payments as per the Bond Indenture.

Condition
In the current and prior years, the District did not pay all of the principal and interest due on the Series 2004A Bonds.

Cause
The District did not receive special assessments from certain landowners.

Effect
At September 30, 2021, the District was not in compliance with the requirements of the Bond Indenture and has met a financial emergency condition as described in Florida Statute Section 218.503(1).

Recommendation
We recommend the District utilize all remedies available to bring debt service payments current.

13-02- Failure to Meet Debt Service Reserve Account Requirement

Criteria
The Trust Indenture requires the District to maintain a minimum balance in the Series 2004A Debt Service Reserve Account.

Condition
At September 30, 2021, the Series 2004A Debt Service Reserve Account was deficient.

Cause
The balance in the Series 2004A Debt Service Reserve Account was used to pay debt service payments.

Effect
The District is not in compliance with the Trust Indenture.

Recommendation
We recommend the District utilize all remedies available to replenish the Debt Service Reserve Accounts.

13-01 - Failure to Make Debt Service Payments When Due

In the current year, the District did not pay all of the principal and interest due on the Series 2004A Bonds as a result of lack of funds; therefore the District meets Section 218.503(1)(a) as a financial emergency condition.

McDirmit Davis

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

Board of Supervisors
The Woodlands Community Development District

We have examined *The Woodlands Community Development District's* (the "District") compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2021. 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, 2021.

McDirmit Davis

Orlando, Florida
June 17, 2022

The Woodlands Community Development District
210 N. University Drive, Suite 702
Coral Springs, Florida 33071

May 18, 2022

McDirmit Davis, LLC

Response to the Auditor's Management Comments and Prior Audit Findings
for the fiscal year ended September 30, 2021

Finding 13-01: Failure to Make Debt Service Payments When Due

Finding 13-02: Failure to Meet Debt Service Account Requirement

In 2013 the District entered into a Forbearance Agreement with the Trustee and landowners, pursuant to direction received from the Trustee, and agreed not to engage in enforcement or collection activity on the delinquent debt assessments until the Forbearance Agreement terminates on October 31, 2017 or upon the direction of the Trustee. The District never received such direction from the Trustee. See Note 9 to the Financial Statements in the Audit. The Forbearance Agreement terminated on October 31, 2017 and was not further modified or extended. During the term of the Forbearance Agreement there was no action that could be taken by the District to enforce or collect the delinquent debt assessments, including efforts to collect the funds required to replenish the Debt Service Reserve Requirement.

There was a Quiet Title Action filed by tax deed holders in 2018 related to 4 undeveloped parcels in the District challenging a portion of the District's delinquent debt assessments securing the Series 2004 Bonds on such parcels. This lawsuit has been settled by the Plaintiffs and the current landowner (as of April 18, 2022) and the lawsuit has been dismissed and all claims against the District have been released.

On May 17, 2022 the Board of Supervisors of the District adopted Resolution 2022-06 which approved the form of a settlement agreement with the Trustee and landowner relating to a proposed sale of 3 undeveloped parcels that were involved in the lawsuit, that may bring the delinquent debt assessments current for those parcels. The agreement is expected to be executed in May 2022. Under the terms of the agreement, as the underlying properties are sold to a homebuilder, the landowner is required to pay all delinquent assessments to the District.

Accordingly, the Auditor's findings are duly noted and the Auditor's recommendations for the District to utilize all remedies available to it have been attempted in good faith as evidenced by the District's actions. The District is diligently working with its legal counsel and the Trustee to find remedies to avoid such findings in the future.